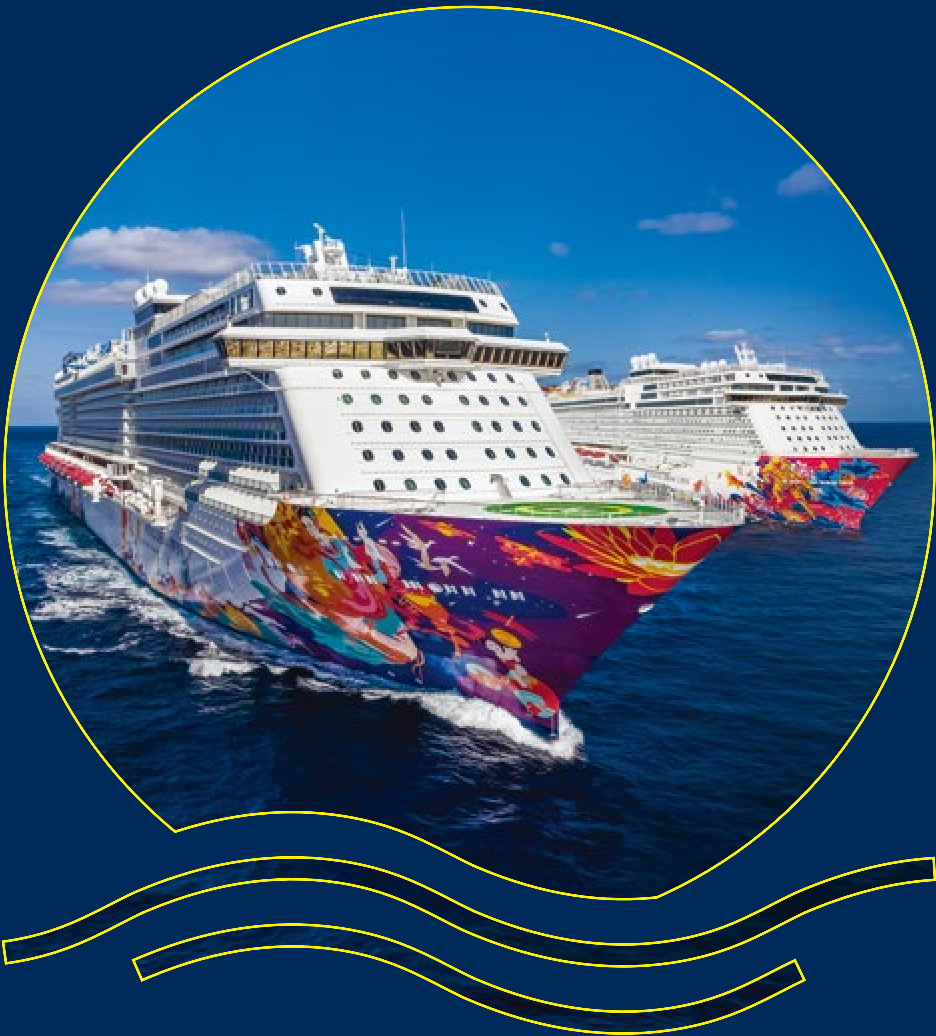
GENTING
HONG KONG

ANNUAL REPORT 2018



25 YEARS LEADING THE WAY

Genting Hong Kong Limited
(Continued into Bermuda with Limited Liability)
Stock Code: 678

OUR MISSION

"We are a leading global leisure, entertainment and hospitality corporation committed to enhancing shareholder value and maintaining long term sustainable growth in our core businesses."

WE WILL

Be responsive to the changing demands of our customers and excel in providing quality products and services.

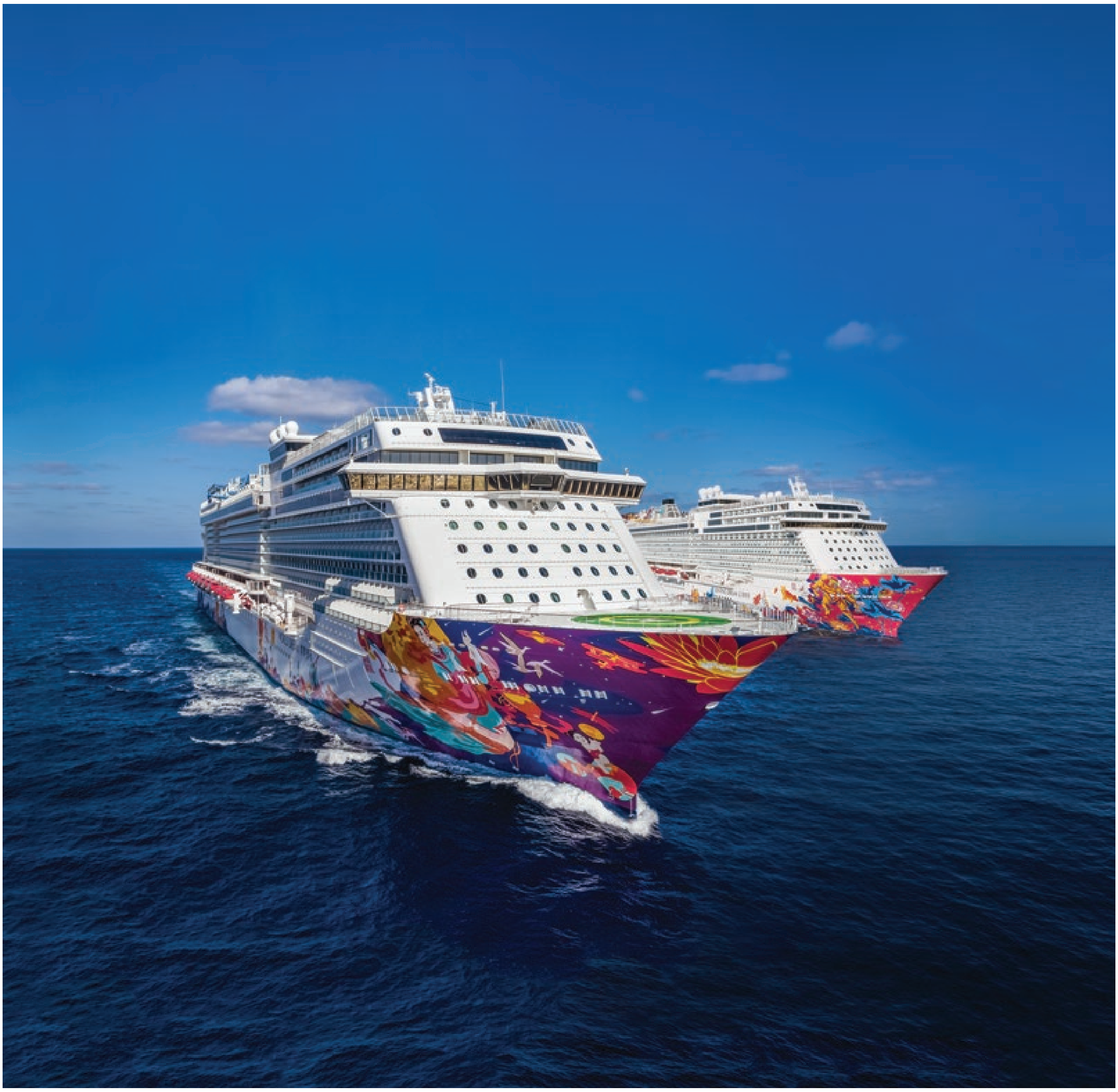
Be committed to innovation and the adoption of new technology to achieve competitive advantage.

Generate a fair return to our shareholders.

Pursue personnel policies which recognise and reward performance and contributions of employees and provide proper training, development and opportunities for career advancement.

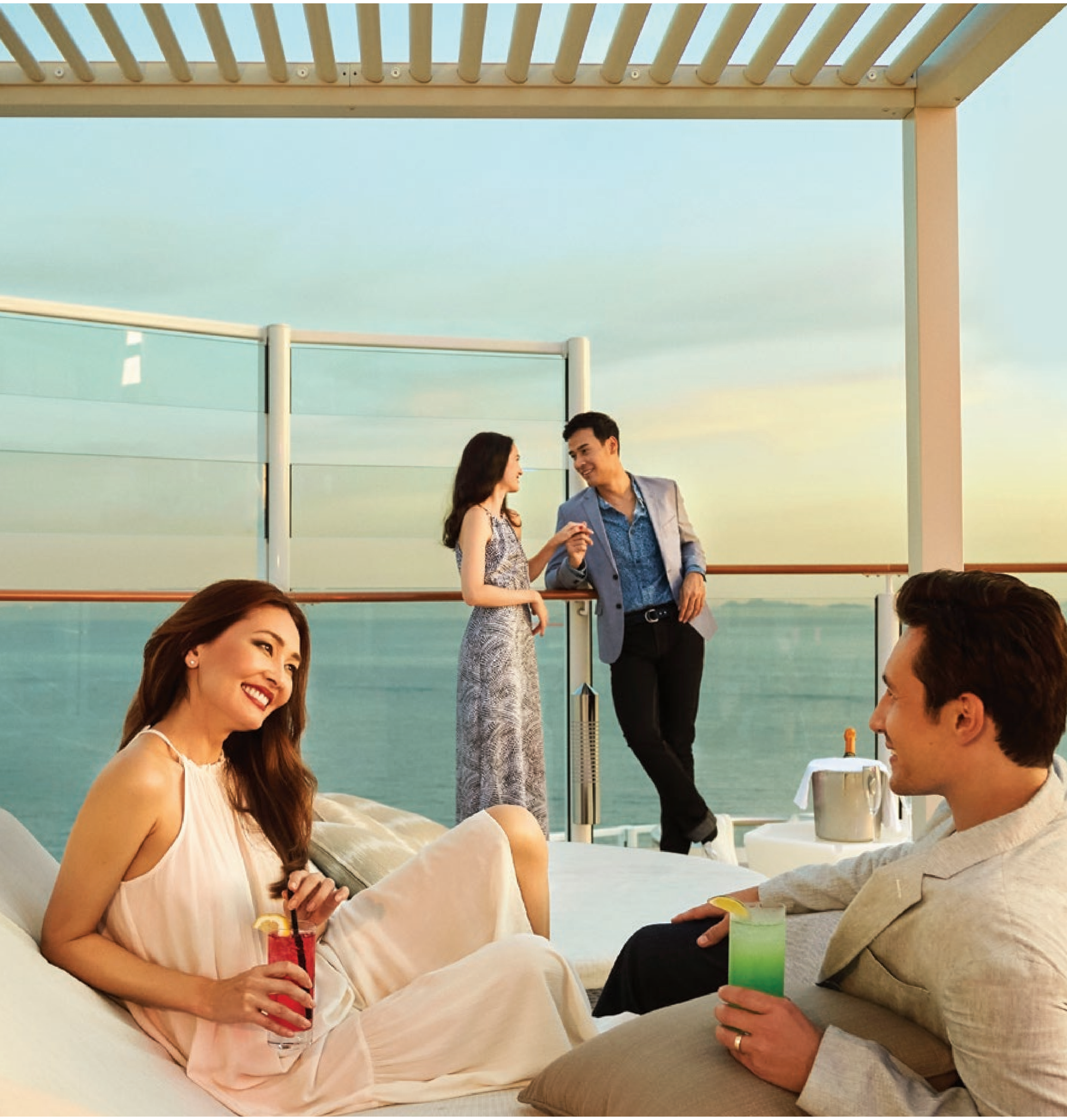
Be a responsible corporate citizen, committed to enhancing corporate governance and transparency.

GENTING
HONG KONG



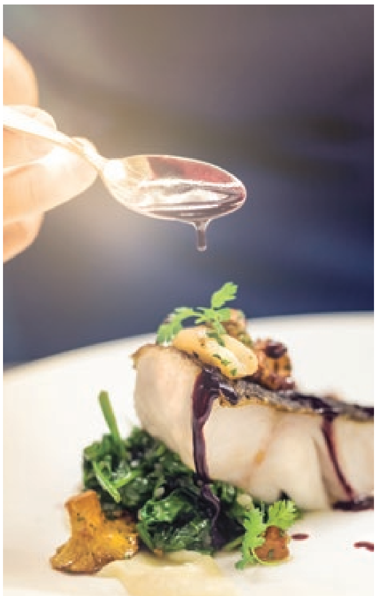
CRYSTAL CRUISES
DREAM CRUISES
STAR CRUISES

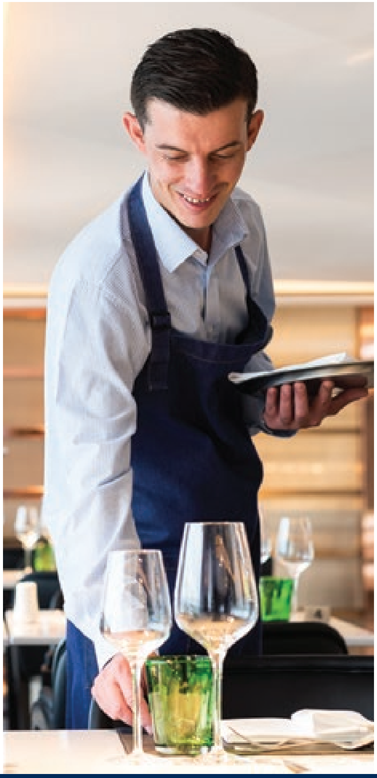
MV WERFTEN
Lloyd Werft
ZOUK
Resorts World MANILA



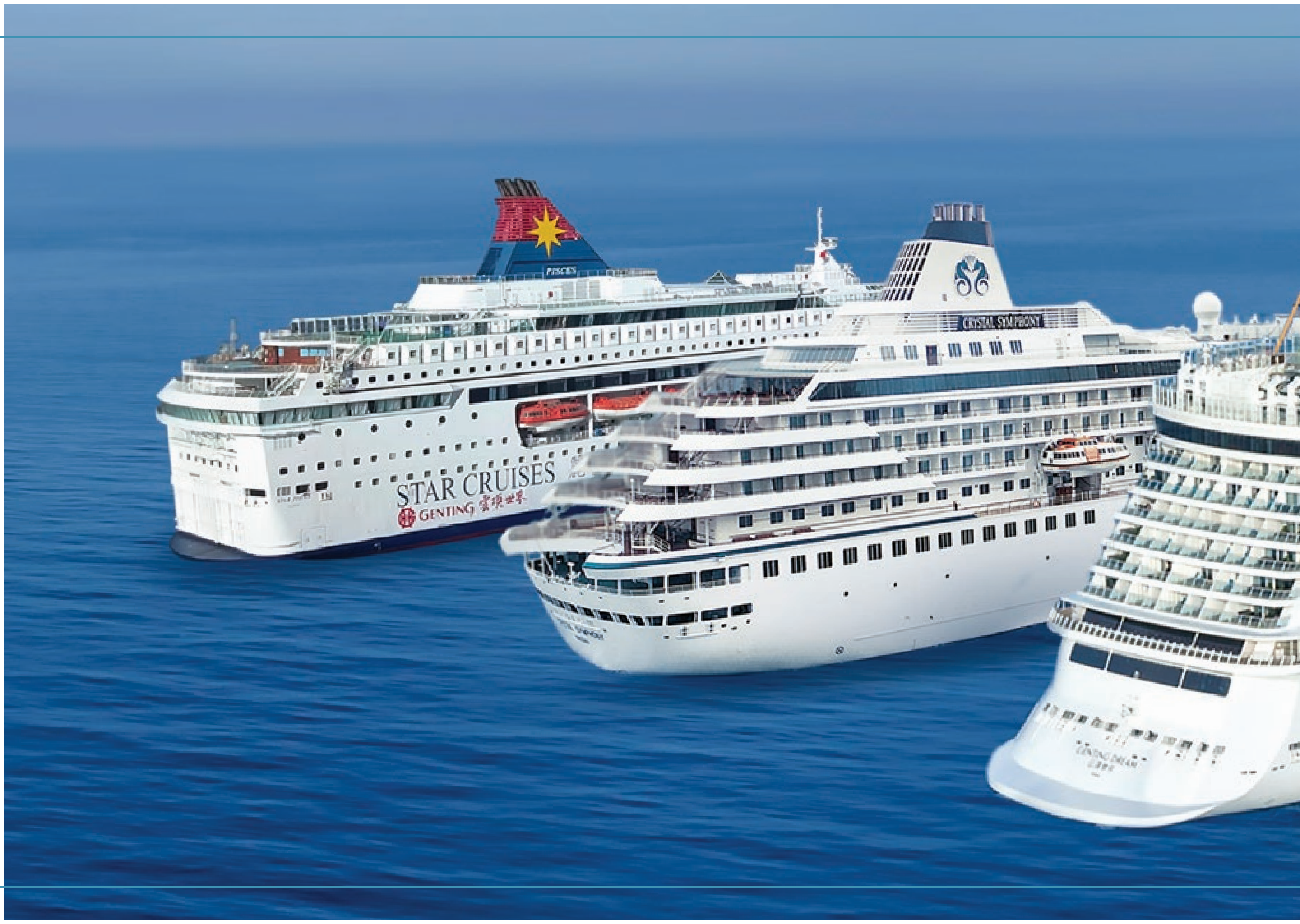
FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of Genting Hong Kong Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") are operating or will operate in the future. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Group, are difficult to predict and could cause actual results to differ materially from those expected or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include general economic, political and business conditions, changes in cruise industry competition, weather, force majeure events and/or other factors. Reliance should not be placed on these forward-looking statements, which merely reflect the view of the Company as of the date of this report only. The Company is under no obligation to revise or update publicly these forward-looking statements or any part thereof to reflect events or circumstances resulting from any new information, future events or otherwise on which any such statement was based.





CONTENTS



ABOUT US

Genting Hong Kong Limited ("Genting Hong Kong") is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses including Genting Cruise Lines comprising of Star Cruises, Dream Cruises, and Crystal Cruises, along with German shipyards MV Werften and Lloyd Werft, prominent nightlife brand Zouk, and Resorts World Manila ("RWM"), an associate of Genting Hong Kong.

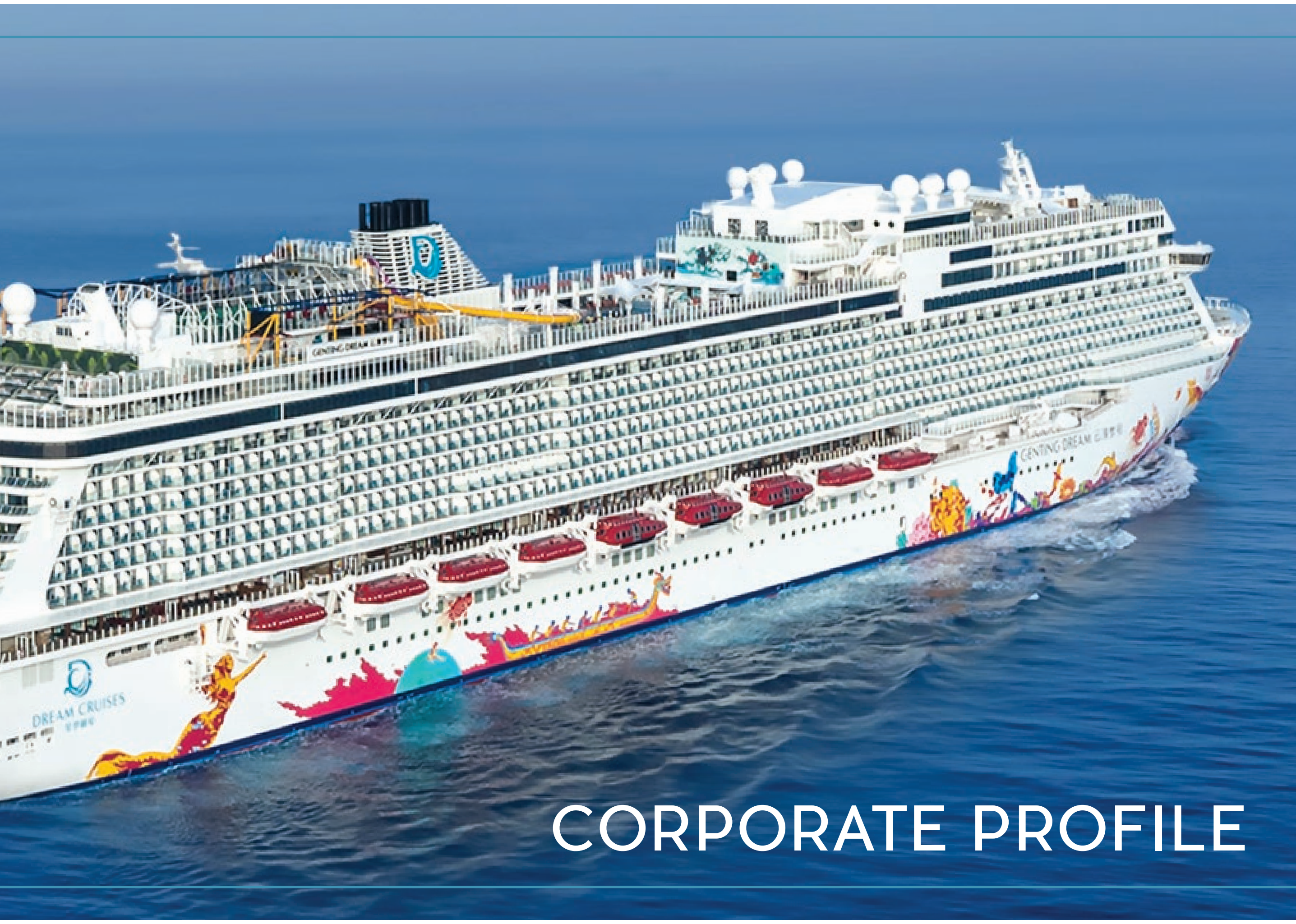
Headquartered in Hong Kong, Genting Hong Kong has a presence in more than 20 locations worldwide with offices and representation in Australia, China, Germany, India, Indonesia, Japan, Malaysia, the Netherlands, the Philippines, Singapore, Sweden and the United States.

A pioneer in its own right, Genting Hong Kong was incorporated in November 1993, operating its fleet under Star Cruises, to take on a bold initiative to grow the Asia Pacific region as an international cruise destination. Star Cruises has built its reputation on offering first-rate Asian hospitality throughout its fleet consisting of SuperStar Gemini, SuperStar Aquarius, Star Pisces and The Taipan.

Dream Cruises' fleet of Genting Dream (launched 2016) and World Dream (launched 2017) deliver the highest level of guest service and spacious comfort in the region. Catering to a wide spectrum of consumers in China and Asia, the Dream Cruises experience provides passengers with more choice, comfort and value to create a perfect dream voyage. Explorer Dream, launched in April 2019, will further fuel Dream Cruises' global aspirations while production has also started in Germany on two new Global Class ships that will join the fleet beginning in Q1 2021.

Crystal Cruises is the world's leading luxury cruise provider, having earned more "World's Best" awards than any other cruise line, hotel, or resort in history. In 2015, Crystal embarked on the most significant brand expansion in the history of luxury travel and hospitality, which introduced two new classes of cruising – Crystal Yacht Expedition Cruises and Crystal River Cruises – and reached new heights with Crystal Luxury Air and Crystal AirCruises.

To capitalize on the growing demand for new cruise ships and to realize the Company's own expansion plans, in 2016, Genting Hong Kong established MV Werften comprising of three shipyards in Wismar, Rostock and Stralsund, Germany following the purchase of Lloyd Werft the previous year which specializes in building megayachts and other newbuilds. With the consolidated expertise and facilities of the shipyards, including approximately 2,800 experienced management and workers, MV Werften will be capable of building large-scale mega-ships for the Company.



CORPORATE PROFILE

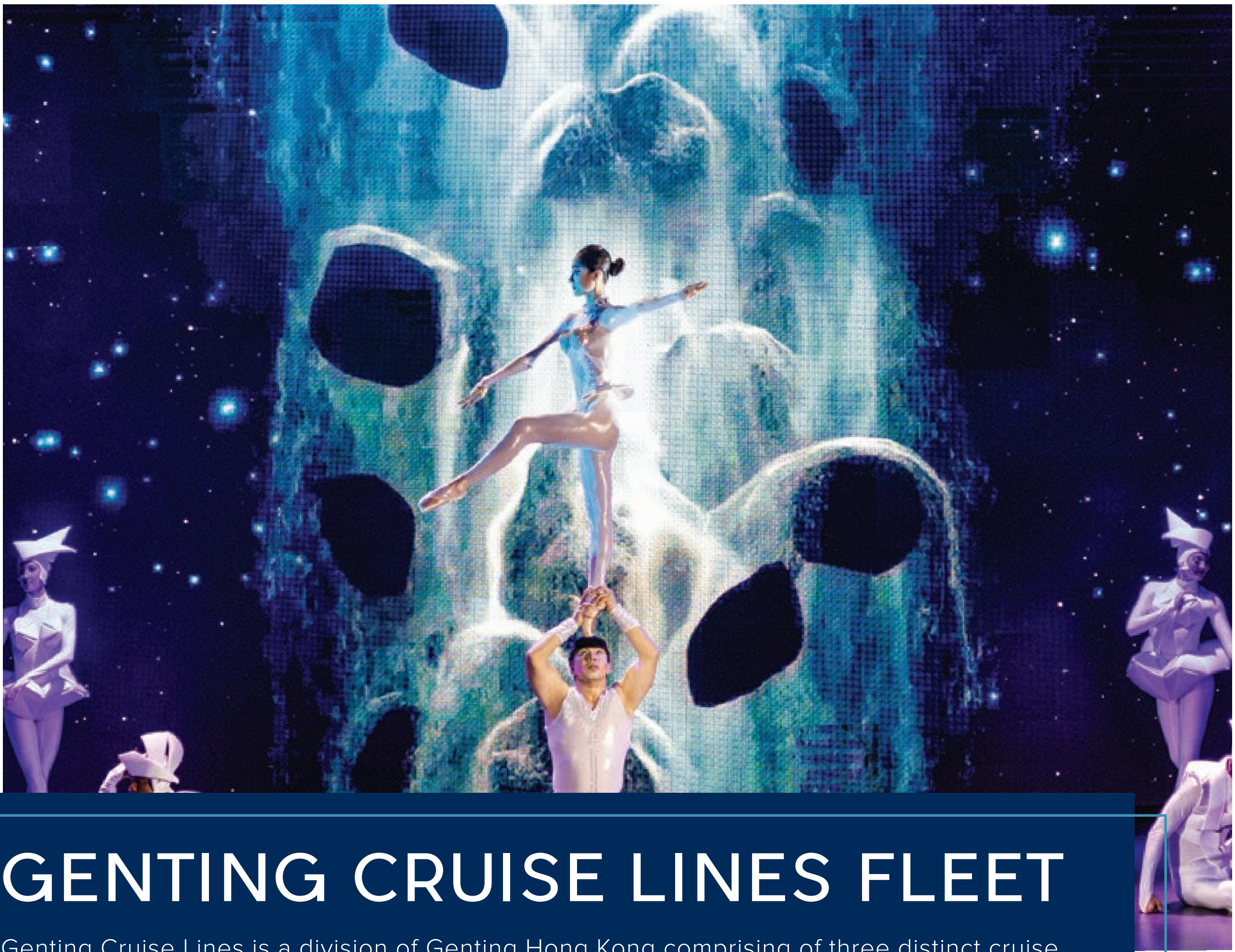
Zouk is an iconic music-driven entertainment club that provides a world-class clubbing experience by pushing the boundaries of electronic dance music and bringing in a constant flow of internationally renowned DJs. As the only club from the Asia Pacific region to regularly retain its top 10 position in DJ Mag's Top 100 Clubs global poll, Zouk is currently ranked fifth and is the trendsetter in propelling Asia's dance music scene forward.

Travellers International Hotel Group, Inc. ("Travellers"), an associate of Genting Hong Kong, opened its first land-based attraction, Resorts World Manila, in the Philippines in August 2009. RWM is the Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world-class leisure alternatives, featuring seven hotels including the all-suite Maxims Hotel Manila, an iconic shopping mall, four high-end cinemas and a multi-purpose performing arts theatre. Travellers has been listed on the Philippine Stock Exchange since November 2013.

Genting Hong Kong's unique venues and itineraries, coupled with a promise to deliver best-in-class services, will ensure an unforgettable experience for each and every guest. The Company will continue to leverage off the Genting Group's unrivalled regional expertise in land-based resorts development as it looks to expand its individual footprint. Genting Hong Kong constantly seeks new scalable business opportunities and ways in which the Company can excel and improve its business proposition.

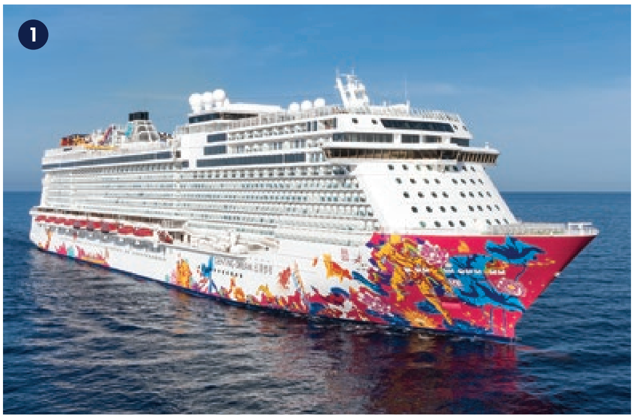
Genting Hong Kong is listed on the Main Board of the Stock Exchange of Hong Kong Limited under the stock code "678" and Travellers is listed on the Philippine Stock Exchange under the ticker "RWM".

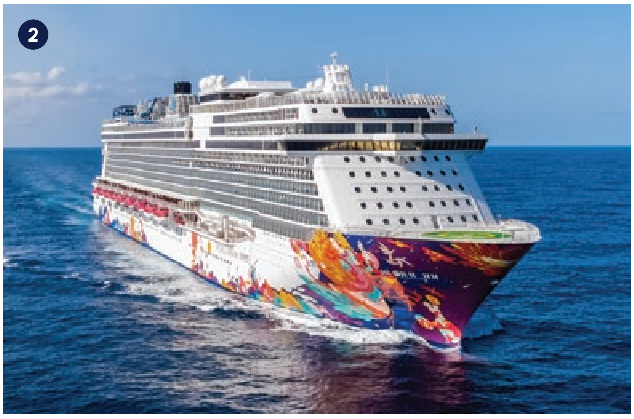
"Genting Hong Kong's unique venues and itineraries, coupled with a promise to deliver best-in-class services, will ensure an unforgettable experience for each and every guest."



GENTING CRUISE LINES FLEET

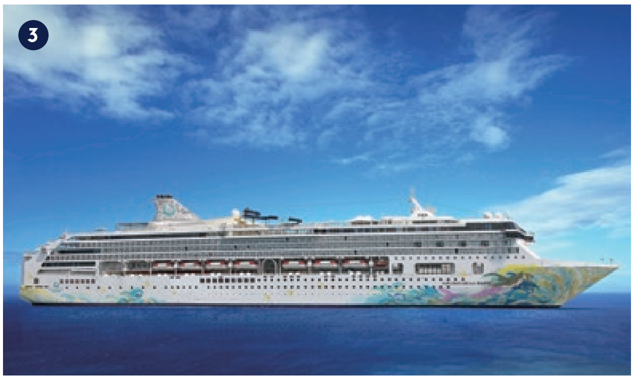
Genting Cruise Lines is a division of Genting Hong Kong comprising of three distinct cruise brands – Dream Cruises, Crystal Cruises and Star Cruises – providing a range of products from contemporary cruises to ultra-luxurious vacation experiences spanning the sea to air.





DREAM CRUISES

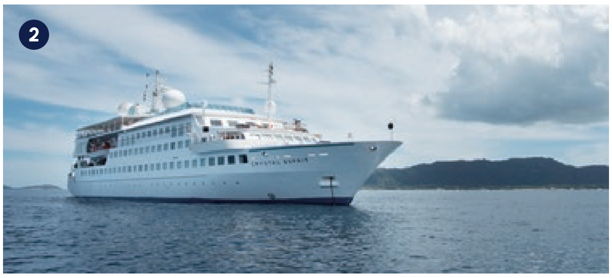
Dream Cruises aims to be a pacesetter in the cruise industry in the region, meeting the needs of the 'emerging generation' of confident, independently-minded and upwardly-mobile Asian travellers. Dream Cruises offers inspirational journeys, which are Asian at heart and international in spirit.

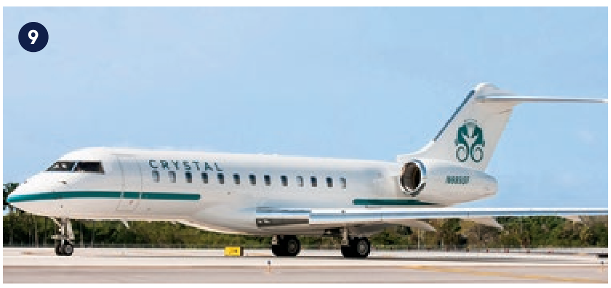


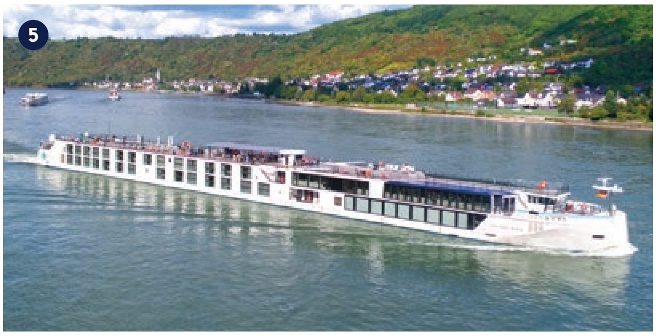
1 - Genting Dream **2 -** World Dream **3 -** Explorer Dream

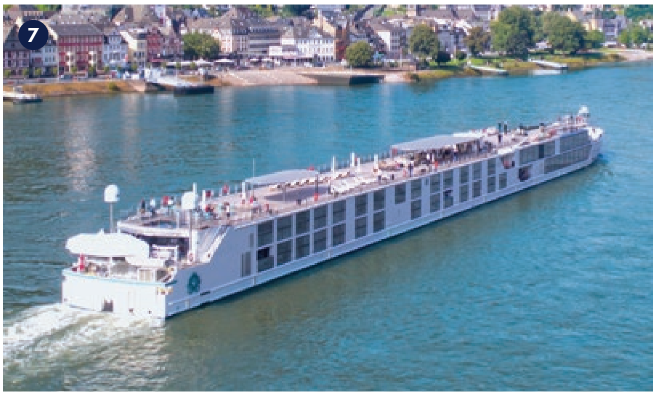
CRYSTAL CRUISES

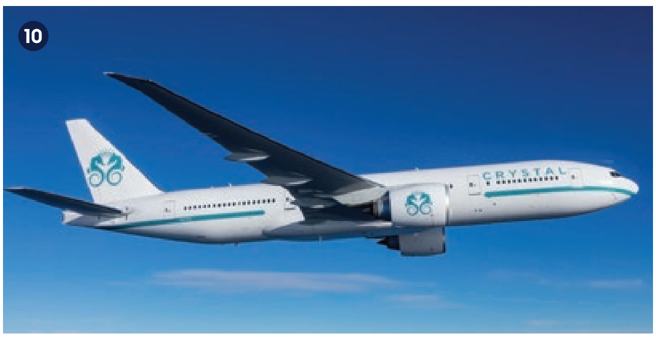
By sea, river, land or air, Crystal has redefined the way the world views luxury travel. The world-renowned Crystal Experience – featuring global journeys with Crystal Cruises, Crystal River Cruises, Crystal Yacht Expedition Cruises, Crystal AirCruises and Crystal Air – continues to entice the world's most discerning travelers with incomparable luxury and unparalleled personal service.







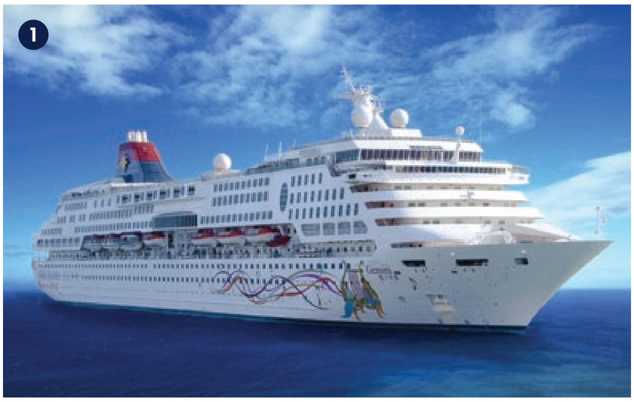


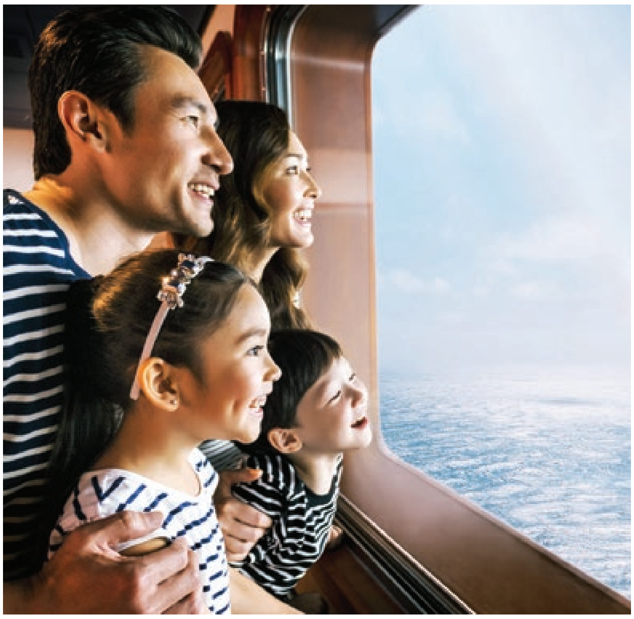


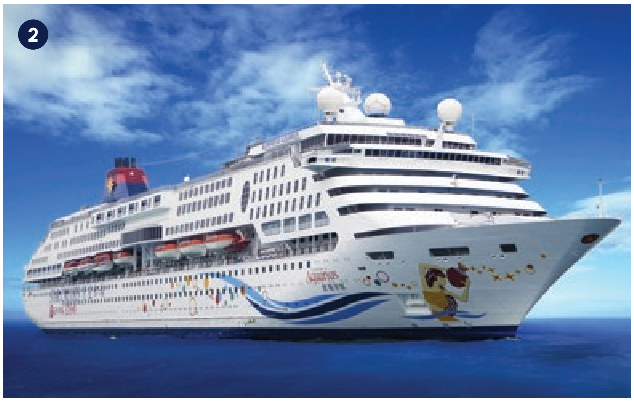
1 - Crystal Serenity **2 -** Crystal Esprit **3 -** Crystal Symphony **4 -** Crystal Debussy **5 -** Crystal Bach
6 - Crystal Mozart **7 -** Crystal Mahler **8 -** Crystal Ravel **9 -** Crystal Luxury Air **10 -** Crystal Skye

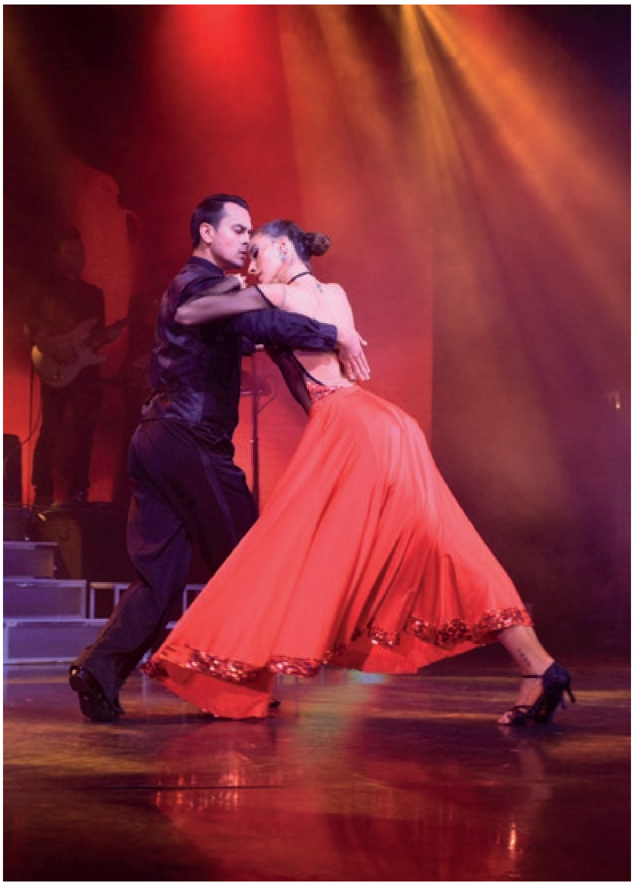
STAR CRUISES

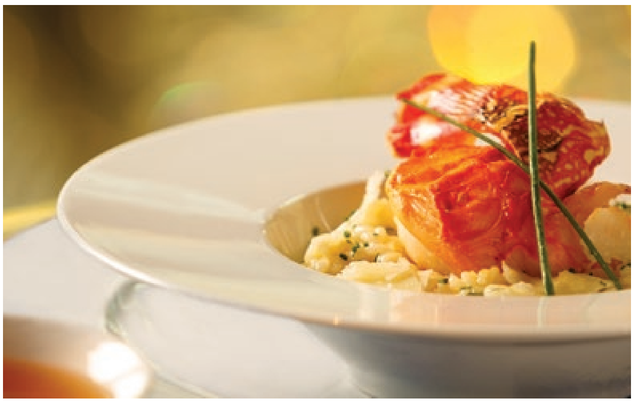
A pioneer in the Asia Pacific cruise industry, Star Cruises has been operating its fleet since 1993, taking on the bold initiative to grow the region as an international cruise destination with its fleet.











1 - SuperStar Gemini **2 -** SuperStar Aquarius **3 -** The Taipan **4 -** Star Pisces

RESORTS WORLD MANILA

PHILIPPINES' PIONEER INTEGRATED RESORT

As the Philippines' pioneer in the integrated resort industry, Travellers International Hotel Group, Inc. ("TIHGI") has long established itself as the industry game-changer through the Resorts World Manila ("RWM") brand. In 2018, it has proven its ability to keep the momentum for growth and innovation, while maintaining its reputation for delivering world class thrills with a Filipino touch through its 5,000 employees.

The Grand Wing held its soft opening in Q2 2018 to complement the original Garden Wing gaming facility, with an all-VIP gaming area.

The Garden Wing houses the non-VIP area on the ground floor with a themed high energy zone and live entertainment. The Garden Wing VIP area is located on the third floor and includes the exclusive Genting Club, an invitation-only private gaming facility that features luxurious furnishings, fine dining options, and a high-end lounge. The Grand Wing gaming floor caters to the upscale gamer who prefers the openness and energy of the premium mass market of the non-VIP floor. A state-of-the-art live entertainment bar at the Grand Wing features a dynamic stage which allows premium views of shows from every corner of the bar.

Moving in lockstep with the record number of international tourist arrivals to the Philippines, RWM has expanded and upgraded its hotel segment to include major global hospitality brands and saw the opening of the country's first Holiday Inn Express hotel and the return of the Philippines' first five star brand, the Hilton Manila in 2018.

Once completed, the Grand Wing will comprise of three international luxury hotels – Hilton Manila, Sheraton Manila Hotel, and Hotel Okura Manila, with the latter two opening in 2019.

On the entertainment front, RWM, through the Full House Theater Company, created an original Filipino production as its ninth theater offering. The show, Ang Huling El Bimbo, which is based on the songs of an iconic 90's Philippine rock band, proved to be one of Full House Theater Company's most successful productions to date, with multiple sold-out shows and a slew of industry citations.

The year also saw the opening of the first Courtyard by Marriott hotel in the Philippines in Iloilo City – TIHGI's first foray outside of the Philippine Capital. The property, which opened in May 2018, is also the first 5-star rated hotel in Western Visayas.

With the imminent completion of its Phase 3 development in 2019, RWM is set to be largest and most diversified integrated resort in the country in terms of gaming space, MICE facilities, hotel brands and class segmentations, as well as in retail, dining, and entertainment. The Ritz-Carlton Hotel is set to open next year, making RWM the home for its first Philippines property.

Further ahead, the Resorts World brand is set to expand its presence in the country with the construction of its second location underway at Entertainment City – the Metro Manila gaming strip operated by the Philippine Amusement and Gaming Corporation. Resorts World Westside City will open in 2021 as a 31-hectare development with over 1,500 hotel rooms from in-house and global brands and debut entertainment and gaming features.

RWM has also established a reputation for responsible corporate citizenship through multi-award winning CSR programs such as Run With Me, the League of Volunteer Employees ("LOVE"), LOVE Grants, LOVE Dish, and more.

TAN SRI LIM KOK THAY

Chairman and Chief Executive Officer
Genting Hong Kong Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

Twenty-five years ago, Genting Hong Kong Ltd started cruising in Asia and we marked our Silver Anniversary with a celebration on Genting Dream and World Dream judged as two of "The Top 10 Large Resort Ships" in the world by the 2019 Berlitz "Cruising & Cruise Ships". Since then we have grown globally and now have 3 cruise brands catering for the 3 main cruise segments – Crystal Cruises in the luxury segment; Dream Cruises in the premium/luxury segment and Star Cruises in the contemporary segment. Crystal Cruises' source market is international whilst Dream and Star Cruises' source market is the fast-growing Asian middle class.

"Twenty-five years ago, Genting Hong Kong Ltd started cruising in Asia and we marked our Silver Anniversary with a celebration on Genting Dream and World Dream, judged as two of "The Top 10 Large Resort Ships" in the world by the 2019 Berlitz "Cruising & Cruise Ships".

Since then we have grown globally and now have 3 cruise brands catering for the 3 main cruise segments – Crystal Cruises in the luxury segment; Dream Cruises in the premium/ luxury segment and Star Cruises in the contemporary segment.

Crystal Cruises' source market is international whilst Dream and Star Cruises' source market is the fast-growing Asian middle class."

In 2000, we acquired Norwegian Cruise Line Holdings Ltd ("NCLH") and focused our attention on the US market by transferring and ordering new ships for NCLH and took over old NCLH ships for Star Cruises brand. We successfully grew NCLH to be one of three largest cruise lines in the world with the youngest cruise ships and the most profitable brand on a cruise per capacity basis.

In 2018, we disposed of our last remaining shares in NCLH. The funds from previous disposals of NCLH shares were partly redeployed to acquire Crystal Cruises in 2015 and MV Werften ("MVW") in 2016. MV Werften was created from a group of 3 shipyards in Germany, in order to build our own cruise ships in a timely manner for our 3 cruise brands and not be reliant on the limited number of shipyards with capacity to build large cruise ships as their orderbook stretched all the way to 2027 for deliveries.

DREAM CRUISES

In 2013, we decided to refocus our attention on the booming Asian market and ordered two large ships, the Genting Dream and the World Dream with delivery in late 2016 and late 2017 for a new brand, Dream Cruises for Asian sourced markets. The two ships are now positioned in Hong Kong, Guangzhou and Singapore respectively, offering cruises to Japan, Philippines, Vietnam, Indonesia, Malaysia and Thailand with world-class new large cruise ships. Since its launch, Dream Cruises has won a number of Asian cruise industry awards and is the cruise brand of choice in most countries in Asia.

In April 2019, Explorer Dream (the former SuperStar Virgo) will join the Dream Cruises fleet after major refurbishment and revitalization, with almost the same number of amenities as the Dream Class ships, including the award-winning Palace Suites. She will offer cruises from Shanghai and Tianjin, preparing the foundations for the deployment of the first Global Class ship in 2021, by increasing Dream Cruises brand awareness and creating ties with the travel industry in Eastern and Northern China. In October of 2019, Explorer Dream will cruise in Australia and New Zealand (summer in the Southern Hemisphere), starting the first step in a medium and long-term strategy of offering a cruise alternative to about 150 million Asians who are traveling outside Asia.

The Global Class ships are the first to be completely designed for the Asian cruise industry with amenities such as the largest balcony cabins at sea – suitable for the Asian family with split bathrooms featuring separate toilet and shower areas, a complete deck of 148 luxury 2-room "Palace Suites" with curated Asian luxury cuisine and butler service; first theme park at sea; first cineplex with 8 screens at sea; largest number of Food & Beverage outlets including fine, casual dining and fast food and other onboard activities. Extensive use of escalators will greatly improve passenger circulation onboard. Passenger boarding, onboard and debarking experiences will be enhanced by state-of-the-art digital solutions with facial and voice recognition; use of mobile phone-based app for most services; contextual marketing for better values, "smart cabins" and other digital experiences onboard comparable with what digital-experienced Asians are enjoying on land.

CRYSTAL CRUISES

Crystal Cruises was formed 30 years ago by NYK and we bought the cruise line in 2015 and expanded the fleet with 5 river ships and building the 20,000 gross ton Crystal Endeavor, the largest and most luxurious expedition yacht for delivery in mid-2020. Bookings on Crystal Endeavor with sailings commencing August 2020, have been most encouraging and surpassed track in terms of occupancies and yields.

Crystal Cruises' 2018 performance was affected by historic low water levels in Europe, which caused losses for its river fleet as itineraries had to be cancelled or re-routed. Results were also affected by the dry-dock and conversion of the two large ocean ships with additional suites, increased dining outlets and seating capacities so that guests can have the freedom on the choice of seating, timing and dining venue. The modernisation of the ocean fleet with improved amenities and additional creative itineraries and normal river water levels in Europe should improve the financial results from the ocean and river ships.

STAR CRUISES

Star Cruises has reduced its six-ship fleet to four by removing two loss-making ships, the SuperStar Libra in July of 2018 and SuperStar Virgo in April of 2019. The remaining Star Cruises ships are profitably operating in the core markets of Hong Kong, Keelung (Taipei), Xiamen and Penang respectively.

CRUISE SEGMENT RESULTS

In 2018, the Group's overall revenue increased 34% to US$1.6 billion with 19% increase in Capacity Days with improvement in Net Yield of 15% and higher Occupancy Percentage at 91%. We have seen Group EBITDA turn around to positive US$72 million from EBITDA loss of US$161 million in 2017 with the first full year operation of two Dream Class ships, benefiting from economies of scale. Dream Cruises' financial performance is much better than industry average.

MV WERFTEN

After acquisition of MVW in 2016, we built four luxury river ships for Crystal Cruises, which were delivered in 2017 and 2018. After a two-year design process, MVW started the steel cutting and keel laying for two prototype ships – the 20,000 gross ton Endeavor Class ships and the 204,000 gross ton Global Class ships in 2018. 36% of the Crystal Endeavor and 20% of the first Global Class ship were completed in 2018. By end of 2019, construction is expected to reach 82% of the Crystal Endeavor and 65% of the first Global Class ship.

Investments are being made to ensure MVW will be one of the best state-of-art cruise shipyards, with a new 400-meter automatic laser-hybrid welding thin-plate line that will produce all two-dimensional steel structures, which is most of the volume of steel for cruise ships.

MVW, on a standalone basis, was profitable in 2018 and will perform much better in 2019 due to a larger percentage of completion of the two ships currently under construction. However, as MVW is a wholly-owned subsidiary, some revenues and costs have to be eliminated during consolidation, leading to the Group losses in the shipyard segment in its income statement, but the Group will benefit in the future as the ships will be delivered with a lower cost on our balance sheet.

OTHER SEGMENTS & ASSOCIATES

Resorts World Manila, as the first integrated resort in the Philippines when it opened in 2009 saw a significant improvement in net profit in 2018 of US$28.0 million compared with US$4.8 million in 2017. The iconic Singapore nightlife brand Zouk, consistently in the top DJ Mag Top 100 Clubs global poll, will be operating onboard Dream Cruises ships and attract future millennial passengers to our cruise brands. Continued focus is being placed on reducing non-profitable businesses.

SOCIAL RESPONSIBILITY

Genting Hong Kong continued its long-standing tradition of Corporate Social Responsibility activities during 2018. Dream Cruises supported the 10th Anniversary of the Hong Kong Labour and Welfare Bureau's Child Development Fund ("CDF") in 2018. To commemorate this special occasion, Dream Cruises launched the "Dream Cruises Signature Programme", inviting 83 students under the CDF project, together with their family members, to cruise on Dream Cruises' newest ship, World Dream. To kick-off this initiative, a "Dream Cruises Sets Sail Ceremony" was held on 15 April at the Kai Tak Cruise Terminal, officiated by the Chief Executive of the Hong Kong Special Administrative Region, the Honourable Mrs. Carrie Lam Cheng Yuet-ngor, GBM, GBS.

2019 OUTLOOK

Looking forward to 2019, we will continue to improve our results with the full impact of the strategic moves for the three cruise brands and the greater percentage of completion of cruise ships built in MVW. Deliveries of new ships in 2020 (Crystal Endeavor), 2021 (first Global Class ship) and 2022 (second Global Class ship) will increase capacities by more than 60% in the next 3 years and future growth in earnings.

We have to thank our 17,000 officers, crew, shoreside employees and board members for their hard work and dedication to turn around our EBITDA performance this year and look forward to their continued commitment to make 2019 and the future even more memorable years.

Thank you.

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer
28 March 2019

CORPORATE INFORMATION

Board of Directors

Executive Directors

Tan Sri Lim Kok Thay
(Chairman and Chief Executive Officer)

Mr. Lim Keong Hui
(Deputy Chief Executive Officer)

Independent Non-executive Directors

Mr. Alan Howard Smith
(Deputy Chairman)

Mr. Lam Wai Hon, Ambrose

Mr. Justin Tan Wah Joo

Group President

Mr. Colin Au Fook Yew

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Estera Services (Bermuda) Limited

Registered Office

Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

Corporate Headquarters

Suite 1501, Ocean Centre,
5 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809

Bermuda Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road,
Pembroke HM08, Bermuda
Tel: (441) 2951111
Fax: (441) 2956759

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong SAR
Tel: (852) 28628555
Fax: (852) 28650990

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong SAR

Internet Homepage

www.gentinghk.com

Investor Relations

Enquiries may be directed to:

Ms. Cheah Yoke Sim
Corporate Finance
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 29574616
E-mail: yokesim.cheah@gentinghk.com

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Description of the Group's Business

Genting Hong Kong Limited ("Genting Hong Kong") is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses including Genting Cruise Lines comprising of Dream Cruises, Crystal Cruises and Star Cruises, along with German shipyards MV Werften and Lloyd Werft, prominent nightlife brand Zouk, and Resorts World Manila.

Headquartered in Hong Kong, Genting Hong Kong has a presence in more than 20 locations worldwide with offices and representation in Australia, China, Germany, India, Indonesia, Japan, Malaysia, the Netherlands, the Philippines, Singapore, Sweden and the United States.

Genting Hong Kong is listed on the Main Board of the Stock Exchange of Hong Kong Limited under the stock code "678" and Travellers International Hotel Group, Inc. is listed on the Philippine Stock Exchange under the ticker "RWM".

Terminology

Unless otherwise indicated in this report, the following terms have the meanings set forth below:

- Capacity Days: double occupancy per available cabin multiplied by the number of cruise days for the period
- EBITDA: earnings before interest, taxes, depreciation and amortisation. EBITDA excludes, if any, share of profit of joint ventures and associates, other income/gains or expenses/losses
- Gross Cruise Cost: the sum of total operating expenses and selling, general and administrative expenses less expenses relating to shipyard and non-cruise activities
- Gross Yield: total revenue from cruise and cruise-related activities per Capacity Day
- Net Cruise Cost: Gross Cruise Cost less commission, incentives, transportation and other related costs and onboard costs
- Net Cruise Cost Excluding Fuel: Net Cruise Cost less fuel costs
- Net Revenue: total revenue from cruise and cruise-related activities less commission, incentives, transportation and other related costs and onboard costs
- Net Yield: Net Revenue per Capacity Day
- Occupancy Percentage: the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins
- Operating Profit/Loss: EBITDA less depreciation and amortisation
- Passenger Cruise Days: the number of passengers carried for the period, multiplied by the number of days in their respective cruises

Overview

Total revenues

Total revenues of the Group consist of the following:

Revenue from our cruise and cruise-related activities are categorised as "passenger ticket revenue" and "onboard revenue". Passenger ticket revenue primarily consists of revenue from the sale of passenger tickets and the sale of transportation to and from our cruise ships to the extent guests purchase these items from the Group. Onboard revenue primarily consists of revenue from food and beverage sales, shore excursion, entertainment and other onboard services.

Revenue from our shipyard primarily consists of revenue from shipbuilding, repairs and conversion activities.

Revenue from our non-cruise activities primarily consists of revenue from our onshore hotel, travel agent, aviation (including AirCruises and air-related services), entertainment, sales of residential property units and dividend income from investments.

Operating expenses

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel expenses, food expenses, cost of sales of residential property units and other operating expenses.

Commissions, incentives, transportation and other expenses consist of those amounts directly associated with passenger ticket revenues. These amounts include travel agent commissions, air and other transportation expenses, credit card fees and certain port expenses.

Onboard and other expenses consist of direct costs that are incurred primarily in connection with onboard and other revenues. These costs are incurred in connection with entertainment onboard, shore excursions, beverage sales, land packages and sales of travel protection for vacation packages.

Payroll and related expenses represent the cost of wages and benefits for employees.

Fuel expenses include fuel costs and delivery costs.

Food expenses consist of food costs for passengers, which typically vary according to the number of passengers onboard a particular cruise ship.

Other operating expenses consist of costs such as repairs and maintenance, insurance and other expenses.

Selling, general and administrative expenses

Selling expenses consist of the expenses in respect of the Group's marketing activities. These marketing activities include advertising and promotional activities, and other passenger related services, such as the Group's loyalty programmes.

General and administrative expenses consist of shoreside personnel wages and benefits, and expenses relating to the Group's world-wide offices, information technology support, crew training and support, operation of the Group's reservation call centres and support functions, accounting, purchasing operations, ship administration and other support activities.

Depreciation and amortisation expenses

Depreciation and amortisation expenses consist primarily of depreciation of ships and shoreside assets. Costs associated with drydocking a ship are deferred and included in the cost of the ship and amortised over the period to that ship's next scheduled drydocking which is generally twice every five years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year ended 31 December 2018 ("2018") compared with year ended 31 December 2017 ("2017")

Full Year 2018 Highlights

- Total revenue increased 34.4% to US$1.6 billion mainly due to increase in Cruise and Shipyard segment revenue.
- First full year operations of 2 Dream Cruises ships, with 18.5% increase in Capacity Days.
- Cruise revenue increased 33% with 12% increase in Gross Yield and 15% increase in Net Yield.
- Commence construction of Crystal Endeavor and the first of the Global Class ships, with progressive completion of 36% and 20% respectively by the end of 2018.
- EBITDA was at US$72.3 million, a significant US$233.3 million positive turnaround from a loss of US$161.0 million in 2017 due to improved Cruise segment results and sharply reduced losses in the Shipyard segment.
- Operating Loss reduced by 60% to US$141.5 million and Net Loss decreased by 13% compared with 2017.

Full Year 2018 Results

Total Revenue was US$1.6 billion in 2018 compared with US$1.2 billion in 2017, a growth of 34%, mainly due to the inclusion of the first full year operation of 2 Dream Class ships and the higher third party revenue recognised in the Shipyard segment.

Cruise Revenue was US$1.35 billion in 2018 as compared to US$1.02 billion in 2017, a growth of 33% with fleet Capacity Days increasing by 18.5% and Occupancy Percentage improving to 91% from 77% in 2017. World Dream replaced Genting Dream in the dual Hong Kong and Guangzhou homeports in November 2017 with Genting Dream redeployed to the Singapore homeport.

With a full year of operation of 2 Dream Cruises ships, offset by the withdrawal of the SuperStar Libra in July 2018 to be an accommodation ship in the MV Werften Wismar Shipyard, fleet Capacity Days increased by 18.5%. Fleet Occupancy Percentage of the three brands – Crystal Cruises, Dream Cruises and Star Cruises – grew to 91% in 2018 from 77% in 2017. 2018 Gross Yield increased by 12% and Net Yield increased by 15% from 2017.

Net Cruise Costs increased 11% in 2018 mainly due to increase in Capacity Days but Net Cruise Costs per Capacity Day was reduced by 6.5% due to efficiencies of scale.

Shipyard, on a standalone basis, recorded an EBITDA of US$3.6 million in 2018 versus a loss of US$82.5 million in 2017 due to higher shipyard utilisation rate with 36% completion of the Crystal Endeavor and 20% of the first Dream Cruises Global Class ships in 2018. However, as the shipyard is wholly owned by the Group, certain revenues and expenses relating to shipbuilding for the Group have to be eliminated during consolidation of accounts, resulting in a lower loss of US$59.6 million in 2018 as compared with 2017 loss of US$102.6 million for the Shipyard segment.

The Group recorded an EBITDA of US$72.3 million in 2018, a significant improvement of US$233.3 million over the EBITDA loss of US$161.0 million in 2017. After depreciation and amortisation, Operating Loss was US$141.5 million in 2018, a significant improvement from an Operating Loss of US$351.5 million in 2017.

Share of Profit of Joint Ventures and Associates

Share of profit of joint ventures and associates totalled US$13.5 million in 2018 compared with US$1.3 million in 2017. The increase was mainly due to higher contribution from Travellers International Hotel Group, Inc. which recognised higher non-operating income in 2018.

Year ended 31 December 2018 ("2018") compared with year ended 31 December 2017 ("2017") (Continued)

Other Expenses, net

Net other expenses in 2018 amounted to US$21.0 million compared with US$0.8 million in 2017. In 2018, net other expenses mainly included write off and loss on disposal of property, plant and equipment of US$16.3 million and loss on foreign exchange amounted to US$9.9 million resulting from depreciation of certain foreign currencies against US dollar.

In 2017, net other expenses mainly included write off and loss on disposal of property, plant and equipment of US$17.3 million, which was partially offset by the gain on foreign exchange amounted to US$12.9 million resulting from appreciation of certain foreign currencies against US dollar.

Other Gains, net

Net other gains in 2018 amounted to US$15.5 million compared with US$166.1 million in 2017. In 2018, net other gains of US$15.5 million related to fair value loss and gain on disposal of shares of Norwegian Cruise Line Holdings Ltd. ("NCLH").

In 2017, net other gains mainly included US$205.0 million gain on disposal of shares of NCLH and The Star Entertainment Group Limited and impairment loss of US$22.6 million on an aircraft.

Net Finance Costs

Net finance costs (i.e. finance costs, net of finance income) in 2018 of US$70.4 million was recorded compared with US$42.3 million in 2017 primarily due to higher interest expenses resulting from higher outstanding loan balances and borrowing rates.

Loss for the Year

The Group recorded a slight improvement with consolidated net loss of US$213.3 million in 2018, as compared with a consolidated net loss of US$244.3 million in 2017.

Liquidity and Financial Resources

As at 31 December 2018, cash and cash equivalents amounted to US$904.1 million, a decrease of US$243.6 million compared with US$1,147.7 million as at 31 December 2017.

The decrease in cash and cash equivalents was primarily due to cash outflows of (i) US$897.9 million for capital expenditure of property, plant and equipment and intangible assets; (ii) US$401.8 million for repayments of existing bank loans and borrowings and financing costs; and (iii) payment of dividends of US$169.7 million. Cash outflows were partially offset by cash inflows of (i) positive cash flows from operating activities of US$114.1 million; (ii) US$702.3 million proceeds from disposal of a financial asset at FVPL and (iii) US$408.2 million from the drawdown of bank loans and borrowings.

The majority of the Group's cash and cash equivalents are held in Euro, US dollar, Hong Kong dollar, Chinese Renminbi and Singapore dollar. The Group's liquidity as at 31 December 2018 amounted to US$1,140.7 million (31 December 2017: US$1,784.2 million), which comprised cash and cash equivalents and undrawn credit facilities.

As at 31 December 2018, total loans and borrowings amounted to US$1,988.1 million (31 December 2017: US$1,888.2 million) and were mainly denominated in US dollar. Approximately 39% (31 December 2017: 39%) of the Group's loans and borrowings was under fixed rate and 61% (31 December 2017: 61%) was under floating rate. Loans and borrowings of US$304.0 million (31 December 2017: US$297.4 million) are repayable within a year. The outstanding borrowings and unused credit facilities of the Group are secured by legal charges over assets including fixed and floating charges of US$3.0 billion (31 December 2017: US$2.9 billion).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year ended 31 December 2018 ("2018") compared with year ended 31 December 2017 ("2017") (Continued)

Liquidity and Financial Resources (Continued)

The Group was in a net debt position of US$1,083.9 million as at 31 December 2018, as compared with US$740.5 million as at 31 December 2017. The total equity of the Group was approximately US$4,059.1 million (31 December 2017: US$4,579.3 million). The gearing ratio as at 31 December 2018 was 26.7% (31 December 2017: 16.2%). The ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current loans and borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents.

The Group adopts a prudent treasury policy with all financing and treasury activities being managed and controlled at its corporate head office. The Group manages its foreign exchange exposure primarily through foreign currency forward contracts. It is also the Group's policy that hedging will not be performed in excess of actual requirement. For operating activities, the Group, to the extent possible, takes advantage of natural offsets of its foreign currency revenues and expenses to reduce its exposure by way of natural hedge as the expenses incurred from the local offices are offset with the income derived locally.

Prospects and Strategy

2019 Outlook

Barring any unforeseen circumstances, Cruise segment results should continue to improve due to the low penetration rate in Asia and reduction in cruise capacity in China in 2019. The Shipyard segment is expected to improve with 82% of the Crystal Endeavor and 65% of the first Global Class ship due to be completed by the end of 2019. With that, the Group results should continue to improve in 2019.

Other Business Highlights

The Asian economy has experienced good economic growth since the launch of Dream Cruises brand in late 2016 and growing awareness and acceptance of cruising as another vacation option. There is a preference for new and large ships as smaller and older ships are withdrawn from service in Asia. Brands with newer and larger ships albeit lack of strong distribution network are also being re-deployed from Asia to other cruise regions where they can command better yields. The reduction of berth capacity in 2019 in China should bring better supply and demand balance, offset by slowing economic growth and demand in China.

The Group has 25 years' history in the cruise industry in Asia and its passenger source markets for the Dream and Star Cruises brands are well diversified from ASEAN, China, and India. In 2019, the Group will focus on fly-cruise in order to optimise occupancies and yields on its fleet.

The two Dream Cruises ships are homeported in Southern China and Singapore. In order to bring more awareness of Dream Cruises to Central and North China, SuperStar Virgo has undergone a substantial renovation and renamed "Explorer Dream", as a pathfinder ship for the Global Class ships, currently under construction. Explorer Dream will be deployed in Shanghai and Tianjin in the summer of 2019. During winter of 2019/2020, Explorer Dream will cruise in Australia and New Zealand, offering Asians a cruise alternative to a land vacation.

Dream Cruises welcomed its first millionth passenger last October, marking another milestone in its operations. This is truly a testament to our dedicated crew and the strong support we have received from government bodies, business partners, media and the public.

Similarly, Crystal Cruises, the luxury cruise division comprised of Ocean, River and Yacht experiences, saw growth in both number and spending per passenger in 2018, generated by carefully curated events, innovative offerings, and strategic initiatives. However, certain Crystal River sailings were disrupted by low water levels on the Rhine and Danube rivers caused by Europe's unusual historic dry season. In 2020, Crystal Expedition Cruises will debut Crystal Endeavor, the largest and most spacious PC6 polar class ship featuring Crystal's legendary service, extraordinary cuisine, enrichment and unmatched choices for adventure. Booking trends for Crystal product offerings are encouraging.

Year ended 31 December 2018 ("2018") compared with year ended 31 December 2017 ("2017") (Continued)

Prospects and Strategy (Continued)

Other Business Highlights (Continued)

In Germany, the Group continues to invest in transforming the MV Werften shipyards into state-of-the-art cruise shipyards. In 2019, the latest and most advanced thin plate laser-hybrid welding plant commences full operation at the MV Werften yard in Rostock. To strengthen its design capability, the Group has acquired the Rostock-based Neptun Ship Design GmbH, one of Germany's largest ship design offices with expertise in successful design of many types of ships, including passenger ships.

2018 saw the expansion of our millennial-focused flagship investment, Zouk, into Resorts World Genting. It was inaugurated by the opening of pre-game social hangout, RedTail Bar and Karaoke lounge in Q2 2018. There was also the debut of its newest concept, Empire, a hip-hop-centric club outlet that is reminiscent of the upscale private lounges in New York. Beyond its land assets, Zouk's concepts onboard the Genting Dream and World Dream vessels introduced a daily themed night music experience alongside the optimisation of its programming onboard and to attract millennial passengers.

In the Philippines, Hilton Manila and Sheraton Manila are the latest international luxury hotels to open at the Grand Wing of Resorts World Manila. Hotel Okura will be opened by the third quarter of 2019 within Resorts World Manila.

Operating Statistics

The following table sets forth selected statistical information:

	Year ended 31 December	
	2018	2017
Passenger Cruise Days	**5,178,075**	3,692,223
Capacity Days	**5,667,420**	4,781,990
Occupancy Percentage	**91.4%**	77.2%

In relation to the Group's cruise and cruise-related activities, Net Revenue, Gross Yield and Net Yield were calculated as follows:

	Year ended 31 December	
	2018 US$'000	2017 US$'000
Passenger ticket revenue	**987,655**	728,324
Onboard revenue	**360,819**	287,682
Total cruise and cruise-related revenue	**1,348,474**	1,016,006
Less:		
Commission, incentives, transportation and other related costs	**(177,964)**	(146,076)
Onboard costs	**(99,291)**	(83,944)
Net Revenue	**1,071,219**	785,986
Gross Yield (US$)	**237.9**	212.5
Net Yield (US$)	**189.0**	164.4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year ended 31 December 2018 ("2018") compared with year ended 31 December 2017 ("2017") (Continued)

Operating Statistics (Continued)

In relation to the Group's cruise and cruise-related activities, Gross Cruise Cost, Net Cruise Cost and Net Cruise Cost Excluding Fuel were calculated as follows:

	Year ended 31 December	
	2018 US$'000	2017 US$'000
Total operating expenses	**1,453,048**	1,241,737
Total selling, general and administrative expenses	**288,525**	300,185
	1,741,573	1,541,922
Less: Depreciation and amortisation	**(213,749)**	(190,505)
	1,527,824	1,351,417
Less: Expenses relating to shipyard and non-cruise activities	**(331,741)**	(292,094)
Gross Cruise Cost	**1,196,083**	1,059,323
Less:		
Commission, incentives, transportation and other related costs	**(177,964)**	(146,076)
Onboard costs	**(99,291)**	(83,944)
Net Cruise Cost	**918,828**	829,303
Less: Fuel costs	**(125,550)**	(84,420)
Net Cruise Cost Excluding Fuel	**793,278**	744,883
Gross Cruise Cost per Capacity Day (US$)	**211.0**	221.5
Net Cruise Cost per Capacity Day (US$)	**162.1**	173.4
Net Cruise Cost Excluding Fuel per Capacity Day (US$)	**140.0**	155.8

Human Resources

As at 31 December 2018, the Group had approximately 17,000 employees, consisting of approximately 12,000 (or 71%) shipbased officers and crew as well as approximately 5,000 (or 29%) staff employed in the various world-wide offices of the Group. The Group provides competitive salaries, benefits and incentives including provident fund schemes and medical insurance schemes for its staff.

For year ended 31 December 2018, there is no significant change in the remuneration policies, bonus, share option scheme and training schemes for the Group.

Risks

The Group recognises and continues to manage certain risks and uncertainties that can impact its business. Adverse environmental factors such as typhoons and geopolitical disputes can disrupt cruise itineraries. Cruise assets are mobile and are appropriately re-deployed if needed. Meanwhile, industry organizations such as Cruise Lines International Association, continues to be a global advocate for a safe, secure, healthy and sustainable cruise ship environment.

Financial Instruments

General

The presentation currency of the Group is US dollar as a substantial portion of the Group's transactions are realised or settled in US dollar. Transactions in currencies other than US dollar ("foreign currencies") are translated into US dollar at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the date of consolidated statement of financial position. All such exchange differences are reflected in the consolidated statement of comprehensive income.

The Group is exposed to market risk attributable to changes in foreign currency exchange rates, interest rates and fuel prices. The Group attempts to minimise these risks through a combination of the normal operating and financing activities and through the use of derivative financial instruments. The financial impacts of these hedging instruments are primarily offset by corresponding changes in the underlying exposures being hedged. The Group achieves this by closely matching the amounts, terms and conditions of the derivative instruments with the underlying risk being hedged.

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate fluctuations on the US dollar value of the Group's foreign currency denominated forecasted transactions, including forecast Euro cash flows for shipbuilding cost. The Group's principal net foreign currency exposure mainly relates to the Euro, Hong Kong dollar, Chinese Renminbi, Singapore dollar, Malaysian Ringgit and Indian Rupee. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency cash inflows and outflows and from time to time when appropriate, to enter into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

Interest rate risk

Majority of the Group's indebtedness and its related interest expenses are denominated in US dollar and 61% of them are based upon floating rates of interest. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement. From time to time when appropriate, the Group enters into variable to fixed interest rate swaps to fix a portion of interest costs over a period of time to limit its exposure to interest rate fluctuation.

Fuel price risk

The Group's exposure to market risk on changes in fuel prices relates to the consumption of fuel on its ships. The Group mitigates the financial impact of fluctuation in fuel prices by entering into fuel swap agreements from time to time when appropriate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Corporate Social Responsibility

Environmental Policies and Performance

Genting Hong Kong is committed to integrating sustainability considerations into our long-term business strategy. While sustaining business growth, we strive to minimise the environmental impact arising from our business operations, and comply with all applicable environmental legislative and regulatory requirements. Our global operations and departments are required to adhere to the Group's environmental policies. Our Environmental Management System is in place to monitor our environmental performance in our marine operations. We also regularly conduct internal assessments of system effectiveness to ensure continuous improvement.

Compliance with Laws & Regulations

As a corporation with global presence, we are subjected to various laws and regulations in different jurisdictions. The Group's Legal Department is responsible for monitoring the legal and regulatory environment, and ensuring compliance. The Group adopts various internal policies and procedures to enable the business units to comply with the applicable laws and regulations accordingly. The Group's Legal Department also engages external legal advisers to ensure the requisite professional standards are adhered to.

ESG Governance

A robust ESG governance structure has been established for driving the Group's ESG strategy and related initiatives. Led by the Board of Directors, the management-level Sustainability ESG Steering Committee and the Audit Committee work together with various departments to infuse ESG considerations into the Group's daily operations. We also develop close bonds and actively engaged with our stakeholders, hoping to create shared sustainable value for all.

Employees

The Group's success greatly relies on the quality of our people. We introduce a wide range of training and development programs to our employees in different positions and roles, ensuring they are well-equipped with skills and knowledge essential to exercising their duty. We also promote an inclusive work culture, allowing employees from different countries to thrive in a diversified working environment.

As cruise and shipyard form a major part of our daily operations, we place strong focus on safeguarding employees' health and safety while on-duty. We have a Safety Management System to manage work-related health and safety issues.

Customers

As a global leisure entertainment and hospitality leader, customers' experience is the center to our business development. We actively listen to the needs and expectations of our guests through pre-cruise and post-cruise surveys, offering innovative and attentive guest services that meet the expectations of guest of all kinds.

Business Partners and Suppliers

We join hands with our business partners and suppliers to build long-term and mutually beneficial relationships. The Group's procurement policies and procedures help ensure ethical, fair and sustainable operations of business partners and suppliers who do business with us.

Community

As a sizable corporation with global footprint, we pay close attention to the needs of the communities in which we operate through the organization of sponsorships and activities, and participation in different charity activities to support youth education and promote health, wellness and environmental awareness.

For more details on the Group's ESG performance and achievements, please refer to the Group's standalone Environmental, Social and Governance Report to be published in April.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors' Profiles

Executive Directors

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Tan Sri Lim Kok Thay, aged 67, was appointed an Executive Director of the Company in September 1994. He is the Chairman and Chief Executive Officer of the Company, a member of the Remuneration Committee and the Nomination Committee and a director of a number of subsidiaries of the Company. He is a Director of Travellers International Hotel Group, Inc., which is listed on the Main Board of The Philippine Stock Exchange, Inc. and an associate of the Company. During the period from July 2011 to March 2015, Tan Sri Lim had served as a Director and the Chairman of the Board of Directors of Norwegian Cruise Line Holdings Ltd., which was an associate of the Company, and was listed on NASDAQ Global Select Market ("Nasdaq") until its transfer of listing from Nasdaq to the New York Stock Exchange in December 2017. Tan Sri Lim focuses on long-term policies and new shipbuildings. He has been with the Group since the formation of the Company in 1993.

Tan Sri Lim is also the Executive Chairman of Genting Singapore Limited (formerly known as Genting Singapore PLC prior to its re-domiciliation from the Isle of Man to Singapore in June 2018), a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited and a subsidiary of Genting Berhad ("GENT"); the Chairman and Chief Executive of GENT, a company listed on the Main Market of Bursa Malaysia Securities Berhad; the Chairman and Chief Executive of Genting Malaysia Berhad ("GENM"), a public listed company in Malaysia in which GENT holds 49.45% equity interest; and the Deputy Chairman and Executive Director of Genting Plantations Berhad, a public listed company in Malaysia and a subsidiary of GENT; Executive Chairman of Genting UK Plc, a public company and an indirect wholly-owned subsidiary of GENM; and a director of Golden Hope Limited, Joondalup Limited and Cove Investments Limited. Golden Hope Limited (acting as trustee of the Golden Hope Unit Trust), Joondalup Limited and Cove Investments Limited are substantial shareholders of the Company.

In addition, Tan Sri Lim is a Founding Member and a Permanent Trustee of The Community Chest, Malaysia. He also sits on the Boards of Trustees of several charitable organisations in Malaysia. Tan Sri Lim is the father of Mr. Lim Keong Hui, the Deputy Chief Executive Officer, Executive Director and a substantial shareholder of the Company.

Tan Sri Lim holds a Bachelor of Science degree in Civil Engineering from the University of London. He attended the Programme for Management Development of Harvard Business School, Harvard University in 1979. He is a Visiting Professor of the Department of Electrical and Electronic Engineering, Imperial College London and an Honorary Professor of Xiamen University, China.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors' Profiles (Continued)

Executive Directors (Continued)

Mr. Lim Keong Hui
Deputy Chief Executive Officer

Mr. Lim Keong Hui, aged 34, was appointed an Executive Director of the Company in June 2013. Mr. Lim has served the Company for more than ten years. He was the Senior Vice President – Business Development of the Company prior to his re-designation as the Executive Director – Chairman's Office following his appointment as an Executive Director of the Company. Mr. Lim had taken up additional role of Chief Information Officer of the Company since 1 December 2014. On 28 March 2019, Mr. Lim has been appointed the Deputy Chief Executive Officer of the Company and has been re-designated to Deputy Chief Executive Officer and Executive Director of the Company.

Mr. Lim is also the Deputy Chief Executive and Executive Director of GENT, GENM and Genting Plantations Berhad ("GENP"), all of which are listed on the Main Market of Bursa Malaysia Securities Berhad. GENP is a subsidiary of GENT which in turn holds 49.45% equity interest in GENM. Mr. Lim is a director of Genting UK Plc, a public company which is an indirect wholly-owned subsidiary of GENM.

Prior to joining the Company, Mr. Lim had embarked on an investment banking career with The Hongkong and Shanghai Banking Corporation Limited. He holds a Master's Degree in International Marketing Management from Regent's Business School London and a Bachelor of Science (Honours) Degree in Computer Science from the Queen Mary and Westfield College, University of London. Mr. Lim is a son of Tan Sri Lim Kok Thay (the Chairman, an Executive Director and the Chief Executive Officer, and a substantial shareholder of the Company). He is also a member of the Board of Trustees of Yayasan Lim Goh Tong, a family foundation set up for charitable purposes.

Independent Non-executive Directors

Mr. Alan Howard Smith
Deputy Chairman

Mr. Alan Howard Smith, aged 75, has been an Independent Non-executive Director of the Company since August 2000 and is the Chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company.

Mr. Smith was the Vice Chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was Chief Executive of the Jardine Fleming Group from 1983 to 1994 and was Chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform.

Mr. Smith graduated with an LL.B. (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is also a director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) and Wheelock and Company Limited, which are listed on the Stock Exchange; and a director of ICBC Credit Suisse Asset Management Co., Ltd.. Mr. Smith had been a director of Noble Group Limited, which was listed on the Singapore Exchange Securities Trading Limited, during the period from March 2002 to April 2016.

Directors' Profiles (Continued)

Independent Non-executive Directors (Continued)

Mr. Lam Wai Hon, Ambrose

Mr. Lam Wai Hon, Ambrose, aged 65, was appointed an Independent Non-executive Director of the Company in June 2013. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lam joined Able Capital Partners Limited in November 2017, currently serves as its Chairman and Managing Partner, and will be re-designated as its Chairman with effect from 1 April 2019. Between April 2011 and October 2017, Mr. Lam served as the Chief Executive Officer and latterly, Country Head (China & Hong Kong) of Investec Capital Asia Limited (formerly known as Access Capital Limited of which Mr. Lam was a director and the co-founder prior to its acquisition by Investec Bank PLC in April 2011). Prior to establishing Access Capital Limited in 2000, Mr. Lam was the managing director and head of Investment Banking for Greater China of Deutsche Bank AG. He was also the managing director and head of Investment Banking for Greater China of Bankers Trust Company, and the managing director of Yuanta Securities (Hong Kong) Company Limited. Mr. Lam started his investment banking career with Kleinwort Benson Group in London in 1984 before joining Standard Chartered Asia Limited in Hong Kong where he held the position of managing director in corporate finance.

Mr. Lam is also an Independent Non-executive Director of China Agri-Industries Holdings Limited and Pacific Online Limited, which are listed on the Stock Exchange.

Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree in Economics & Accounting from University of Newcastle Upon Tyne in England.

Mr. Justin Tan Wah Joo

Mr. Justin Tan Wah Joo, aged 68, was first appointed a Non-executive Director of the Company in August 2014 and was subsequently re-designated as an Independent Non-executive Director and appointed as a member and the Chairman of the Audit Committee of the Company with effect from 22 April 2015.

Mr. Tan has extensive experience in corporate finance and management especially in leisure and hospitality business. He had also served on the boards of a number of listed and public companies. Mr. Tan had been a Non-Executive Director of Genting Singapore Limited (formerly known as Genting Singapore PLC prior to its re-domiciliation from the Isle of Man to Singapore in June 2018) ("GENS") from November 1991 to October 2000 and was appointed as its Managing Director from November 2000 to February 2010. Mr. Tan was previously a Non-Independent Non-Executive Director of GENM from September 2005 to December 2005 (prior to that, he held the position of Executive Director from April 1999 up to August 2005). GENS is a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited since December 2005 (GENS had also been listed on the Luxembourg Stock Exchange from April 1990 until March 2007 following its application for de-listing). GENM is a public company listed on the Main Market of Bursa Malaysia Securities Berhad since December 1989.

Mr. Tan was also a director of Genting UK Plc from October 2006 to May 2010. He was the President of Resorts World Inc Pte. Ltd. from February 2010 until he retired in April 2013.

Mr. Tan was awarded with a Bachelor of Economics (Honours) degree from the University of Malaya in 1973 and is a Fellow of the Australian Society of Certified Practising Accountants and an Associate Member of the Chartered Institute of Management Accountants, United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Senior Management Profiles

Mr. Colin Au Fook Yew
Group President

Mr. Colin Au Fook Yew, aged 69, was appointed the Group President of the Company in March 2017. He was the founding President and CEO of the Company, which pioneered the Asian cruise business 26 years ago.

Mr. Au is responsible for Genting Cruise Lines, a collection of three cruise brands – Dream Cruises, Star Cruises and Crystal Cruises. He is also responsible for MV Werften Holdings Limited, which owns four German shipyards in the German state of Mecklenburg-Vorpommern, principally involved in building new cruise and passenger ships for Genting Cruise Lines.

Mr. Au joined Genting Berhad, Malaysia, 39 years ago and served in different positions globally with affiliates of the Genting Group. Prior to joining the Genting Group, Mr. Au worked for Exxon Corporation for five years in Hong Kong and Malaysia from 1974 to 1979. Mr. Au graduated with a B. Sc. (Hons) in Chemical Engineering degree from the University of Birmingham, UK in 1972 and a MBA from the Harvard Graduate School of Business in 1974.

Mr. Blondel So King Tak
Executive Vice President, Corporate Services

Mr. Blondel So King Tak, aged 58, joined the Company in July 2007 as Chief Financial Officer until September 2009 and was appointed as Chief Operating Officer of the Company in October 2009. Mr. So took up the current position as the Executive Vice President, Corporate Services in August 2014.

Mr. So looks after various corporate functions of the Group as well as the various investments. Mr. So also acts as a director of various subsidiaries of the Company and he is also a member of the Advisory Committee on Cruise Industry (ACCI).

Mr. So has over 23 years of experience in the financial sector. Prior to joining the Company, he has held a number of senior positions in multinational corporations and listed companies. He graduated with a Bachelor degree in Mathematics from Simon Fraser University, Canada in 1984 and a Master degree in Corporate Finance from Hong Kong Polytechnic University in 2003.

Mr. Chris Chan Kam Hing
Chief Financial Officer

Mr. Chris Chan Kam Hing, aged 53, was appointed as Chief Financial Officer of the Company in December 2017. Mr. Chan is responsible for the internal control, accounting, corporate finance, treasury management and other financial functions of the Group.

Prior to joining the Group, Mr. Chan has over 27 years of experience in hotel and casino businesses with the last 9 years at Greater China Corporate Office of Marriott International. He worked for Chow Tai Fook Group (including Grand Hyatt Hong Kong and Hyatt Hotel & Casino Manila) and Marco Polo Hotel Group (Wharf Group).

Mr. Chan graduated with B. Soc. Sc. from University of Hong Kong in 1989, MBA from University of Sheffield, UK in 1991 and M. Sc. from Chinese University of Hong Kong in 2002. He is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Senior Management Profiles (Continued)

Mr. Kent Zhu Fuming
President, Genting Cruise Lines

Mr. Kent Zhu Fuming, aged 55, joined the Company in May 2017 as President of Genting Cruise Lines. In his role, he is responsible for the development of the strategic directions and the implementation of innovative business plans to ensure the long term growth of the Company's cruise brands.

Prior to joining the Company, Mr. Zhu held key management positions and has over 30 years of experience in the hotel and hospitality industry including Executive Vice President at Wanda Hotels & Resorts, and Vice President and Global Chief Marketing Officer at Shangri-La Hotels and Resorts.

Mr. Thatcher Brown
President, Dream Cruises and Managing Director, Crystal Cruises Asia

Mr. Thatcher Brown, aged 51, joined the Company in August 2015 as Chief Marketing Officer. The Company appointed Mr. Brown President of Dream Cruises in November 2015. Mr. Brown is responsible for developing and managing Dream Cruises' business and brand for long-term strategic growth. In 2018, Mr. Brown was also appointed Managing Director for Crystal Cruises Asia to grow market share for Crystal's luxury cruise portfolio including Ocean, Riverboat, Yacht and Aviation.

Prior to joining the Company, Mr. Brown held key senior management positions in operations, brand strategy, business development, distribution and marketing with over 30 years of combined experience in the hospitality and cruise industries. His roles have included Vice President On Board Revenue and Product Development – Costa Cruises, Vice President Brand Strategy & Management – Jumeirah Group, Executive Director Brand Marketing – Fairmont Hotels & Resorts. Mr. Brown graduated from the School of Hotel Administration at Cornell University, U.S.A. in 1991 with a Bachelor of Science degree in International Management.

Mr. Thomas Michael Wolber
President and Chief Executive Officer, Crystal Cruises

Mr. Thomas Michael Wolber, aged 59, was appointed as President and Chief Executive Officer of Crystal Cruises in September 2017. He served in various executive roles at the Walt Disney Company ("Disney") for the last 28 years, 10 of which were with Disney Cruise Line where he acted as Senior Vice President of Operations. He was involved in transforming Disney Cruise Line from a Port Canaveral based vacation provider to a global cruise line with itineraries covering North America, the Mediterranean and the Baltic. During his time at Disney, Mr. Wolber assisted with the successful design and launch of new-builds including Disney Dream and Disney Fantasy. Additionally, he served as President and Chief Executive Officer of Euro Disney, Paris and held senior executive positions in Disney theme parks and resort operations at the Walt Disney World Resort in Orlando, Florida.

Mr. Wolber graduated with a Bachelor of Science degree in Economics in NHTV, University of Breda and studied Construction Engineering in HTS Leeuwarden, the Netherlands.

Mr. Ang Moo Lim
President, Star Cruises

Mr. Ang Moo Lim, aged 44, assumed the position of President, Star Cruises in November 2015. Mr. Ang is responsible for Star Cruises and China Operations, in particular the projects of Genting World and Genting Residences, one of the sites for the 2022 Winter Olympics, and Genting Star hotels in Shanghai, Hangzhou and Suzhou.

Mr. Ang joined the Company in May 1999, and has over the years assumed responsibilities in Finance, Corporate Planning, Investor Relations, China Operations and Sales & Marketing, before progressively promoted to the current position. Mr. Ang holds a Master degree in Business Administration from Universiti Putra Malaysia (1999), and a Bachelor degree in Economic Statistics from Universiti Kebangsaan Malaysia (1997).

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018.

Principal Activities, Business Review and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise-related operations, shipyard operations and leisure, entertainment and hospitality activities. Further review, discussion and analysis of these activities as required by paragraph 28(2)(d) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") with reference to Schedule 5 to the Hong Kong Companies Ordinance (including a fair review of the Group's business, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business) can be found in the Chairman's Statement and the Management's Discussion and Analysis of Financial Condition and Results of Operations set out on pages 10 to 12 and 14 to 22 of this annual report respectively, which form part of this report.

Details of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

Geographical analysis of financial information for the year ended 31 December 2018 is set out in note 6 to the consolidated financial statements.

Results

The results of the Company and its subsidiaries for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on pages 81 and 82.

Dividends

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2018 (2017: US$0.01 per ordinary share, totalling approximately US$84.8 million). Total dividend for the full year 2018 amounted to a total of US$0.01 per ordinary share, totalling approximately US$84.8 million (2017: US$0.02 per ordinary share, totalling approximately US$169.6 million).

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 88 and 89 of this annual report respectively.

Distributable reserves of the Company at 31 December 2018, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to US$3,122.3 million (2017: US$1,359.7 million).

Audited Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 185.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

Principal Properties

Details of the principal properties owned by the Group as at 31 December 2018 are set out on pages 186 and 187.

Share Capital

Details of the movements in share capital of the Company during the year, if any, are set out in note 28 to the consolidated financial statements.

Indebtedness

Details of long-term financing facilities of the Company and its subsidiaries as at 31 December 2018 are set out in note 29 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this report are:

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith
Mr. Lim Keong Hui
Mr. Lam Wai Hon, Ambrose
Mr. Justin Tan Wah Joo

In accordance with Bye-law 99 of the Company's Bye-laws, Tan Sri Lim Kok Thay, Mr. Alan Howard Smith and Mr. Justin Tan Wah Joo will retire by rotation at the forthcoming Annual General Meeting (subject to the composition of the Directors at the date of the notice convening the said meeting) and will be eligible for re-election at such meeting. The retiring Directors, being eligible, will offer themselves for re-election.

The Company has received from each of the three Independent Non-executive Directors (namely Mr. Alan Howard Smith, Mr. Lam Wai Hon, Ambrose and Mr. Justin Tan Wah Joo) an annual confirmation of his and his immediate family members' independence in accordance with the guidelines set out in Rules 3.13(a) and (c) of the Listing Rules. The Company considers that all Independent Non-executive Directors are regarded as having satisfied the independence guidelines set out in the Listing Rules and are accordingly independent in accordance therewith.

Biographical details of the Directors and senior management are set out on pages 23 to 27.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in relation to the Group's Business

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Significant Related Party Transactions and Balances" in note 34 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or the Director's connected entity (within the meaning of section 486 of the Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Significant Related Party Transactions and Balances" in note 34 to the consolidated financial statements, no contracts of significance (i) between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

Connected Transactions

(a) Significant related party transactions entered into by the Group during the year ended 31 December 2018 are disclosed in note 34 to the consolidated financial statements.

(b) Transactions set out in items (a) to (h)(1), (k), (m) to (o) of these related party transactions constitute continuing connected transactions under the Listing Rules, details of which are required to be disclosed in this annual report in accordance with the Listing Rules are given below:

(1) On 30 December 2016, the Company entered into three services agreements with Genting Management and Consultancy Services Sdn Bhd ("GMC"), Genting Malaysia Berhad ("GENM") and Genting Singapore Limited (formerly known as Genting Singapore PLC prior to its re-domiciliation from the Isle of Man to Singapore in June 2018) ("GENS") separately to extend the term and to modify the scope of services (as the case may be) of the respective old services agreements, all of which expired on 31 December 2016, for a further fixed term of 3 years commencing from 1 January 2017 in relation to the provision to relevant members of the Group as and when required from time to time of secretarial, share registration, investor and related ancillary services by GMC (the "GENT-GENHK Services Agreement"); sale of tour and transport related services (including travel and air ticket purchasing), leasing, tickets (other than air tickets) distribution, information technology and implementation, support and maintenance, marketing and promotion, aviation and related ancillary services by relevant members of the GENM group (the "GENM-GENHK Services Agreement"); and leasing and management, housekeeping and maintenance, marketing and promotion, ticket distribution, administrative and other support, information technology and implementation, support and maintenance, and related ancillary services by relevant members of the GENS group (the "GENS-GENHK Services Agreement") respectively.

Transactions under the GENT-GENHK Services Agreement, the GENM-GENHK Services Agreement and the GENS-GENHK Services Agreement are collectively referred to as the "GENT/GENM/GENS (Payable) Transactions".

The prices and the terms of the GENT/GENM/GENS (Payable) Transactions have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 30 December 2016.

Each of Tan Sri Lim Kok Thay ("Tan Sri Lim") and Mr. Lim Keong Hui ("Mr. Lim") is an Executive Director and a connected person (as defined under Chapter 14A of the Listing Rules) of the Company. Each of Tan Sri Lim and Mr. Lim is a beneficiary of a discretionary trust, whose trustee in its capacity as trustee of such discretionary trust indirectly holds more than 30% of the equity interests in Genting Berhad ("GENT"). GMC is a wholly-owned subsidiary of GENT. GENM and GENS are also subsidiaries of GENT. Accordingly, pursuant to the Listing Rules, each of GENT, GENM, GENS and GMC is considered to be an associate (as defined under Chapter 14A of the Listing Rules) of each of Tan Sri Lim and Mr. Lim, and is therefore a connected person of the Company. Each of GENT and GENM is a company listed on the Main Market of Bursa Malaysia Securities Berhad while GENS is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Connected Transactions (Continued)

The maximum aggregate annual consideration (the "Annual Cap") for the transactions contemplated under the GENT-GENHK Services Agreement, the GENM-GENHK Services Agreement and the GENS-GENHK Services Agreement respectively for each of the 3 financial years ended/ending 31 December 2017, 2018 and 2019 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2017 US$	2018 US$	2019 US$
Annual amounts paid/payable by the Group under the GENT-GENHK Services Agreement	0.2 million	0.2 million	0.2 million
Annual amounts paid/payable by the Group under the GENM-GENHK Services Agreement	6 million	7 million	10 million
Annual amounts paid/payable by the Group under the GENS-GENHK Services Agreement	6 million	8 million	11 million

For the year ended 31 December 2018, the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the GENT-GENHK Services Agreement, the GENM-GENHK Services Agreement and the GENS-GENHK Services Agreement was approximately US$0.009 million, US$2.4 million and US$1.0 million respectively and has not exceeded the Annual Cap of US$0.2 million, US$7 million and US$8 million respectively.

(2) On 30 December 2016, the Company entered into two services agreements with GENS and GENM separately to extend the term and to modify the scope of services of the respective old services agreements, both of which expired on 31 December 2016, for a further fixed term of 3 years commencing from 1 January 2017 in relation to the provision by the Group of air ticket purchasing, travel and tickets (other than air tickets) related services, administrative services including human resources and payroll related services, leasing of office space and equipment, marketing and promotion, entertainment and related ancillary services to the GENS group as and when required from time to time (the "GENHK-GENS Services Agreement"); and leasing of office space and equipment, tourism and consultancy, ticket related services, marketing and promotion, purchase of holiday package, aviation and related ancillary services to the GENM group as and when required from time to time (the "GENHK-GENM Services Agreement") respectively.

Transactions under the GENHK-GENS Services Agreement and the GENHK-GENM Services Agreement are collectively referred to as the "GENS/GENM (Receivable) Transactions".

The prices and the terms of the GENS/GENM (Receivable) Transactions have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 30 December 2016.

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

The Annual Cap for the transactions contemplated under the GENHK-GENS Services Agreement and the GENHK-GENM Services Agreement respectively for each of the 3 financial years ended/ending 31 December 2017, 2018 and 2019 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2017 US$	2018 US$	2019 US$
Annual amounts received/receivable by the Group under the GENHK-GENS Services Agreement	1 million	1 million	1 million
Annual amounts received/receivable by the Group under the GENHK-GENM Services Agreement	1.5 million	1.5 million	2 million

For the year ended 31 December 2018, the aggregate amount received/receivable by the Group in respect of the transactions contemplated under the GENHK-GENS Services Agreement and the GENHK-GENM Services Agreement was approximately US$0.1 million and US$0.03 million respectively and has not exceeded the Annual Cap of US$1 million and US$1.5 million respectively.

(3) On 27 November 2017, Genting Corporate Services (HK) Limited ("GCSHKL") replaced Star Cruises (HK) Limited ("SCHK") as tenant and entered into a tenancy agreement (the "Rich Hope Tenancy Agreement") with Rich Hope Limited ("Rich Hope") as landlord to renew the old tenancy agreement which expired on 31 December 2017 for a further period of 2 years commencing from 1 January 2018 in respect of the lease of an apartment located at Flat No. 8 on the 46th Floor (including the Roof Garden thereof) of the Apartment Tower on the Western Side of Convention Plaza, No. 1 Harbour Road, Hong Kong having a gross area of 2,987 sq. ft. with a walk-out garden of 1,829 sq. ft. at a fixed rent of HK$172,000 per calendar month, exclusive of rates and management fee (including air-conditioning fee).

Each of GCSHKL and SCHK is an indirect wholly-owned subsidiary of the Company. Rich Hope is a company in which each of Tan Sri Lim and his wife holds an attributable interest as to 50%. Transactions under the Rich Hope Tenancy Agreement are referred to as the "Rich Hope Tenancy".

The pricing policy and guidelines for the Rich Hope Tenancy have been determined as follows:

Nature of transaction	Pricing policy and guidelines
Leasing	The rental was arrived at on an arm's length basis and normal commercial terms with reference to a valuation report in respect of the market rental of the apartment issued by an independent surveyor.

The Annual Cap for the amounts paid/payable by the Group under the Rich Hope Tenancy Agreement for each of the 2 financial years ended/ending 31 December 2018 and 2019 would not exceed HK$2.5 million.

For the year ended 31 December 2018, the aggregate amount paid/payable by the Group in respect of the Rich Hope Tenancy was approximately HK$2.1 million and has not exceeded the Annual Cap of HK$2.5 million.

(4) On 21 December 2017, Star Cruises (Australia) Pty Ltd ("SCA") as tenant entered into a lease agreement (the "Ambadell Lease Agreement") with Ambadell Pty Limited ("Ambadell") as landlord to renew the old lease agreement which expired on 31 December 2017 for a further period of 3 years commencing from 1 January 2018 in respect of the lease of an office premises located at Suite 801, Level 8, Sussex Centre, 401 Sussex Street, Sydney NSW 2000, Australia having an area of 79.6 sq. m. at annual rental and fees comprising (i) approximately AUD47,900 per annum plus GST for office; (ii) approximately AUD5,900 per annum plus GST for car parking; and (iii) approximately AUD4,100 per annum plus GST for exterior signage. The annual rent review is at a 3% fixed increase (in respect of office and car parking rental amount) on each anniversary.

Connected Transactions (Continued)

SCA is an indirect wholly-owned subsidiary of the Company. Ambadell is ultimately wholly-owned by Golden Hope Limited ("Golden Hope") as trustee of the Golden Hope Unit Trust ("GHUT"). Golden Hope as trustee of the GHUT is a substantial shareholder of the Company.

Transactions under the Ambadell Lease Agreement are referred to as the "Ambadell Lease".

The pricing policy and guidelines for the Ambadell Lease have been determined as follows:

Nature of transaction	Pricing policy and guidelines
Leasing	The rental was arrived at on an arm's length basis and normal commercial terms with reference to the average commercial rental price in the area of the office premises in the Southern Sydney central business district.

The Annual Cap for the amounts paid/payable by the Group under the Ambadell Lease Agreement for each of the 3 financial years ended/ending 31 December 2018, 2019 and 2020 would not exceed AUD100,000.

For the year ended 31 December 2018, the aggregate amount paid/payable by the Group in respect of the Ambadell Lease was approximately AUD64,000 and has not exceeded the Annual Cap of AUD100,000.

(5) On 21 December 2017, SCA entered into a services agreement (the "Ambadell Services Agreement") with Ambadell to renew the old services agreement which expired on 31 December 2017 for a further period of 3 years commencing from 1 January 2018 in respect of the provision of administrative, accounting and other support services by Ambadell to SCA.

Transactions under the Ambadell Services Agreement are referred to as the "Ambadell Services".

The pricing policy and guidelines for the Ambadell Services have been determined as follows:

Nature of transaction	Pricing policy and guidelines
Administrative, accounting and other support services	On the pricing basis of cost plus 5% mark-up, the mark-up was to be reviewed and determined from time to time. The service fee was determined with reference to the prevailing market rate for similar services quoted from independent suppliers.

The Annual Cap for the amounts paid/payable by the Group under the Ambadell Services Agreement for each of the 3 financial years ended/ending 31 December 2018, 2019 and 2020 would not exceed AUD100,000.

For the year ended 31 December 2018, the aggregate amount paid/payable by the Group in respect of the Ambadell Services was approximately AUD40,000 and has not exceeded the Annual Cap of AUD100,000.

(6) On 31 December 2015, the Company entered into two services agreements with Secret Garden (Zhangjiakou) Resort Co., Ltd. (formerly known as 3rd Valley (Zhang Jia Kou) Resort Corporation) ("ZJK") for 3 years commencing from 1 January 2016 in respect of the provision of certain services by the Group to ZJK group, and/or vice versa, including the provision by the Group of travel agency, leasing of hotel rooms, shops and/or other areas, sales, contact centre, marketing, advertising and promotion, and other related services, as and when required (the "GENHK-ZJK Services Agreement"); and the provision by ZJK group of hotel operation related and supporting services, including without limitation food and beverage provisioning, catering, laundry, transportation, housekeeping supporting services, leasing of equipment and facilities, property management, repair and maintenance, leasing of rooms, dormitory, convention or function room, activity equipment and facilities, ski tickets sales, and other related services, as and when required (the "ZJK-GENHK Services Agreement").

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

ZJK is a company in which Golden Hope as trustee of the GHUT has 40.05% indirect equity interest and Datuk Lim Chee Wah has 59.95% indirect equity interest. Datuk Lim Chee Wah is a brother of Tan Sri Lim and an uncle of Mr. Lim.

Transactions under the GENHK-ZJK Services Agreement and the ZJK-GENHK Services Agreement are collectively referred to as the "ZJK Services".

The prices and the terms of the ZJK Services have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 30 December 2016.

The Annual Cap for the transactions contemplated under the GENHK-ZJK Services Agreement and the ZJK-GENHK Services Agreement respectively for each of the 2 financial years ended 31 December 2017 and 2018 was expected to be as follows:

	For the year ended 31 December	
	2017 US$	2018 US$
Annual amounts received/receivable by the Group under the GENHK-ZJK Services Agreement	119,000	131,000
Annual amounts paid/payable by the Group under the ZJK-GENHK Services Agreement	621,000	683,000

For the year ended 31 December 2018, (i) the aggregate amount received/receivable by the Group in respect of the transactions contemplated under the GENHK-ZJK Services Agreement was approximately US$14,000 and has not exceeded the Annual Cap of US$131,000; and (ii) the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the ZJK-GENHK Services Agreement was approximately US$17,000 and has not exceeded the Annual Cap of US$683,000.

In view of the expiry of the GENHK-ZJK Services Agreement and the ZJK-GENHK Services Agreement on 31 December 2018, the parties entered into two new services agreements (namely, the "2019 GENHK-ZJK Services Agreement" and the "2019 ZJK-GENHK Services Agreement") on 7 January 2019 to renew the GENHK-ZJK Services Agreement and the ZJK-GENHK Services Agreement for a further period of 3 years commencing from 1 January 2019.

Details of the 2019 GENHK-ZJK Services Agreement and the 2019 ZJK-GENHK Services Agreement as well as related Annual Caps and transactions contemplated thereunder will be disclosed in subsequent published annual reports and accounts of the Company for each of the said financial years during the term of the agreements in accordance with the Listing Rules, where applicable.

For the purpose of computation of the percentage ratios under the Listing Rules, the Annual Caps of the agreements as mentioned under items (1) to (6) above have been/shall be aggregated with each other for the relevant financial years, due to their similar nature and the association of the counterparties to these transactions. However, each of the transactions set out in items (3) to (6) above is, individually and separately, exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as these transactions were entered into on normal commercial terms or better and the relevant percentage ratios in respect of their respective aggregate annual consideration is under 0.1% de minimis threshold.

Connected Transactions (Continued)

(7) On 30 December 2016, the Company entered into a joint promotion and marketing agreement (the "JPM Agreement") with GENM to renew and amend the old joint promotion and marketing agreement which expired on 31 December 2016 for a further fixed term of 3 years commencing from 1 January 2017 in relation to the implementation of joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the GENM group.

Transactions under the JPM Agreement are referred to as the "JPM Transactions".

The prices and the terms of the JPM Transactions have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 30 December 2016.

The Annual Cap for each of the aggregate amounts paid/payable and the aggregate amounts received/receivable by the Group under the JPM Agreement for each of the 3 financial years ended/ending 31 December 2017, 2018 and 2019 was/is expected to be US$1.5 million and US$3 million respectively.

For the year ended 31 December 2018, (i) the aggregate amount paid/payable by the Group in respect of the JPM Transactions was approximately US$0.01 million and has not exceeded the Annual Cap of US$1.5 million; and (ii) the aggregate amount received/receivable by the Group in respect of the JPM Transactions was approximately US$0.3 million and has not exceeded the Annual Cap of US$3 million.

(8) On 14 December 2016, Genting Philippines Holdings Limited ("GPHL") – Philippine Branch (a branch of GPHL registered in the Philippines) replaced Crystal Aim Limited ("CAL") as the service provider and entered into a services agreement (the "RWS Services Agreement") with Resorts World at Sentosa Pte. Ltd. ("RWS") to renew the old services agreement which expired on 31 December 2016 for a further period of 3 years commencing from 1 January 2017 in relation to the provision of the call centre services (the "Call Centre Services"). Pursuant to the RWS Services Agreement, GPHL – Philippine Branch provides the Call Centre Services in the scope of, including but not limited to (i) the handling of English speaking inbound and outbound operation administration calls and provision of any reservations and booking services of tour packages, hotel rooms and any tickets for local and overseas customers of RWS in connection with Resorts World Sentosa (the integrated destination resort located at Sentosa, Singapore, owned and operated by RWS) and Genting Hotel Jurong (a hotel developed, owned and operated by a wholly-owned subsidiary of RWS); and (ii) the handling of all amendment and cancellation related activities of any reservations and booking services of Resorts World Sentosa and Genting Hotel Jurong (the "RWS Transactions").

Each of GPHL and CAL is an indirect wholly-owned subsidiary of the Company. RWS is an indirect wholly-owned subsidiary of GENS, which in turn is a subsidiary of GENT.

The price and the terms of the RWS Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 14 December 2016.

The Annual Cap for the transactions contemplated under the RWS Services Agreement for each of the 3 financial years ended/ending 31 December 2017, 2018 and 2019 would not exceed US$3 million.

For the year ended 31 December 2018, the aggregate amount received/receivable by GPHL – Philippine Branch in respect of the RWS Transactions was approximately US$1.6 million and has not exceeded the Annual Cap of US$3 million.

As announced by the Company on 17 July 2018, RWS served a termination notice to GPHL – Philippine Branch on 1 July 2018 pursuant to the terms of the RWS Services Agreement to terminate the RWS Services Agreement with effect from 31 December 2018.

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

(9) On 30 December 2013, Dynamic Merits Limited (an indirect wholly-owned subsidiary of the Company) entered into a cooperation agreement (the "Cooperation Agreement") with ZJK in respect of the provision by ZJK of certain consultancy services and maintenance services, and grant of certain access rights, in respect of the development of Genting World and Genting Residences by the Group, and grant of the right to use all ski-related facilities at the Genting Resort, Secret Garden ("Secret Garden"), for an aggregate consideration of RMB20,000,000 (equivalent to approximately US$2.9 million) (the "ZJK (Payable) Transactions"). Genting World and Genting Residences are properties located, developed and constructed at Secret Garden, Chongli County, Zhang Jia Kou City, Hebei Province, the People's Republic of China.

The provision of the consultancy services by ZJK under the Cooperation Agreement was not extended upon its expiry of the 3-year term of services at the end of December 2016.

The pricing policy and guidelines for the above transaction have been determined after taking into account the tight time schedule required to obtain the relevant titles, approvals and licenses for the land use rights, the continued commitment to develop and maintain public utilities and infrastructure of Secret Garden, as well as the enhanced value of the usage of the facilities at Secret Garden in relation to the ski apartment holders (no less favourable than prices of ski pass of surrounding areas operated by independent third parties).

The durations of the Maintenance Services and Access Rights and each of the other services as set out in the Cooperation Agreement are 70 years and 3 years respectively, and the details of the durations of these services are more specifically defined and provided in the Cooperation Agreement.

To comply with the Listing Rules, an independent financial adviser ("IFA") has been appointed to advise the Board in respect of the duration of the Maintenance Services and Access Rights in the Cooperation Agreement which is longer than three years. Taking into account the factors as set out in the Company's announcement dated 30 December 2013, the IFA is of the view that a term of longer than 3 years is required for the Maintenance Services and Access Rights in the Cooperation Agreement. In addition, in the context of the development of Genting Residences and Genting World, the IFA considered that it is normal business practice for service of this type to be of such duration.

The aggregate consideration of RMB20,000,000 (equivalent to approximately US$2.9 million) was paid/payable to ZJK on or before 31 December 2017 and accordingly, the amount paid/payable to ZJK in respect of the ZJK (Payable) Transactions was Nil during the year ended 31 December 2018.

From the date of the Cooperation Agreement until 31 December 2018, the aggregate amount paid/payable to ZJK in respect of the ZJK (Payable) Transactions was RMB20,000,000 (equivalent to approximately US$2.9 million) and has not exceeded the aggregate consideration of RMB20,000,000 (equivalent to approximately US$2.9 million) as mentioned in the Cooperation Agreement.

(10) On 14 September 2016, Star Cruise (C) Limited ("SC(C)") entered into a Genting Rewards Alliance agreement (the "GRA Agreement") with RW Services Pte Ltd ("RW Services") whereby RW Services granted to SC(C) the non-exclusive right to become an alliance participant in the customer loyalty programme known as "Genting Rewards Alliance" (the "GRA Programme") at an annual alliance fee of the higher of (i) US$30,000 (which will not be applicable to the first twelve months from the effective date of the GRA Agreement) or (ii) a fee equivalent to 3% of the value of the total products and/or services supplied by or for and on behalf of SC(C) and redeemed by members of the GRA Programme from the GRA Programme within the consecutive twelve months period effective from the date of the GRA Agreement to 31 December 2018, which shall be renewable at the option of SC(C) for a 3-year term of up to a maximum of nine such renewals.

On 4 May 2017, RW Services, RW Tech Labs Sdn Bhd ("RWT") and SC(C) entered into a novation agreement whereby RW Services transferred all its rights and obligations under the GRA Agreement to RWT with effect from 1 April 2017.

Connected Transactions (Continued)

The GRA Programme is a multi-jurisdictional and multilateral alliance of customer rewards programme and provides a network through which multiple customer rewards programmes from different localities and countries can participate as part of the network, facilitating the redemption of loyalty or reward points across loyalty programmes by participants in the GRA Programme.

SC(C) is an indirect wholly-owned subsidiary of the Company. Each of RW Services and RWT is a direct wholly-owned subsidiary of Resorts World Inc Pte. Ltd. ("RWI") which in turn is a joint venture held as to 50% indirectly by each of GENT and Tan Sri Lim. Transactions under the GRA Agreement/the GRA Agreement (as novated) are referred to as the "GRA Transactions".

The price and the terms of the GRA Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 14 September 2016.

The Annual Cap for the amounts paid/payable and the amounts received/receivable by the Group under the GRA Transactions for each of the financial period/years ended 31 December 2016, 2017 and 2018 was expected to be as follows:

	For the period/year ended 31 December		
	2016 US$'000	2017 US$'000	2018 US$'000
Annual amounts paid/payable by the Group under the GRA Transactions	100	500	1,000
Annual amounts received/receivable by the Group under the GRA Transactions	100	500	1,000

For the year ended 31 December 2018, (i) the aggregate amount paid/payable by the Group in respect of the GRA Transactions was US$33,000 and has not exceeded the Annual Cap of US$1,000,000; and (ii) the aggregate amount received/receivable by the Group in respect of the GRA Transactions was US$8,000 and has not exceeded the Annual Cap of US$1,000,000.

In view of the expiry of the GRA Agreement (as novated) on 31 December 2018, the parties entered into a new Genting Rewards Alliance agreement (the "2019 GRA Agreement") on 27 December 2018 to renew the GRA Agreement (as novated) for a further period of 3 years commencing from 1 January 2019.

Details of the 2019 GRA Agreement as well as related Annual Caps and transactions contemplated thereunder will be disclosed in subsequent published annual reports and accounts of the Company for each of the said financial years during the term of the agreement in accordance with the Listing Rules, where applicable.

For the purpose of computation of the percentage ratios under the Listing Rules, the Annual Caps of the agreements as mentioned under items (7) and (10) above have been/shall be aggregated with each other for the relevant financial years, due to their similar and complementary nature of customer loyalty and marketing programmes and the association of the counterparties to these transactions.

(11) On 8 November 2016, the Company as purchaser entered into a master agreement (the "FSG Master Agreement") with FreeStyle Gaming Limited ("FSGL") as vendor whereby FSGL provided the Group with the electronic equipment and devices for electronic games (the "Equipment") and services in relation to (i) installation and set-up of hardware and software for the Equipment; (ii) training personnel; (iii) after-sales-services; (iv) software enhancement and development; and (v) other services related to the Equipment, for a term commencing from 8 November 2016 until 31 December 2018, which shall be renewable at the option of the Company for such duration and upon such terms and conditions as shall be mutually approved by the Company and FSGL.

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

On 23 March 2018, FSGL, FreeStyle Gaming Pte Ltd ("FSGPL") and the Company entered into a novation agreement whereby FSGL transferred all its rights and obligations under the FSG Master Agreement to FSGPL with effect from 9 February 2018.

FSGL is an indirect wholly-owned subsidiary of RWI while FSGPL is a direct wholly-owned subsidiary of RWI. Transactions under the FSG Master Agreement/the FSG Master Agreement (as novated) are referred to as the "FSG Transactions".

The price and the terms of the FSG Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 8 November 2016.

The Annual Cap for the aggregate consideration paid/payable by the Group under the FSG Transactions for each of the 3 years ended 31 December 2016 (including the transaction amounts for a series of completed transactions of a similar nature in the past 12 months prior to the FSG Master Agreement), 2017 and 2018 was expected to be US$4.2 million, US$3.6 million and US$2.1 million respectively.

For the year ended 31 December 2018, the aggregate amount paid/payable by the Group in respect of the FSG Transactions was approximately US$0.2 million and has not exceeded the Annual Cap of US$2.1 million.

As announced by the Company on 27 December 2018, in view of the expiry of the FSG Master Agreement (as novated) on 31 December 2018, the parties entered into a new master agreement (the "2019 FSG Master Agreement") on 27 December 2018 to renew the FSG Master Agreement (as novated) for a further period of 3 years commencing from 1 January 2019.

Details of the 2019 FSG Master Agreement as well as related Annual Caps and transactions contemplated thereunder have been set out in the related announcement and will also be disclosed in subsequent published annual reports and accounts of the Company for each of the said financial years during the term of the agreement in accordance with the Listing Rules, as required.

(12) On 14 December 2017, Zouk Genting Sdn. Bhd. ("Zouk Genting") entered into a management agreement (the "Zouk Management Agreement") with GENM whereby GENM appointed Zouk Genting to perform certain management services and develop, supervise, manage, direct and operate the Zouk Club (the discotheque, restaurant and lounge to be developed or constructed in Resorts World Genting (an integrated leisure and entertainment resort at Genting Highlands, Pahang Darul Makmur, Malaysia (the "Territory") owned and operated by GENM)) for a management fee and an incentive management fee to be payable by GENM. The Zouk Management Agreement is for an initial term of 3 years commencing from the date of the Zouk Management Agreement, with an option to renew and right of termination by either party.

On 14 December 2017, Zouk IP Pte. Ltd. ("Zouk IP") entered into a licence agreement (the "Zouk Licence Agreement") with GENM whereby Zouk IP agreed to grant to GENM an exclusive transferable licence to use certain trade marks owned by Zouk IP within the GENM group of companies in the Territory for the day to day operations of the Zouk Club for a licence fee to be payable by GENM. The Zouk Licence Agreement is for an initial term of 3 years commencing from the date of the Zouk Licence Agreement, with an option for GENM to renew and right of termination by either party.

Zouk Genting and Zouk IP are indirect wholly-owned subsidiaries of the Company. Transactions under the Zouk Management Agreement and the Zouk Licence Agreement are collectively referred to as the "Zouk Transactions".

The prices and the terms of the Zouk Transactions have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 14 December 2017.

Connected Transactions (Continued)

The Annual Cap for the transactions contemplated under the Zouk Management Agreement and the Zouk Licence Agreement respectively for the relevant financial periods/years was/is expected to be as follows:

	For the period from 14 December 2017 to 31 December 2017 RM'000	For the year ended 31 December 2018 RM'000	For the year ending 31 December 2019 RM'000	For the period from 1 January 2020 to 13 December 2020 RM'000
Annual amounts received/ receivable by Zouk Genting under the Zouk Management Agreement	241	2,902	3,065	3,236
Annual amounts received/ receivable by Zouk IP under the Zouk Licence Agreement	144	1,732	1,818	1,908

For the year ended 31 December 2018, (i) the aggregate amount received/receivable by Zouk Genting in respect of the transactions contemplated under the Zouk Management Agreement was RM1,170,000 and has not exceeded the Annual Cap of RM2,902,000; and (ii) the aggregate amount received/receivable by Zouk IP in respect of the transactions contemplated under the Zouk Licence Agreement was RM207,000 and has not exceeded the Annual Cap of RM1,732,000.

The Audit Committee comprising all Independent Non-executive Directors of the Company has reviewed the GENT/GENM/GENS (Payable) Transactions, the GENS/GENM (Receivable) Transactions, the Rich Hope Tenancy, the Ambadell Lease, the Ambadell Services, the ZJK Services, the JPM Transactions, the RWS Transactions, the ZJK (Payable) Transactions, the GRA Transactions, the FSG Transactions and the Zouk Transactions for the year ended 31 December 2018 (collectively, the "Non-exempt Continuing Connected Transactions") and confirmed that the Non-exempt Continuing Connected Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Non-exempt Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the Non-exempt Continuing Connected Transactions disclosed by the Group on pages 30 to 39 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

(c) Transaction set out in item (l) of these related party transactions, which constitutes a continuing connected transaction under the Listing Rules, is exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as this transaction was entered into on normal commercial terms or better and its aggregate annual consideration for the year ended 31 December 2018 is less than the relevant de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

(d) Transaction set out in item (h)(2) of these related party transactions, which constitutes a connected transaction under the Listing Rules, is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as this transaction was entered into on normal commercial terms or better and its consideration is less than the relevant de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

(e) Other related party transactions entered into by the Group during the year ended 31 December 2018 as set out in note 34 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Directors' Interests in Competing Business

Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer and a substantial shareholder of the Company, is the Chairman and Chief Executive and a substantial shareholder of Genting Berhad ("GENT") as well as the Chairman and Chief Executive, a substantial shareholder and a holder of the rights to participate in the performance shares of Genting Malaysia Berhad ("GENM"). GENT and GENM are listed on the Main Market of Bursa Malaysia Securities Berhad. Tan Sri Lim Kok Thay is also the Executive Chairman, a substantial shareholder and a holder of the rights to participate in the performance share scheme of Genting Singapore Limited ("GENS") (formerly known as Genting Singapore PLC prior to its re-domiciliation from the Isle of Man to Singapore in June 2018), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Mr. Lim Keong Hui, the Deputy Chief Executive Officer, Executive Director and a substantial shareholder of the Company, is also the Deputy Chief Executive and Executive Director and a substantial shareholder of GENT, and the Deputy Chief Executive and Executive Director, a substantial shareholder and a holder of the rights to participate in the performance shares of GENM. He is also a substantial shareholder of GENS.

GENM is involved in an integrated resort business at Genting Highlands and its principal activities cover leisure and hospitality services, which comprise gaming, hotels, food and beverage, theme parks, retail and entertainment attractions. The principal activities of GENM's subsidiaries include operation of casinos, leisure and hospitality services, property investment and management, investments, tours and travel related services and provision of sales and marketing services. The principal activity of GENS is that of an investment holding company. The principal activities of GENS's subsidiaries include the development and operation of integrated resort, operation of casinos, provision of sales and marketing support services to leisure and hospitality related businesses and investments. GENS owns Resorts World Sentosa in Singapore. As at the date of this report, GENT held approximately 49.45% and 52.70% equity interests in GENM and GENS respectively.

Tan Sri Lim Kok Thay, Mr. Lim Keong Hui and certain other members of Tan Sri Lim Kok Thay's family are beneficiaries of a discretionary trust which ultimately owns the Golden Hope Unit Trust ("GHUT"), of which Golden Hope Limited ("Golden Hope") is the trustee. Golden Hope as trustee of the GHUT, a substantial shareholder of the Company, indirectly owns approximately 84.7% of the voting interest in Empire Resorts, Inc., a publicly traded company with various subsidiaries engaged in the hospitality and gaming industries.

The Group is principally engaged in the business of cruise and cruise-related operations, shipyard operations and leisure, entertainment and hospitality activities.

Tan Sri Lim Kok Thay and Mr. Lim Keong Hui are therefore considered as having interests in business (the "Deemed Competing Business") apart from the Group's business, which may compete indirectly with the Group's business under Rule 8.10 of the Listing Rules. The Company's management team is separate and independent from GENT, GENM, GENS and Empire Resorts, Inc.. Coupled with the appointment of three Independent Non-executive Directors to the Board, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

Interests of Directors

As at 31 December 2018, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register required 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

(A) Interests in the shares of the Company

Nature of interests/capacity in which such interests were held

Name of Director	Beneficial owner	Interests of spouse	Interests of controlled corporation	Founder/ Beneficiary of discretionary trusts	Total	Percentage of issued voting shares
	Number of ordinary shares *(Notes)*					
Tan Sri Lim Kok Thay	368,643,353	36,298,108 *(1)*	36,298,108 *(2)*	6,003,571,032 *(3) and (4)*	6,408,512,493 *(5)*	75.55
Mr. Lim Keong Hui *(6)*	–	–	–	6,003,571,032 *(3) and (4)*	6,003,571,032	70.78
Mr. Justin Tan Wah Joo	968,697 *(7)*	968,697 *(7)*	–	–	968,697 *(5)*	0.01

Notes:

As at 31 December 2018:

(1) Tan Sri Lim Kok Thay ("Tan Sri Lim") had a family interest in the same block of 36,298,108 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which his wife, Puan Sri Wong Hon Yee ("Puan Sri Wong") had a corporate interest.

(2) Tan Sri Lim was also deemed to have a corporate interest in the same block of 36,298,108 ordinary shares directly held by Goldsfine in which each of Tan Sri Lim and Puan Sri Wong held 50% equity interests.

(3) Tan Sri Lim as founder and a beneficiary of a discretionary trust (trustee of which is First Names Trust Company (Isle of Man) Limited (now known as Summerhill Trust Company (Isle of Man) Limited)) and Mr. Lim Keong Hui ("Mr. Lim") also as a beneficiary of the discretionary trust, had a deemed interest in the same block of 6,003,571,032 ordinary shares.

(4) Out of the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope Limited as trustee of the Golden Hope Unit Trust, 4,835,000,000 ordinary shares were pledged ordinary shares.

(5) There was no duplication in arriving at the total interest.

(6) Mr. Lim is a son of Tan Sri Lim.

(7) These shares were jointly held by Mr. Justin Tan Wah Joo and his wife.

(8) The Company had one class of issued shares, namely the ordinary shares, each of which carried equal voting right.

(9) All the above interests represented long positions in the shares.

REPORT OF THE DIRECTORS

Interests of Directors (Continued)

(B) Interests in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Beneficial owner	Interests of spouse	Interests of controlled corporation	Founder/ Beneficiary of discretionary trusts	Total	Percentage of issued voting shares
		Nature of interests/capacity in which such interests were held					
		Number of ordinary/common shares *(Notes)*					
Grand Banks Yachts Limited ("Grand Banks") *(1)*	Tan Sri Lim Kok Thay	3,056,497	–	–	49,553,497 *(2)*	52,609,994 *(17) and (18)*	28.56
Starlet Investments Pte. Ltd. ("Starlet") *(3)*	Tan Sri Lim Kok Thay	–	250,000 *(4)*	250,000 *(5)*	250,000 *(6)*	500,000 *(17) and (18)*	100
SC Alliance VIP World Philippines, Inc. ("SC Alliance") *(7)*	Tan Sri Lim Kok Thay	–	2,000 *(8)*	2,000 *(9)*	2,000 *(10)*	2,000 *(17) and (18)*	40
Star Cruises Hong Kong Management Services Philippines, Inc. ("SCHKMS") *(11)*	Tan Sri Lim Kok Thay	–	5,000 *(12)*	5,000 *(13)*	5,000 *(14)*	5,000 *(17) and (18)*	100
Travellers International Hotel Group, Inc. ("Travellers") *(15)*	Mr. Lim Keong Hui	1,910,000	–	–	9,203,350,000 *(16)*	9,205,260,000 *(18)*	35.74

Notes:

As at 31 December 2018:

(1) Grand Banks had one class of issued shares, namely 184,234,649 ordinary shares, each of which carried equal voting right. A subsidiary of the Company had a 26.90% interest in Grand Banks.

(2) As founder and a beneficiary of a discretionary trust, Tan Sri Lim had a deemed interest in 49,553,497 ordinary shares of Grand Banks.

(3) Starlet had one class of issued shares, namely 500,000 ordinary shares, each of which carried equal voting right. Each of a subsidiary of the Company and International Resort Management Services Pte. Ltd. ("IRMS") had a 50% interest in Starlet. IRMS was owned as to 80% by Tan Sri Lim and 20% by his spouse, Puan Sri Wong.

(4) As the spouse of Puan Sri Wong, Tan Sri Lim had a family interest in 250,000 ordinary shares of Starlet directly held by IRMS in which Puan Sri Wong had a 20% interest.

(5) Tan Sri Lim was deemed to have a corporate interest in 250,000 ordinary shares of Starlet directly held by IRMS.

(6) As founder and a beneficiary of a discretionary trust, Tan Sri Lim had a deemed interest in 250,000 ordinary shares of Starlet.

(7) SC Alliance had two classes of issued shares, namely 2,000 common shares and 3,000 series A preferred shares, each of which carried equal voting right. All the issued common shares in SC Alliance were held by Starlet.

(8) As the spouse of Puan Sri Wong, Tan Sri Lim had a family interest in 2,000 common shares of SC Alliance directly held by Starlet in which IRMS had a 50% interest, IRMS was in turn owned as to 20% by Puan Sri Wong.

(9) Tan Sri Lim was deemed to have a corporate interest in 2,000 common shares of SC Alliance directly held by Starlet in which IRMS had a 50% interest.

Interests of Directors (Continued)

(B) Interests in the shares of associated corporations of the Company (Continued)

Notes (Continued):

(10) As founder and a beneficiary of a discretionary trust, Tan Sri Lim had a deemed interest in 2,000 common shares of SC Alliance.

(11) SCHKMS had one class of issued shares, namely 5,000 common shares, each of which carried equal voting right. SCHKMS was owned as to (i) 60% by SC Alliance; and (ii) 40% by Starlet.

(12) As the spouse of Puan Sri Wong, Tan Sri Lim had a family interest in 5,000 common shares of SCHKMS directly and indirectly held by Starlet in which IRMS had a 50% interest, IRMS was in turn owned as to 20% by Puan Sri Wong.

(13) Tan Sri Lim was deemed to have a corporate interest in 5,000 common shares of SCHKMS comprising (i) 3,000 common shares directly held by SC Alliance; and (ii) 2,000 common shares directly held by Starlet.

(14) As founder and a beneficiary of a discretionary trust, Tan Sri Lim had a deemed interest in 5,000 common shares of SCHKMS.

(15) Travellers had two classes of issued shares, namely 15,755,874,850 common shares and 10,000,000,000 preferred B shares, each of which carried equal voting right. Following initial listing of the common shares of Travellers on the Main Board of The Philippine Stock Exchange, Inc. on 5 November 2013 and the exercise of the over-allotment option by the stabilizing agent on 4 December 2013 to purchase 23,645,600 common shares, the Company's effective interest in the common shares of Travellers had been diluted from 50% to 44.93%. The Company's effective interest in the preferred B shares of Travellers remained unchanged at 50% following the listing.

(16) As a beneficiary of a discretionary trust, Mr. Lim had a deemed interest in 9,203,350,000 common shares of Travellers.

(17) There was no duplication in arriving at the total interest.

(18) These interests represented long positions in the shares of the relevant associated corporations of the Company.

(19) Tan Sri Lim held qualifying shares in certain associated corporations of the Company on trust for a subsidiary of the Company.

Save as disclosed above and in the sections headed "Share Options" and "Interests of Substantial Shareholders" below:

(a) as at 31 December 2018, none of the Directors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required 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; and

(b) at no time during the year was the Company and its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options

Details of the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002) (the "Post-listing Employee Share Option Scheme") are set out in note 37 to the consolidated financial statements. The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options can be granted under the scheme but the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme. Details of the movement in the share options granted to the Directors of the Company and the employees of the Group under the Post-listing Employee Share Option Scheme during the year and outstanding as at 31 December 2018 were as follows:

REPORT OF THE DIRECTORS

Share Options (Continued)

Post-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2018	Number of ordinary shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2018	Date granted	Exercise price per ordinary share	Exercisable period
Tan Sri Lim Kok Thay (Director)	7,000,000	–	(7,000,000)	–	–	27/05/2008	HK$1.7800	28/05/2009 – 27/05/2018
	7,000,000	**-**	**(7,000,000)**	**-**	**-**			
All other employees	2,475,000	–	(2,475,000)	–	–	27/05/2008	HK$1.7800	28/05/2009 – 27/05/2018
	7,226,000	–	(1,216,000)	–	6,010,000	16/11/2010	HK$3.7800	16/11/2011 – 15/11/2020
	9,701,000	**-**	**(3,691,000)**	**-**	**6,010,000**			
Grand Total	**16,701,000**	**-**	**(10,691,000)**	**-**	**6,010,000**			

The share options under the Post-listing Employee Share Option Scheme granted on (i) 27 May 2008 vested in five tranches over a period of ten years from the date of offer and were exercisable annually in equal tranches of 20% of the amount granted commencing in each of the five years from 2009 to 2013 (all outstanding share options which remained unexercised upon maturity lapsed on 28 May 2018); and (ii) 16 November 2010 vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the five years from 2011 to 2015. All the share options under the Post-listing Employee Share Option Scheme are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Interests of Substantial Shareholders

As at 31 December 2018, the following persons (other than the Directors or the Chief Executive of the Company) had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued shares, as recorded in the register required to be kept under section 336 of the SFO and in accordance with information received by the Company:

Interests in the shares of the Company

	Nature of interests/capacity in which such interests were held						
Name of shareholder *(Notes)*	Beneficial owner	Interests of spouse	Interests of controlled corporation	Trustee	Beneficiary of trust	Total	Percentage of issued voting shares
			Number of ordinary shares *(Notes)*				
First Names Trust Company (Isle of Man) Limited (now known as Summerhill Trust Company (Isle of Man) Limited) (as trustee of a discretionary trust) *(1)*	–	–	6,003,571,032 *(5)*	6,003,571,032 *(7)*	6,003,571,032 *(9)*	6,003,571,032 *(13)*	70.78
Cove Investments Limited *(2)*	–	–	–	–	6,003,571,032 *(10)*	6,003,571,032	70.78
Golden Hope Limited (as trustee of the Golden Hope Unit Trust) *(3)*	–	–	546,628,908 *(6)*	6,003,571,032 *(8) and (12)*	–	6,003,571,032 *(13)*	70.78
Joondalup Limited *(4)*	546,628,908	–	–	–	–	546,628,908	6.44
Puan Sri Wong Hon Yee	–	6,408,512,493 *(11(a))*	36,298,108 *(11(b))*	–	–	6,408,512,493 *(13)*	75.55

Interests of Substantial Shareholders (Continued)

Interests in the shares of the Company (Continued)

Notes:

As at 31 December 2018:

(1) First Names Trust Company (Isle of Man) Limited (now known as Summerhill Trust Company (Isle of Man) Limited) ("First Names") was the trustee of a discretionary trust (the "Discretionary Trust"), the beneficiaries of which were Tan Sri Lim Kok Thay ("Tan Sri Lim"), Mr. Lim Keong Hui and certain other members of Tan Sri Lim's family. First Names as trustee of the Discretionary Trust held 99.99% of the units in the Golden Hope Unit Trust ("GHUT"), a private unit trust directly and 0.01% of the units in the GHUT indirectly through Cove (as defined below).

(2) Cove Investments Limited ("Cove") was wholly owned by First Names as trustee of the Discretionary Trust.

(3) Golden Hope Limited ("Golden Hope") was the trustee of the GHUT.

(4) Joondalup Limited ("Joondalup") was wholly owned by Golden Hope as trustee of the GHUT.

(5) First Names as trustee of the Discretionary Trust had a corporate interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of the GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of the GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(6) Golden Hope as trustee of the GHUT had a corporate interest in the same block of 546,628,908 ordinary shares held directly by Joondalup.

(7) First Names in its capacity as trustee of the Discretionary Trust had a deemed interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of the GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of the GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(8) The interest in 6,003,571,032 ordinary shares was held directly and indirectly by Golden Hope in its capacity as trustee of the GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of the GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(9) First Names as trustee of the Discretionary Trust was deemed to have interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of the GHUT in its capacity as beneficiary of the GHUT.

(10) Cove which held 0.01% of the units in the GHUT was deemed to have interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of the GHUT in its capacity as beneficiary of the GHUT.

(11) (a) Puan Sri Wong Hon Yee ("Puan Sri Wong") as the spouse of Tan Sri Lim, had a family interest in the same block of 6,408,512,493 ordinary shares in which Tan Sri Lim had a deemed interest.

(b) Puan Sri Wong also had a corporate interest in 36,298,108 ordinary shares held directly by Goldsfine by holding 50% of its equity interest.

(12) Out of the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of the GHUT, 4,835,000,000 ordinary shares were pledged ordinary shares.

(13) There was no duplication in arriving at the total interest.

(14) The Company had one class of issued shares, namely the ordinary shares, each of which carried equal voting right.

(15) All the above interests represented long positions in the shares of the Company.

Save as disclosed above and in the section headed "Interests of Directors" above, as at 31 December 2018, there were no other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

Retirement Benefit Schemes

The Group contributes to the statutory defined contribution plans, including provident fund scheme of various countries in which it operates. Information on the Group's retirement benefit schemes is set out in note 35 to the consolidated financial statements.

Management Contracts

Save for the arrangements relating to the provision of services by Genting Berhad and its related companies to the Group as set out in the section headed "Connected Transactions" above and in the section headed "Significant Related Party Transactions and Balances" in note 34 to the consolidated financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers combined and the aggregate amount of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of such revenue.

Emolument Policy

The Group's emolument policy and structure are periodically reviewed by the Remuneration Committee. The Group provides competitive salaries, benefits and incentives including statutory provident fund scheme and voluntary schemes where applicable and insurance schemes covering term life, accident and medical for its employees.

Directors' emoluments are determined with reference to, inter alia, their duties and responsibilities, the Group's emolument policy as well as emolument benchmark in the industry, the country in which they are based and prevailing market conditions.

The key areas of the Group's emolument policy are drawn up on the following basis:

Base Salary

Base salaries are set at levels competitive with remuneration for leisure and tourism industry companies based in similar locations which the Group competes for talent. This is to ensure an overall pay structure capable of attracting, motivating and retaining high quality individuals within a cost-effective framework. The Group's employee reward is organised around the financial performance and the markets in which the Group operates. Salary reviews are compared against the external market on an annual basis and adjustments are then recommended to reflect promotions, changes in level of responsibilities and competitive pay levels.

Annual Bonus

Payout of annual bonuses is dependent on the Group's performance taking into account individual contribution towards achievement of the Group's overall performance.

Share Option Scheme

The Company adopted a Post-listing Employee Share Option Scheme to motivate employees and to allow them to participate in the growth and success of the Group. Options at market value at the date of grant had been offered from time to time to eligible employees entitling them to subscribe for ordinary shares in the Company. Upon expiry of the said scheme on 29 November 2010, no further options may be granted thereunder while the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme.

Retirement Benefits

The Group contributes to retirement schemes for its employees in accordance with statutory requirements in the countries where the Group operates.

Permitted Indemnity Provisions for Directors

Certain permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of certain Directors of the Company and its associated companies (as defined in the Hong Kong Companies Ordinance) are currently in force and were in force throughout the financial year.

Corporate Governance

In the opinion of the Directors, during the year ended 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (the "Code Provisions") in force during the period under review, save for certain deviations from the relevant Code Provisions A.2.1 and F.1.3 as listed below:

(a) Code Provision A.2.1 states that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

(b) Code Provision F.1.3 states that the Company Secretary should report to the Board Chairman and/or the Chief Executive.

Considered reasons for the aforesaid deviations as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 49 to 80.

Disclosure of Information on Directors pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company discloses the following change in information on Mr. Justin Tan Wah Joo ("Mr. Tan"), an Independent Non-executive Director of the Company:

(a) Mr. Tan has ceased to own any interest in the warrants of Genting Berhad ("GENT") which expired on 18 December 2018. GENT is a company listed on the Main Market of Bursa Malaysia Securities Berhad and a connected person of the Company by virtue of the direct and/or deemed interests of each of Tan Sri Lim Kok Thay and Mr. Lim Keong Hui (an Executive Director and a connected person of the Company) in GENT.

Review by Audit Committee

This annual report has been reviewed by the Audit Committee which currently comprises three Independent Non-executive Directors of the Company, namely Mr. Justin Tan Wah Joo, Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the 10% public float requirement (as imposed by the Stock Exchange on the Company at the time of listing) during the year and up to the date of this report.

General Disclosure pursuant to the Listing Rules

Pursuant to Rules 13.18 and 13.21 of the Listing Rules, the Company discloses the following information:

Facility Agreements of the Group

In April 2014, the Group obtained a secured term loan facility in an aggregate amount of USD equivalent of up to EUR593,760,000 with a term of 144 months after the first utilisation of the facility by the Group under the facility agreement (the "First Vessel Loan Facility Agreement") for financing the construction and purchase of the vessel to be constructed pursuant to the shipbuilding contract dated 7 October 2013.

In May 2014, the Group obtained a secured term loan facility in an aggregate amount of USD equivalent of up to EUR606,842,214 with a term of 144 months after the first utilisation of the facility by the Group under the facility agreement (the "Second Vessel Loan Facility Agreement") for financing the construction and purchase of the vessel to be constructed pursuant to the shipbuilding contract dated 10 February 2014 and the Hermes Fee (as defined in the Second Vessel Loan Facility Agreement).

REPORT OF THE DIRECTORS

General Disclosure pursuant to the Listing Rules (Continued)

Facility Agreements of the Group (Continued)

In April 2015, the Group obtained a secured term loan facility in an aggregate amount of up to the lower of US$300 million and 60% of the aggregate market value of two vessels, namely, Crystal Serenity and Crystal Symphony (the "Vessels"), with a term of 84 months after the utilisation of the facility by the Group under the facility agreement (the "Crystal Vessel Loan Facility Agreement") for part financing the acquisition of the entire equity interest in Crystal Cruises, LLC (the indirect owner of the Vessels) by the Borrower (as defined in the Crystal Vessel Loan Facility Agreement which is an indirect wholly-owned subsidiary of the Company) as purchaser pursuant to the purchase agreement dated 3 March 2015 and for general corporate purpose of the Borrower.

In July 2016, the Group obtained a secured term loan and revolving credit facility in an aggregate amount of up to US$500 million with a term of 72 months after the first utilisation of the facilities by the Company under the facility agreement (the "US$500 million Facility Agreement") for, amongst others, general corporate purposes of the Group.

In January 2017, the Group obtained a secured term loan facility in an aggregate amount of USD equivalent of up to (i) EUR160 million for financing part of the cost of construction and purchase of four river cruise ships to be constructed pursuant to the relevant shipbuilding contracts all dated 7 September 2016 (as amended from time to time); and (ii) 100% of each Hermes Fee (as defined therein) with a term of 102 months after the first utilisation of the facility by the Group under the facility agreement (the "River Cruise Ship Facility Agreement").

Pursuant to (i) the First Vessel Loan Facility Agreement; (ii) the Second Vessel Loan Facility Agreement; (iii) the Crystal Vessel Loan Facility Agreement; (iv) the US$500 million Facility Agreement; and (v) the River Cruise Ship Facility Agreement, the Lim Family (as defined therein, including Tan Sri Lim Kok Thay (the Chairman and Chief Executive Officer of the Company), his spouse, his direct lineal descendants, the personal estate of any of the above persons; and any trust created for the benefit of one or more of the aforesaid persons and their respective estates) is required, together or individually, directly or indirectly, to hold the largest percentage of the issued share capital of, and equity interest in, the Company. The Lim Family's holding shall include any interest which the Lim Family, together or individually, is deemed to hold in accordance with Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (Disclosure of Interests) and in addition, where applicable, any interest in the Company held by GENT, GENM and their respective Affiliates (as defined in each of the respective facility agreements).

As at 31 December 2018, the aggregate principal amount under the above facility agreements was US$2,345 million and the aggregate outstanding loan balance thereunder was approximately US$1,748 million.

Significant Subsequent Events

1. In January 2019, the Group entered into a sale and purchase agreement with four independent third parties to acquire the entire equity interest in Neptun Ship Design GmbH ("NSD") for a total consideration of EUR18.0 million (approximately US$20.6 million). NSD is engaged in design, development, engineering and project management for ships. The acquisition of NSD has been completed on 7 March 2019.

2. In March 2019, the Group entered into a term and revolving credit facility of US$300 million with a term of 48 months from the first utilisation date for financing of the Group's general corporate funding requirements and capital expenditure. As at the date of this report, the facility has not been utilised.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Hong Kong, 28 March 2019

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Summarised below is a statement on how the Company during the year ended 31 December 2018 has applied the principles and complied with the code provisions as set out in the Corporate Governance Code in effect during the year ended 31 December 2018 (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") (the "Listing Rules"), save for certain deviations from the relevant Code Provisions A.2.1 and F.1.3 listed below.

A. Directors

A.1 The Board

Principle

An issuer should be headed by an effective Board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.1.1 At least 4 regular physical Board meetings should be held each year.	No	The Board has overall responsibility for the proper conduct of the Company's business. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as and when required.
A.1.2 All Directors should be given an opportunity to include matters in the agenda for regular Board meetings.	No	Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and inclusion of any matters for deliberation at the meetings.
A.1.3 Notice of at least 14 days should be given of a regular Board meeting. For all other Board meetings, reasonable notice should be given.	No	Formal notice of at least 14 days is given for a regular Board meeting. Reasonable notice will be given for all other Board meetings.
A.1.4 Minutes of Board and Board Committees meetings should be kept by a duly appointed secretary of the meeting and should be open for inspection on reasonable notice by any Director.	No	Minutes of the meetings of the Board, the Audit Committee, the Nomination Committee, the Share Option Committee and any other ad hoc Board Committees established for specific transaction purposes are kept by the Company Secretary while minutes of the Remuneration Committee meetings are kept by the Head of the Corporate Human Resources Department who is the Secretary of the Remuneration Committee. Such minutes are available for inspection on reasonable notice by any Director.
A.1.5 Draft and final versions of minutes of Board meetings should be sent to all Directors for their comments and records within a reasonable time after the Board meeting is held.	No	Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records within a reasonable time.
A.1.6 There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	No	The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.1 The Board (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.1.7 If a substantial shareholder or a Director has a conflict of interest in a material matter to be considered by the Board, the matter should be dealt with by a physical Board meeting rather than a written resolution.	No	Material transactions with connected persons will be considered at Board meetings whereat the Directors may consider, if appropriate, granting approval in-principle for the proposed transactions and authorising the final forms thereof be further approved by way of circulation of written resolution or by a Board committee set up for that purpose. The Company's Bye-laws and the Bermuda laws allow the attendance of the Company's Directors by means of, inter alia, telephone or electronic facilities and such attendance shall be counted as attendance at a physical Board meeting.
A.1.8 Issuer should arrange appropriate insurance cover in respect of legal action against its Directors.	No	All Directors are provided with appropriate insurance cover in respect of legal action against them.

A.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of every issuer – the management of the Board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.2.1 Roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.	Yes	Tan Sri Lim Kok Thay ("Tan Sri Lim") is the Chairman and Chief Executive Officer of the Company. Tan Sri Lim has been with the Group since the formation of the Company in 1993 and has considerable experience in the leisure and entertainment industry. He provides leadership for the Board in considering and setting the overall strategies and objectives of the Company; and with support of the other Executive Director of the Company and the Senior Management team of the Group, implement the Company's strategies and policies laid down by the Board with respect to the development of the business of the Group. The Board is of the view that the arrangement in having the same individual performing the dual roles of Chairman and Chief Executive Officer is in the interests of the Company as it enables the Board to have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board in a timely manner on key issues and developments. Given that there is a balanced Board with three Independent Non-executive Directors ("INEDs"), representing more than one-half of the Board, and an INED acting as the Deputy Chairman throughout the year, the Board is of the view that there is a strong independent element on the Board to exercise independent judgement and provide sufficient check and balance. The Board will evaluate from time to time the appropriateness of the dual roles of Chairman and Chief Executive Officer performed by the same individual and ensures that the arrangement will continue to be in the interests of the Company and its shareholders as a whole.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.2 Chairman and Chief Executive (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.2.2 The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings.	No	All Directors are properly briefed on issues arising at Board meetings.
A.2.3 The Chairman should ensure that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.
A.2.4 The Chairman provides leadership for the Board and should ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.	No	The Board, under the leadership of the Chairman, works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Comments on the draft notice and agenda of regular Board meetings and matters proposed to be included in such drafts by any Director will be duly considered before finalisation.
A.2.5 The Chairman should ensure that good corporate governance practices and procedures are established.	No	The Board establishes and maintains good corporate governance practices and procedures.
A.2.6 The Chairman should encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the issuer.	No	All Directors are encouraged to make a full and active contribution to the Board's affairs and to voice their concerns if they have different views. Directors are given sufficient time for discussion at Board meetings. All Directors endeavour to act in the best interests of the Company.
A.2.7 The Chairman should at least annually hold meetings with the Non-executive Directors (including INEDs) without the Executive Directors present.	No	During the year under review, the Chairman (who is also the Chief Executive Officer and an Executive Director) of the Company had held a meeting with the INEDs of the Company.
A.2.8 The Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.	No	Shareholders' Communication Policy has been established by the Board to ensure that an effective system of communication with shareholders is in place. Shareholders are encouraged to participate in general meetings whereat members of the Board and Board Committees are available to answer their questions.
A.2.9 The Chairman should promote a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors.	No	All Directors are encouraged to openly share their views on the Company's affairs and issues and they are entitled to have access to Senior Management who will respond to queries raised by the Directors as promptly and fully as possible. The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.3 Board composition

Principle

The Board should have a balance of skills and experience and diversity of perspectives appropriate to the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.3.1 INEDs should be identified in all corporate communications that disclose the names of Directors.	No	Throughout the year under review, the Board has three INEDs, representing more than one-half of the Board and constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" of the Company's Annual Report for the skills and experience of each Director. Composition of the Board at the prevailing time throughout the year, by category of Directors, including names of Executive Director(s) and INEDs has been disclosed in all corporate communications.
A.3.2 Issuer should maintain on the websites of its own and the Exchange an updated list of its Directors identifying their roles and functions and whether they are INEDs.	No	An updated list of the Company's Directors identifying their roles and functions and whether they are INEDs is available on the websites of the Company and the Exchange.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new Directors. There should be plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any Director.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.4.1 Non-executive Directors should be appointed for a specific term, subject to re-election.	No	During the year under review, all Non-executive Directors of the Company are INEDs. A formal letter of appointment had been entered into between the Company and each of the INEDs whereby, the term of his office is generally fixed for a term of not more than approximately two years expiring at the conclusion of the annual general meeting ("AGM") of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws.
A.4.2 All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director should be subject to retirement by rotation at least once every three years.	No	The Company's Bye-laws conform with this code provision whereby every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.4 Appointments, re-election and removal (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.4.3 Re-appointment of any INED who has served more than 9 years should be subject to a separate resolution to be approved by shareholders and the papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.	No	During the year under review, no INED who has served on the Board for more than 9 years was subject to re-election.

A.5 Nomination Committee

Principle

In carrying out its responsibilities, the Nomination Committee should give adequate consideration to the Principles under A.3 and A.4 above.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.5.1 A Nomination Committee should be established and be chaired by the Chairman of the Board or an INED and comprises a majority of INEDs.	No	The Board has established a Nomination Committee which is chaired by an INED. A majority of the members of the Nomination Committee are INEDs.
A.5.2 The Nomination Committee should have specific written terms of reference to include the prescribed specific duties.	No	The Nomination Committee has specific written terms of reference which contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(C)(2) of this Report for the principal duties of the Nomination Committee.
A.5.3 The Nomination Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	The relevant versions of the terms of reference of the Nomination Committee (including its role and functions) are available on the websites of the Exchange and the Company during their respective applicable periods. In November 2018, the Board has adopted the revised terms of reference of the Nomination Committee to formally incorporate the formulation, review and update of the Director Nomination and Board Diversity Policy and the assessment of time commitment of INEDs as the functions and duties of the Nomination Committee (in view of the revised CG Code effective 1 January 2019). The updated terms of reference of the Nomination Committee have been made available on the websites of the Exchange and the Company upon adoption.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.5 Nomination Committee (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.5.4 The Nomination Committee should be provided with sufficient resources to perform its duties.	No	The Nomination Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
A.5.5 Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why it believes the individual should be elected and considers him to be independent.	No	For the proposed re-appointment of the retiring INED during the year under review, the Company has included in the circular to shareholders accompanying the notice of the relevant general meeting the reasons why the Board considered him to be independent and recommended him to be re-elected.
A.5.6 The Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report.	No	The Nomination Committee has adopted a revised Director Nomination Policy for the Company and renamed it as "Director Nomination and Board Diversity Policy" to update the policy so as to reflect the amendments to the CG Code and the Listing Rules concerning Board diversity. A summary of the updated policy regarding Board diversity is disclosed in section (III)(C)(5) of this Report.

A.6 Responsibilities of Directors

Principle

Every Director must always know his responsibilities as a Director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.6.1 Every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment. Subsequently, he should receive such briefing and professional development as is necessary.	No	On appointment, new Directors will be given a comprehensive formal induction. The Directors are provided with "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry, the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" published by the Hong Kong Institute of Directors, and the "Guidance for Boards and Directors" published by the Exchange. They are also furnished with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.6 Responsibilities of Directors (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.6.2 Functions of Non-executive Directors should include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	No	All INEDs of the Company in office during the year under review have duly performed these functions.
A.6.3 Every Director should give sufficient time and attention to the issuer's affairs.	No	Every Director continues to give appropriate time and attention to the affairs of the Company.
A.6.4 Written guidelines should be established for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. "Relevant Employee" includes any employee or a Director or employee of a subsidiary or holding company who is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.	No	The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2018 as its code of conduct regarding securities transactions by its Directors. The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Senior Management as included in the Company's latest Annual Report or as otherwise resolved by the Board from time to time.
A.6.5 All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	No	All Directors are provided with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes, at the Company's expenses, to update and enhance their knowledge and skills for performing Directors' roles and responsibilities. The Company maintains and updates a record of training received by the Directors. Please refer to sections (III)(A)(10) to (12) of this Report for further details.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.6 Responsibilities of Directors (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.6.6 Each Director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed.	No	Each Director is required, on appointment, to disclose to the Board his directorships in public companies or organisations and other significant commitments, and provides continuous updates, on a regular basis, for any change therein, with an indication of the time involved.
A.6.7 INEDs and other Non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	No	During the year under review, all INEDs of the Company have given the Board and any Board Committees on which they served the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation at meetings of the Board and relevant Board Committees (as the case may be). All INEDs of the Company had attended the general meetings of the Company held during the year under review, including the 2018 AGM and the special general meeting of the Company ("SGM") both held on 15 June 2018, and were available to answer questions thereat. Save for the aforesaid, no other general meeting of the Company was held during the year under review.
A.6.8 INEDs and other Non-executive Directors, should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	No	Throughout the year under review, there were three INEDs on the Board, representing more than one-half of the Board and constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" of the Company's Annual Report for the skills and experience of each Director. Adequate business documents and information about the Group were provided to all Directors in a timely manner. The INEDs in office during the year were able to provide independent, constructive and informed comments and decisions on the development of the Company's strategy and policies.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.7 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.7.1 For regular Board meetings, and as far as practicable in all other cases, Board papers should be sent, in full, to all Directors at least 3 days (or other agreed period) before a Board or Board Committee meeting.	No	Board papers in respect of regular Board meetings, and as far as practicable in all other cases, are sent to all Directors or Board Committee members (as the case may be) at least 3 days (or other agreed period) before the relevant meeting.
A.7.2 Management has an obligation to supply the Board and its committees with adequate information in a timely manner. The Board and individual Directors should have separate and independent access to the issuer's Senior Management.	No	The Company continues to supply the Board and its committees with adequate information in a timely manner. There are formal and informal contacts between the Board and the Senior Management from time to time at Board meetings and other events.
A.7.3 All Directors are entitled to have access to Board papers and related materials. Queries raised by Directors should receive a prompt and full response, if possible.	No	Board papers, minutes and related corporate documentation are made available for inspection by all Directors. All Directors are entitled to have access to Senior Management who will respond to queries raised by the Directors as promptly and fully as possible.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

B. Remuneration of Directors and Senior Management and Board Evaluation

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose its Directors' remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain Directors to run the company successfully without paying more than necessary. No Director should be involved in deciding his own remuneration.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
B.1.1 The Remuneration Committee should consult the Chairman and/or Chief Executive about their remuneration proposals for other Executive Directors and have access to independent professional advice if necessary.	No	The Chairman and Chief Executive Officer of the Company is one of the Remuneration Committee members and shall participate in formulating proposals on the remuneration of other Executive Directors, if any (except his associates), prior to their due consideration by the Remuneration Committee. The Chairman and Chief Executive Officer of the Company is to abstain from voting when his and his associates' remuneration is considered by the Remuneration Committee.
B.1.2 The terms of reference of the Remuneration Committee should include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Remuneration Committee contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.3 The Remuneration Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the websites of the Exchange and the Company.
B.1.4 The Remuneration Committee should be provided with sufficient resources to perform its duties.	No	The Remuneration Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
B.1.5 Issuer should disclose details of any remuneration payable to members of Senior Management by band in its annual reports.	No	Remuneration paid to members of Senior Management has been disclosed by band in the Company's Annual Report. Details please refer to the "Key management compensation" set out in note 34 of the Notes to the Consolidated Financial Statements in the Company's Annual Report.

(I) Statement of Compliance (Continued)

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the issuer's performance, position and prospects.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.1.1 Management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.	No	The Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2 Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board and each Director to discharge their duties.	No	All Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties.
C.1.3 The Directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the Auditors' Report on the financial statements.	No	The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for the year then ended. In preparing accounts for the year ended 31 December 2018, the Directors have: (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared accounts on the going concern basis. The Independent Auditor's Report states the auditor's reporting responsibilities.
C.1.4 The Directors should include in the separate statement containing a discussion and analysis of the issuer group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	No	The Company's corporate strategy and long term business model as well as a description of the Company's environmental policies and performance, compliance with relevant laws and regulations and relationships with key stakeholders are explained in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report to complement the understanding of the development, performance and position of the Company's business.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.1 Financial reporting (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.1.5 The Board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules; and for reports to regulators and information disclosed under statutory requirements.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications issued under statutory and/or regulatory requirements.

C.2 Risk management and internal control

Principle

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee Management in the design, implementation and monitoring of the risk management and internal control systems, and Management should provide a confirmation to the Board on the effectiveness of these systems.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.2.1 The Board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in the Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	No	The Board through the Audit Committee, has conducted bi-annual reviews of the effectiveness of the Group's systems of risk management and internal control, which cover all material controls including financial, operational and compliance controls. The Board is of the view that the Group maintains reasonably sound and effective systems of risk management and internal control relevant to its level of operations. Please refer to section (II) of this Report headed "State of Risk Management and Internal Control" for the details.
C.2.2 The Board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	No	The Board through the Audit Committee has conducted an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.2 Risk management and internal control (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.2.3 The Board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment; (b) the scope and quality of Management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board (or Board Committee(s)); (d) significant control failings or weaknesses that have been identified during the period have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	No	The Board through the Audit Committee has conducted an annual review and considered the followings: (a) The changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment have been considered. (b) The scope and quality of Management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its Internal Audit Department and other assurance providers. (c) The ongoing process and detailed monitoring results of the risk management and internal control systems are shared and communicated to the Board bi-annually. (d) No significant control failing or weakness were identified during the period which have had, could have, or may in the future have, a material impact on the Company's financial performance or condition. (e) The Company's processes for financial reporting and Listing Rule compliance have been operating effectively.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.2 Risk management and internal control (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.2.4 Issuer should disclose, in the Corporate Governance Report, a narrative statement on how it has complied with the risk management and internal control code provisions during the reporting period. In particular, it should disclose: (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness; (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and (e) the procedures and internal controls for the handling and dissemination of inside information.	No	The Board has the ultimate responsibilities for the Group's risk management and internal control systems, which are managed through a number of practices and related policies and procedures established and renewed from time to time which were assessed, on the effectiveness and compliance, from time to time by the internal audit function of the Group which reported to the Audit Committee directly. In addition, a risk management framework and program is adopted with supporting policy and manual pursuant to which the Audit Committee has been delegated oversight authority and responsibilities over risk management matters and should report to the Board its findings and recommendations for confirmation. Please refer to section (II) of this Report headed "State of Risk Management and Internal Control" for further details of the Group's risk management and internal control systems and the key process and procedures involved in the respective areas as required to be disclosed in this Report. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company adopted the "Disclosure of Inside Information Policy" which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.
C.2.5 Issuer should have an internal audit function.	No	The internal audit function is performed by the Internal Audit Department of the Company, reporting directly to the Audit Committee.

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The Audit Committee established under the Listing Rules should have clear terms of reference.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.3.1 Minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meetings should be sent to all committee members for their comments and records within a reasonable time after the meeting.	No	Minutes of the Audit Committee meetings are kept by the Company Secretary as Secretary of the Audit Committee. Draft and final versions of minutes of Audit Committee meetings are sent to all committee members for their comments and records within a reasonable time.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 1 year from the date of his ceasing: (a) to be partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	No	None of the Directors who served on the Audit Committee during the year under review were former partners of the external auditor.
C.3.3 The Audit Committee's terms of reference should include at least the prescribed specific duties.	No	The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.
C.3.4 The Audit Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Audit Committee (including its role and functions) are available on the websites of the Exchange and the Company.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.3 Audit Committee (Continued)

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.3.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board has taken a different view.	No	The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the external auditor. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditor.
C.3.6 The Audit Committee should be provided with sufficient resources to perform its duties.	No	The Audit Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
C.3.7 The terms of reference of the Audit Committee should also require it to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and to act as the key representative body for overseeing the issuer's relations with the external auditor.	No	The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.

(I) Statement of Compliance (Continued)

D. Delegation by the Board

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for Board approval. The Board should give clear directions to Management on the matters that must be approved by it before decisions are made on the issuer's behalf.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
D.1.1 When the Board delegates aspects of its management and administration functions to Management, it must also give clear directions as to the Management's powers.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval.
D.1.2 Issuer should formalise the functions reserved to the Board and those delegated to Management and review those arrangements periodically.	No	There is a formal schedule of matters reserved for the Board's decision, including: (i) Overall strategic direction; (ii) Annual operating plan; (iii) Annual capital expenditure plan; (iv) Major acquisitions and disposals; (v) Major capital projects; and (vi) Monitoring of the Group's operating and financial performance.
D.1.3 Issuer should disclose the respective responsibilities, accountabilities and contributions of the Board and Management.	No	Please refer to sections (III)(A)(1) and (2) of this Report for the respective responsibilities, accountabilities and contributions of the Board and Management.
D.1.4 Issuer should have formal letters of appointment for Directors who should clearly understand delegation arrangements in place.	No	A formal letter of appointment setting out the key terms and conditions of appointment had been entered into between the Company and individual Directors. Each Director understands the delegation arrangements in place.

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance (Continued)

D. Delegation by the Board (Continued)

D.2 Board Committees

Principle

Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
D.2.1 The Board should give sufficiently clear terms of reference to Board Committees.	No	Clear terms of reference have been adopted for the formal Board Committees of the Company, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Share Option Committee and any other Board Committees established for investment and/or specific transaction purposes.
D.2.2 The terms of reference of Board Committees should require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.	No	This term has been included in the terms of reference of the relevant Board Committees.

D.3 Corporate Governance Functions

Summary of Code Provisions	Any deviations?	Governance practices of the Company
D.3.1 The terms of reference of the Board (or a committee or committees performing the corporate governance functions) should include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Board contain all the specific corporate governance duties as prescribed by the CG Code. Please refer to section (III)(A)(7) of this Report for the principal corporate governance duties of the Board.
D.3.2 The Board should perform or delegate to a committee or committees to perform the prescribed corporate governance duties.	No	The Board is responsible for performing the corporate governance duties as prescribed by the CG Code.

(I) Statement of Compliance (Continued)

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
E.1.1 A separate resolution on each substantially separate issue should be proposed by the Chairman of a general meeting to avoid "bundling" resolutions unless they are interdependent and linked and in such case, the reasons and material implications should be explained in the notice of meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting.
E.1.2 Chairman of the Board should attend the annual general meeting and invite the Chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend and in their absence, invite another member of the committee or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.	No	The Chairman of the Board (who is also a member of the Remuneration and Nomination Committees) attended and chaired the Company's 2018 AGM pursuant to the Company's Bye-laws and he together with the Chairman and other members of the Audit, Remuneration and Nomination Committees as well as an Executive Director, the Management and the external auditor of the Company were available to answer questions at the general meeting.
E.1.3 Issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	No	During the year under review, 20 clear business days' notice period had been given for the 2018 AGM and more than 10 clear business days' notice period had been given for the SGM. Save for the aforesaid, no other general meeting of the Company was convened during year 2018.
E.1.4 The Board should establish a shareholders' communication policy and review it regularly to ensure its effectiveness.	No	Shareholders' Communication Policy has been established by the Board and will be reviewed regularly to ensure its effectiveness.

(I) Statement of Compliance (Continued)

E. Communication with Shareholders (Continued)

E.2 Voting by poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
E.2.1 The Chairman of a meeting should provide an explanation on the detailed procedures for conducting a poll and answer questions from shareholders on voting by poll.	No	During the year under review, procedures for conducting a poll were properly explained during the Company's general meeting proceedings.

F. Company Secretary

Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive on governance matters and should also facilitate induction and professional development of Directors.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
F.1.1 The Company Secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	No	The Company Secretary is an employee of the Company and has general knowledge of its affairs.
F.1.2 The Board should approve the selection, appointment or dismissal of the Company Secretary.	No	The selection, appointment or dismissal of the Company Secretary shall be approved by the Board as appropriate at Board meeting, as and when the occasion arises.
F.1.3 The Company Secretary should report to the Board Chairman and/or the Chief Executive.	Yes	The Company Secretary reports to the Board of Directors on Board matters and to the Executive Vice President of Corporate Services on company secretarial and administrative matters. The Board is of the view that the above arrangement shall be maintained for effective performance of the roles and responsibilities of the Company Secretary.
F.1.4 All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.	No	All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required.

(II) State of Risk Management and Internal Control

(A) Board responsibilities

The Board has the ultimate responsibilities for the Group's systems of risk management and internal control and, through the Audit Committee, has reviewed the adequacy and effectiveness of the systems including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function(s). The systems are designed to provide reasonable, but not absolute, assurance against material misstatements or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's business objectives.

(B) Key features, process and procedures of risk management and internal control systems

The key aspects of the risk management and internal control systems, within the Group are as follows:

(1) The Company has in place a formal organisation structure that clearly defines the Group's management roles, responsibilities and reporting lines.

(2) The Board has delegated the responsibilities to various committees with appropriate empowerment to implement and monitor the operating procedures and systems of risk management and internal control. These committees meet on a regular basis and address financial, operational and management matters.

(3) There are policies and guidelines to govern the delegation of authority to various levels of management staff, to ensure accountability and responsibility.

(4) The Group has in place several policies, which govern employees in observing high standards of ethics and integrity in the performance of duties.

(5) Policies and procedures to ensure compliance with risk management, internal control and relevant laws and regulations are set out in the standard operating manuals, guidelines and directives issued by Management, which are reviewed and updated from time to time.

(6) There is a strategic planning, annual budgeting and target-setting process, which include forecasts for each area of business with detailed reviews at all levels of operations. The Board reviews and approves budgets.

(7) There is a comprehensive management and financial accounting system in place providing financial and operational performance measure indicators to Management, and the relevant financial information for reporting and disclosure purpose.

(8) Performance trends and forecasts, as well as actual performance, cash flow reports and other pertinent business/financial/operation statistics are reviewed and closely monitored by the respective operating units with oversight by Management Committee on a regular basis.

(9) Regulatory and statutory compliance are monitored through the Disclosure Committee, the Head of Legal and Compliance, the Company Secretary and Internal Auditors to support the Board on proper management of effective corporate governance practices and requirements.

(II) State of Risk Management and Internal Control (Continued)

(B) Key features, process and procedures of risk management and internal control systems (Continued)

(10) The Group operates a Risk Management ("RM") Framework and Program with supporting policy and manual in place. The RM Framework sets out the oversight authority and responsibilities of the Board, the Audit Committee and the Risk Management Committee (the "RMC") which is formed at Executive Management level and assisted by the Risk Management Department (the "RMD").

The RM Framework adopts both "top-down" and "bottom-up" approaches to manage risks. The "top-down" approach emphasises on the strong oversight from the Board, through the Audit Committee and RMC, in providing leadership and guidance to the business units and steering the Group to the planned direction. The "bottom-up" approach relies on the risk identification, and control self-assessment performed by the business units in identifying and prioritising the risks.

The RM Framework is based on a "three lines of defence" governance model to manage its risks at all levels and context.

- First line of defence – Business units are responsible for identification, mitigation, monitoring and upward reporting of their respective risks.

- Second line of defence – The RMD monitors the risk management system and facilitates the adherence to the RM Framework and Program. It provides insights and guidance to business units on effective implementation of the risk management system.

- Third line of defence – The Internal Audit Department independently assesses the adequacy and effectiveness of the risk management system.

The annual risk management exercise of 2018 was conducted in accordance with the RM Program. The RMC, RMD and the Units met bi-annually to communicate the details of the RM Program, evaluate and assess the extent of the significant risks of the Group and the respective action plans and to perform quarterly follow-up, where applicable. In addition, the Internal Audit performed an independent review on the effectiveness of the RM Program.

An in-house developed software is used to track the risk management approach and to record risk profiles.

(11) The Group has reporting mechanisms in place for improprieties or suspected fraudulent acts. There is a whistleblower system and all reported cases are deliberated by the Whistleblower Committee.

(12) The Internal Audit Department is responsible for monitoring the Group's internal governance and provides objective assurance to the Board that a sound internal control system is maintained and operated by Management in compliance with approved policies, procedures and standards.

The annual internal audit plan, which is established on a risk based approach, is reviewed and approved by the Audit Committee. Internal audit reports incorporating control weaknesses and remedial actions are issued to the relevant division/department heads upon completion of audits and summary of reports issued are included in the progress report tabled at Audit Committee meeting on a half-yearly basis.

(13) The Board through the Audit Committee, has conducted (a) bi-annual reviews of the effectiveness of the Group's systems of risk management and internal control, which cover all material controls including financial, operational and compliance controls; and (b) an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The reviews are supported by periodic reports received from Management, external and internal auditors.

(C) Statement from Directors

The Board is of the view that the Group maintains reasonably sound and effective systems of risk management and internal control relevant to its level of operations.

(III) Other Information

In addition to the information disclosed above, set out below is other information required to be disclosed pursuant to the rules on Corporate Governance Report contained in Appendix 14 to the Listing Rules in force during the year ended 31 December 2018.

(A) Board of Directors

(1) The Board oversees and enhances the overall management and development of the Group's businesses, including considering and setting the overall strategies and objectives of the Company while allowing Management substantial autonomy to run and develop the business of the Group.

(2) The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval. There is a formal schedule of matters reserved for the Board's decision, including:

(a) Overall strategic direction;
(b) Annual operating plan;
(c) Annual capital expenditure plan;
(d) Major acquisitions and disposals;
(e) Major capital projects; and
(f) Monitoring of the Group's operating and financial performance.

(3) The Board is collectively responsible for performing the corporate governance duties, including, inter alia, developing, reviewing and monitoring compliance with the Company's policies and practices on corporate governance to ensure that they accord with the appropriate standards for good corporate governance.

(4) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2018 as its code of conduct regarding securities transactions by its Directors. Each of the Directors has confirmed, following specific enquiry by the Company, that during the year from 1 January 2018 to 31 December 2018 (both dates inclusive), he has complied with the required standard set out in the Model Code as contained in Appendix 10 of the Listing Rules in force during the said year.

(5) During the year under review, there has been no change in composition of members of the Board.

(6) During the year under review, four Board meetings and two general meetings were held and details of individual Directors' attendance of respective meetings are set out below:

	Board Meeting Attendance	2018 AGM Attendance	SGM Attendance
Executive Directors:			
Tan Sri Lim Kok Thay *(Note)* *(Chairman and Chief Executive Officer)*	4/4	1/1	1/1
Mr. Lim Keong Hui *(Note)*	4/4	1/1	1/1
INEDs:			
Mr. Alan Howard Smith *(Deputy Chairman)*	4/4	1/1	1/1
Mr. Lam Wai Hon, Ambrose	4/4	1/1	1/1
Mr. Justin Tan Wah Joo	4/4	1/1	1/1

Note:

Tan Sri Lim Kok Thay is the father of Mr. Lim Keong Hui.

CORPORATE GOVERNANCE REPORT

(III) Other Information (Continued)

(A) Board of Directors (Continued)

(7) The principal corporate governance functions of the Board include the following:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Company's policies and procedures with regard to conflict of interest and compliance applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

(8) During the year 2018, the Board has performed, inter alia, the following corporate governance functions in accordance with the CG Code:

(a) reviewed the progress and status in respect of the implementation of the Group's anti-money laundering program ("AML Program") (which was adopted by the Board and launched in 2013) with an aim to monitoring and ensuring due and proper implementation of the AML Program and its effectiveness for complying with all applicable laws and regulations relating to anti-money laundering, counter-terrorism and economic sanctions;

(b) reviewed and revised the composition of the AML Committee, the RMC and the Disclosure Committee; and authorised incidental and housekeeping changes to their respective charters;

(c) reviewed and adopted revised terms of reference of the Nomination Committee;

(d) reviewed and adopted revised corporate governance policy of the Company; and

(e) considered and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, taking into account the related reports and views of the Board Committees in their respective areas.

(9) During the year 2018, the Board has reviewed and approved the Company's Environmental, Social and Governance ("ESG") Report for the financial year ended 31 December 2017 prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Listing Rules for disclosure by way of publication as a separate report on the websites of the Company and the Exchange.

(10) All Directors are committed to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities, and would update and confirm to the Company, on a regular basis, the related programmes attended and training received by them. The Company maintains and updates a record of training received by each Director accordingly.

(III) Other Information (Continued)

(A) Board of Directors (Continued)

(11) New Directors, on appointment, will be given a comprehensive formal induction covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. All Directors are also furnished with continuous updates and briefings on the latest changes or material developments, if any, in statutes, the Listing Rules, and corporate governance practices, etc. over a broad range of topics including, inter alia, directors' duties, dealing in securities by directors, disclosure obligation of inside information, financial information and general information, and rules and regulations relating to notifiable transactions, connected transactions and corporate governance. During the year 2018, all Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties. In addition, a visit of MV Werften's Stralsund shipyard has been organised for the Directors during the year, which formed part of the continuous professional development programmes for the Directors to keep them abreast of the recent development of the business of the Group.

(12) The participation by individual Directors in the continuous professional development programmes in 2018 is summarised as follows:

	Type of trainings
Executive Directors:	
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	A, B, C, D
Mr. Lim Keong Hui	A, B, C
INEDs:	
Mr. Alan Howard Smith *(Deputy Chairman)*	A, B, C, D
Mr. Lam Wai Hon, Ambrose	A, B, C, D
Mr. Justin Tan Wah Joo	A, B, C, D

A: attending in-house briefings and/or reading relevant material
B: attending training relevant to the Group's business/paying visits to the facilities of the Group/industry peers
C: reading material relevant to the director's duties and responsibilities
D: attending training/seminars/conferences on applicable laws, rules and regulations update

(B) Remuneration Committee

(1) During the year under review, one Remuneration Committee meeting was held and details of attendance of the Remuneration Committee members are set out below:

	Attendance
Mr. Alan Howard Smith *(Chairman of the Remuneration Committee and INED)*	1/1
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	1/1
Mr. Lam Wai Hon, Ambrose *(INED)*	1/1

(2) The principal duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives;

CORPORATE GOVERNANCE REPORT

(III) Other Information (Continued)

(B) Remuneration Committee (Continued)

(c) to review and determine the remuneration packages of individual Executive Directors and Senior Management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointments); to review and make recommendations to the Board on the remuneration of Non-executive Directors (including INEDs); and to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(d) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(g) when the occasion arises, to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules; and

(h) to consider other topics, as may be delegated by the Board.

(3) During the year 2018, the Remuneration Committee has, inter alia:

(a) considered, reviewed and, where applicable, determined the specific remuneration packages (including annual bonus, benefits in kind, pension rights and compensation payments, if any) of Executive Directors and certain Senior Management; and

(b) recommended the Directors' fee for the year 2017 which has been approved by the shareholders of the Company at the 2018 AGM.

(4) No Director or any of his associates is involved in deciding his own remuneration.

(C) Nomination Committee

(1) During the year under review, one Nomination Committee meeting was held and details of attendance of the Nomination Committee members are set out below:

	Attendance
Mr. Alan Howard Smith *(Chairman of the Nomination Committee and INED)*	1/1
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	1/1
Mr. Lam Wai Hon, Ambrose *(INED)*	1/1

(2) The principal duties of the Nomination Committee pursuant to its terms of reference (as revised in November 2018) include the following:

(a) to formulate, review and update, as appropriate, a policy for the nomination of Directors with inter alia, diversity approach (the "Director Nomination and Board Diversity Policy") to complement the business model/corporate strategy and/or to meet any specific needs of the Company;

(b) to review the structure, size and composition (including the skills, knowledge, experience, length of service and diversity of perspectives) of the Board at least annually; and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(III) Other Information (Continued)

(C) Nomination Committee (Continued)

(c) to identify and nominate candidates to the Board for its approval for appointment to the Board, having due regard to the Director Nomination and Board Diversity Policy;

(d) to assess the independence and time commitment of INEDs on their appointments, re-appointments or when their independence is called into question, to review the annual confirmations of the INEDs on their independence and time commitment; and to make relevant disclosure in accordance with the requirements under the Listing Rules;

(e) to review the contribution required from a Director to perform his responsibilities and to assess whether the Director is spending sufficient time to fulfill his duties;

(f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer;

(g) to review the disclosures on Director Nomination and Board Diversity Policy, as appropriate, under the applicable rules and regulations; and

(h) to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board.

(3) During the financial year under review, there have not been any changes to the Board composition.

(4) During the year 2018, the Nomination Committee has (a) reviewed the contribution of Directors and assessed the sufficiency of time spent by Directors in performing their duties and responsibilities; (b) reviewed the structure, size and composition of the Board and assessed the independence of the INEDs; (c) following due consideration, nominated the retiring Directors for re-appointment taking into account, inter alia, their qualifications, experience, expertise and other Board diversity aspects as set out in the prevailing Director Nomination Policy (as outlined below) with regard to the Company's business model/corporate strategy and in the case of nominating a retiring INED for re-appointment, each of the factors for assessing independence of a Director as set out in the Listing Rules; and (d) reviewed and revised the Director Nomination Policy and renamed it as Director Nomination and Board Diversity Policy.

The Company recognises the benefits of having a diverse Board with members possessing a balanced mix of skills, knowledge, and experience appropriate for the requirements of the business of the Company. Having due regard to the prevailing Director Nomination Policy (including the diversity perspectives set out therein), on nomination by the Nomination Committee, the Board has recommended the re-appointment of Mr. Lim Keong Hui as an Executive Director of the Company and Mr. Lam Wai Hon, Ambrose as an INED of the Company (both retired by rotation pursuant to Bye-law 99 of the Company's Bye-laws) at the 2018 AGM of the Company. As stated in the Company's circular to shareholders dated 16 May 2018 in relation to, inter alia, re-election of Directors, the INED retiring at the 2018 AGM namely, Mr. Lam Wai Hon, Ambrose had satisfied the requirements of the independence guidelines set out in Rule 3.13 of the Listing Rules as Mr. Lam is independent from Management and any major shareholder group of the Company and is free from any business or other relationship which might interfere with the exercise of his independent judgement. The respective resolutions for re-election of the said retiring Directors were duly approved by shareholders at the 2018 AGM of the Company.

(III) Other Information (Continued)

(C) Nomination Committee (Continued)

Following re-appointment of the retiring Directors at the 2018 AGM of the Company mentioned above, the Board has:

(a) re-appointed Tan Sri Lim Kok Thay as Chairman of the Company and Mr. Alan Howard Smith as Deputy Chairman of the Company to hold office until the conclusion of the 2019 AGM of the Company pursuant to the Company's Bye-laws;

(b) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose as members of the Remuneration Committee to hold office until the conclusion of the 2019 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Remuneration Committee;

(c) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose as members of the Nomination Committee to hold office until the conclusion of the 2019 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Nomination Committee; and

(d) re-appointed Mr. Justin Tan Wah Joo, Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose as members of the Audit Committee to hold office until the conclusion of the 2019 AGM of the Company and re-appointed Mr. Justin Tan Wah Joo as the Chairman of the Audit Committee.

(5) A summary of the Director Nomination Policy (as revised and renamed as "Director Nomination and Board Diversity Policy" in November 2018) (the "Policy") regarding Director nomination and Board diversity including objectives set and progress made on achieving these objectives is given below:

(a) The Board of Directors of the Company should have a mix of diversity, skills, experience and expertise appropriate to the requirements of the Company's business. It should have a balanced composition of Executive Directors and Non-executive Directors (including INEDs);

(b) The Nomination Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, new Board nominees and/or retiring Directors for appointment or re-appointment (as the case may be) to the Board and shall review the structure, size and composition (including the skills, knowledge, experience, length of service and diversity of perspectives) of the Board at least annually;

(c) The benefits of Board diversity in supporting the achievement of the Company's strategic objectives and sustainable development are recognised by the Nomination Committee and the Board and would be duly considered with regard to the Company's business model/corporate strategy and/or specific needs in the Board appointment process;

(d) Selection of candidates (including new Board nominees and retiring Directors) and ultimate Board appointments and re-appointments will be based on the merit and contribution that the candidates will bring to the Board, having due regard for the selection criteria set out in the Policy including the benefits of diversity on the Board;

(III) Other Information (Continued)

(C) Nomination Committee (Continued)

(e) At any given time the Nomination Committee may, if deem fit, seek to improve one or more aspects of Board diversity, including, without limitation, background, skills, knowledge, business experience, professional expertise, length of service, age and/or gender diversity, make recommendations to the Board, and measure progress accordingly; and

(f) In evaluating the nomination of the retiring Directors for re-appointment during the year under review, the Nomination Committee has given due regard to selection criteria set out in the prevailing Policy including, inter alia, the following:

(i) the qualifications, skills, expertise and background of each retiring Director that would continue to complement the existing Board;

(ii) other relevant details of each retiring Director including, inter alia, particulars of other commitments and the ability to devote sufficient time to the business and affairs of the Company; and

(iii) maintenance of Board diversity, taking into consideration factors, including but not limited to, background, skills, knowledge, business experience, professional expertise, length of service, age and/or gender, as the Nomination Committee considered appropriate to complement the business model and to meet any specific needs of the Company.

(D) Audit Committee

(1) During the year under review, two Audit Committee meetings were held and details of attendance of Audit Committee members are set out below:

	Attendance
INEDs:	
Mr. Justin Tan Wah Joo *(Chairman of the Audit Committee)*	2/2
Mr. Alan Howard Smith	1/2
Mr. Lam Wai Hon, Ambrose	2/2

(2) The principal duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and to ensure co-ordination where more than one audit firm is involved;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

CORPORATE GOVERNANCE REPORT

(III) Other Information (Continued)

(D) Audit Committee (Continued)

(d) to act as the key representative body for overseeing the Company's relations with the external auditor;

(e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them before submission to the Board, focusing particularly on:

(i) any changes in accounting policies and practices;
(ii) major judgemental areas;
(iii) significant adjustments resulting from the audit;
(iv) the going concern assumptions and any qualifications;
(v) compliance with accounting standards; and
(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

(f) in regard to (e) above,

(i) members of the Audit Committee should liaise with the Board and Senior Management and the Audit Committee must meet, at least twice a year, with the auditor; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(g) to review the external auditor's management letter, any material queries raised by the auditor to Management about accounting records, financial accounts or systems of control and Management's response;

(h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(i) to review the Company's financial controls, risk management and internal control systems;

(j) to discuss the risk management and internal control systems with Management to ensure that Management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(k) to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to review the Group's financial and accounting policies and practices;

(m) to review arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(n) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and Management's response to these findings; and

(o) to consider other topics, as defined by the Board.

(III) Other Information (Continued)

(D) Audit Committee (Continued)

(3) During the year 2018, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2017 and for the six months ended 30 June 2018;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the risk management program reports;

(e) reviewed the Group's systems of risk management and internal control including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

(f) reviewed connected transactions and significant related party transactions as set out in the section headed "Connected Transactions" in the Report of the Directors and in note 34 to the consolidated financial statements;

(g) reviewed the ESG Report for the year ended 31 December 2017 before submission to the Board for review;

(h) reviewed semi-annually the report in respect of the implementation of the AML Program before submission to the Board for review;

(i) considered the appointment of the external auditor including the proposed audit fees;

(j) considered the engagement of the external auditor to provide non-audit services;

(k) discussed periodically with internal and external auditor to ensure co-ordination between them;

(l) discussed periodically with Management and internal audit team to ensure that the Group's internal audit function was adequately resourced and had appropriate standing within the Company; and

(m) reported to the Board conclusions of its review and recommendations on the matters set out in (a) to (j) above.

(E) Auditor's Remuneration

A remuneration of US$2.1 million was paid/payable to the Company's external auditor for the provision of audit services in 2018. During the same year, the fees paid/payable to the external auditor for non-audit related activities amounted to US$0.5 million of which US$0.3 million related to tax services fees and US$0.2 million related to advisory services fees.

(F) Shareholders' Rights

(1) Procedures to convene Special General Meeting ("SGM")

(a) Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request to convene a SGM to the Corporate Headquarters of the Company, for the attention of the Company Secretary.

(b) The written request must state the purposes of the meeting, signed by the shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

(c) The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will seek approval of the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

(III) Other Information (Continued)

(F) Shareholders' Rights (Continued)

(d) If the Board does not within twenty-one days from the date of the deposit of the properly made requisition proceed duly to convene a general meeting, the shareholders who make such requisition, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date and any reasonable expenses so incurred shall be reimbursed by the Company.

(e) The minimum notice period to be given to shareholders for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

(i) fourteen days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

(ii) twenty-one days' notice in writing if the proposal constitutes a special resolution of the Company;

provided that at least ten business days' notice in writing shall be given for any SGM.

(2) Procedures for submitting enquiries to the Company/the Board

(a) Shareholders are encouraged to check the Corporate Information page on the Company's website particularly the Investor Relations section before submitting an enquiry because the information being sought is often available on the website.

(b) Shareholders should direct their questions about their shareholdings to the Company's Share Registrars.

(c) In order to enable the Company to respond to shareholders' enquiries more efficiently, the enquiries should be made in writing to help avoid miscommunication and directed to the officer in charge of Investor Relations at the Corporate Headquarters of the Company in Hong Kong whose contact details are given in the Corporate Information section of the Company's Annual Report.

(3) Procedures for making proposals at shareholders' meetings

(a) Shareholders holding not less than one-twentieth of the paid-up capital of the Company, or of not less than one hundred in number, can deposit a written request to the Corporate Headquarters of the Company, for the attention of the Company Secretary, at the expense of the requisitionists, to:

(i) move a resolution at an annual general meeting; and/or

(ii) circulate any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (the "Statement").

(b) The written request, which may consist of several documents in like form, must be signed by all requisitionists, and, in the case of a requisition requiring notice of a resolution as referred to in paragraph (F)(3)(a)(i) above, must state the resolution, and, in the case of any requisition as referred to in paragraph (F)(3)(a)(ii) above, be accompanied by the Statement.

(c) The written request must be deposited at the Corporate Headquarters of the Company not less than six weeks before the next annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

(d) The request will be verified in the same manner as set out in paragraph (F)(1)(c) above, and if the request is verified as proper and in order, it will duly be processed provided that the requisitionists have deposited with the requisition a sum of money reasonably sufficient to meet the Company's expenses in serving notice of the resolution (where applicable) and circulating the Statement in accordance with the statutory requirements to all the shareholders.

(G) Investor Relations

There were no changes in the constitutional documents of the Company during the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018 US$'000**	2017 US$'000
Revenue	6	**1,600,101**	1,190,415
Operating expenses			
Operating expenses excluding depreciation and amortisation		**(1,256,559)**	(1,066,227)
Depreciation and amortisation	10	**(196,489)**	(175,510)
		(1,453,048)	(1,241,737)
Selling, general and administrative expenses			
Selling, general and administrative expenses excluding depreciation and amortisation		**(271,265)**	(285,190)
Depreciation and amortisation	10	**(17,260)**	(14,995)
		(288,525)	(300,185)
		(1,741,573)	(1,541,922)
Operating Loss		**(141,472)**	(351,507)
Share of profit of joint ventures	18	**1,016**	1,048
Share of profit of associates	19	**12,456**	225
Other expenses, net	7	**(20,964)**	(849)
Other gains, net	8	**15,505**	166,050
Finance income		**8,341**	7,098
Finance costs	9	**(78,691)**	(49,373)
		(62,337)	124,199
Loss before taxation	10	**(203,809)**	(227,308)
Taxation	11	**(9,492)**	(16,972)
Loss for the year		**(213,301)**	(244,280)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018 US$'000**	2017 US$'000
Loss for the year		**(213,301)**	(244,280)
Other comprehensive (loss)/income:			
Items that have been or may be reclassified to consolidated statement of comprehensive income:			
Foreign currency translation differences		**(120,293)**	64,331
Fair value (loss)/gain on derivative financial instruments		**(25,284)**	46,139
Fair value gain on available-for-sale investments		**–**	292,455
Share of other comprehensive income of an associate		**471**	385
Release of reserves upon disposal of available-for-sale investments		**–**	(204,994)
		(145,106)	198,316
Items that will not be reclassified subsequently to consolidated statement of comprehensive income:			
Actuarial (loss)/gain on retirement benefit plans		**(79)**	548
Fair value loss on financial assets at fair value through other comprehensive income		**(756)**	–
Other comprehensive (loss)/income for the year		**(145,941)**	198,864
Total comprehensive loss for the year		**(359,242)**	(45,416)
Loss attributable to:			
Equity owners of the Company		**(210,875)**	(242,289)
Non-controlling interests		**(2,426)**	(1,991)
		(213,301)	(244,280)
Total comprehensive loss attributable to:			
Equity owners of the Company		**(356,816)**	(43,425)
Non-controlling interests		**(2,426)**	(1,991)
		(359,242)	(45,416)
Loss per share attributable to equity owners of the Company			
– Basic (US cents)	12	**(2.49)**	(2.86)
– Diluted (US cents)	12	**(2.49)**	(2.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**4,703,825**	4,256,589
Land use rights	16	**3,499**	3,813
Intangible assets	17	**272,375**	84,062
Interests in joint ventures	18	**3,498**	3,555
Interests in associates	19	**503,853**	535,410
Deferred tax assets	31	**2,983**	4,025
Available-for-sale investments	20	**–**	9,610
Financial assets at fair value through other comprehensive income ("FVOCI")	21	**8,854**	–
Other assets and receivables	25	**17,560**	21,058
		5,516,447	4,918,122
CURRENT ASSETS			
Completed properties for sale		**40,550**	47,211
Inventories	23	**38,211**	37,389
Trade receivables	24	**33,261**	66,937
Prepaid expenses and other receivables	25	**116,524**	113,145
Contract assets	3(b)	**1,320**	–
Contract costs	3(b)	**13,224**	–
Available-for-sale investments	20	**–**	686,835
Amounts due from related companies		**1,224**	852
Restricted cash	26	**105,831**	126,851
Cash and cash equivalents	27	**904,131**	1,147,702
		1,254,276	2,226,922
TOTAL ASSETS		**6,770,723**	7,145,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital	28	**848,249**	848,249
Reserves:			
Share premium		**41,634**	41,634
Contributed surplus		**936,823**	936,823
Additional paid-in capital		**109,353**	110,987
Foreign currency translation adjustments		**(140,350)**	(20,057)
Available-for-sale investments reserve		**–**	138,285
Financial assets at FVOCI reserve		**(741)**	–
Cash flow hedge reserve		**(25,284)**	–
Retained earnings		**2,255,830**	2,487,403
		4,025,514	4,543,324
Non-controlling interests		**33,541**	35,967
TOTAL EQUITY		**4,059,055**	4,579,291
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	29	**1,684,086**	1,590,805
Deferred tax liabilities	31	**23,789**	21,751
Provisions, accruals and other liabilities	33	**586**	818
Retirement benefit obligations	35	**8,964**	9,109
Contract liabilities	3(b)	**29,514**	–
Derivative financial instruments	30	**8,540**	–
Advance ticket sales		**–**	17,903
		1,755,479	1,640,386
CURRENT LIABILITIES			
Trade payables	32	**117,942**	101,012
Current income tax liabilities		**8,362**	13,017
Provisions, accruals and other liabilities	33	**249,655**	320,303
Contract liabilities	3(b)	**259,452**	–
Current portion of loans and borrowings	29	**303,973**	297,354
Derivative financial instruments	30	**16,744**	–
Amounts due to related companies		**61**	522
Advance ticket sales		**–**	193,159
		956,189	925,367
TOTAL LIABILITIES		**2,711,668**	2,565,753
TOTAL EQUITY AND LIABILITIES		**6,770,723**	7,145,044
NET CURRENT ASSETS		**298,087**	1,301,555
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,814,534**	6,219,677

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Mr. Alan Howard Smith
Deputy Chairman and Independent Non-executive Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	(a)	**115,435**	(59,327)
Interest paid		**–**	(43,894)
Payment of loan arrangement fees		**–**	(34,457)
Interest received		**8,732**	10,694
Income tax paid		**(10,064)**	(10,129)
Net cash inflow/(outflow) from operating activities		**114,103**	(137,113)
INVESTING ACTIVITIES			
Acquisitions of subsidiaries and business, net of cash acquired	39	**–**	993
Purchase of property, plant and equipment		**(776,609)**	(1,236,568)
Purchase of intangible assets		**(121,272)**	(90)
Proceeds from grants in relation to acquisition of property, plant and equipment		**13,650**	–
Proceeds from sale of property, plant and equipment		**242**	–
Acquisition of additional equity interest in an associate		**–**	(781)
Capital contribution to a joint venture		**–**	(1,585)
Proceeds from disposal of available-for-sale investments		**–**	862,678
Proceeds from disposal of financial assets at fair value through profit or loss ("FVPL")		**702,340**	–
Dividends received		**2,692**	7,716
Net cash outflow from investing activities		**(178,957)**	(367,637)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	(b)	**408,208**	1,292,345
Repayments of loans and borrowings	(b)	**(320,302)**	(537,950)
Proceeds from loans from non-controlling shareholders of a subsidiary	(b)	**5,108**	–
Interest paid	(b)	**(79,349)**	–
Payment of loan arrangement fees		**(2,185)**	–
Dividends paid		**(169,650)**	(169,650)
Net cash (outflow)/inflow from financing activities		**(158,170)**	584,745
Effect of exchange rate changes on cash and cash equivalents		**(20,547)**	27,433
Net (decrease)/increase in cash and cash equivalents		**(243,571)**	107,428
Cash and cash equivalents at beginning of year		**1,147,702**	1,040,274
Cash and cash equivalents at end of year	27	**904,131**	1,147,702

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Notes to Consolidated Statement of Cash Flows

(a) Cash generated from/(used in) operations

	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES		
Loss before taxation	**(203,809)**	(227,308)
Depreciation and amortisation		
– relating to operating function	**196,489**	175,510
– relating to selling, general and administrative function	**17,260**	14,995
	213,749	190,505
Finance costs	**78,691**	49,373
Finance income	**(8,341)**	(7,098)
Share of profit of joint ventures	**(1,016)**	(1,048)
Share of profit of associates	**(12,456)**	(225)
Gain on disposal of available-for-sale investments	**–**	(204,994)
Gain on disposal of financial assets at FVPL	**(34,395)**	–
Fair value loss on financial assets at FVPL	**18,890**	–
Write off and loss on disposal of property, plant and equipment	**16,299**	17,276
Write off of intangible assets	**–**	86
Impairment loss on property, plant and equipment	**–**	22,646
Impairment loss on goodwill	**–**	10,945
Impairment loss on other receivables	**–**	5,353
Provision for retirement benefit obligations	**603**	700
	68,215	(143,789)
Decrease/(Increase) in:		
Trade receivables	**29,332**	(15,036)
Inventories	**(944)**	(945)
Contract assets	**(1,320)**	–
Contract costs	**(2,656)**	–
Restricted cash	**21,615**	15,150
Completed properties for sale	**4,498**	34,874
Other assets, prepaid expenses and other receivables	**(2,590)**	(61,623)
Increase/(Decrease) in:		
Trade payables	**15,579**	8,034
Provisions, accruals and other liabilities	**11,193**	81,627
Amounts due to related companies	**(833)**	(1,635)
Advance ticket sales	**–**	24,697
Contract liabilities	**(26,091)**	–
Retirement benefit obligations	**(563)**	(681)
Cash generated from/(used in) operations	**115,435**	(59,327)

(b) Reconciliation of liabilities arising from financing activities

	Loans and borrowings US$'000	Loans from non-controlling shareholders of a subsidiary US$'000	Interest accrued (included in provisions, accruals and other liabilities) US$'000	Total liabilities from financing activities US$'000
At 1 January 2018	**1,888,159**	**7,554**	**14,756**	**1,910,469**
Cash flows from financing activities:				
– Proceeds from loans and borrowings	**408,208**	**–**	**–**	**408,208**
– Proceeds from loans from non-controlling shareholders of a subsidiary	**–**	**5,108**	**–**	**5,108**
– Repayments of loans and borrowings	**(320,302)**	**–**	**–**	**(320,302)**
– Interest paid	**–**	**–**	**(79,349)**	**(79,349)**
Currency translation differences	**(773)**	**–**	**–**	**(773)**
Other non-cash movements	**12,767**	**–**	**83,586**	**96,353**
At 31 December 2018	**1,988,059**	**12,662**	**18,993**	**2,019,714**

	Loans and borrowings US$'000	Loans from non-controlling shareholders of a subsidiary US$'000	Total liabilities from financing activities US$'000
At 1 January 2017	1,172,179	7,554	1,179,733
Cash flows from financing activities:			
– Proceeds from loans and borrowings	1,292,345	–	1,292,345
– Repayments of loans and borrowings	(537,950)	–	(537,950)
Payment of loan arrangement fees	(34,457)	–	(34,457)
Currency translation differences	1,411	–	1,411
Other non-cash movements	(5,369)	–	(5,369)
At 31 December 2017	1,888,159	7,554	1,895,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity owners of the Company											
	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Additional paid-in capital US$'000	Foreign currency translation adjustments US$'000	Available-for-sale investments reserve US$'000	Financial assets at FVOCI reserve US$'000	Cash flow hedge reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2018	848,249	41,634	936,823	110,987	(20,057)	138,285	-	-	2,487,403	4,543,324	35,967	4,579,291
Adjustments on adoption of HKFRS 9 (Note 3(a))	-	-	-	-	-	(138,285)	15	-	135,672	(2,598)	-	(2,598)
Adjustments on adoption of HKFRS 15 (Note 3(b))	-	-	-	-	-	-	-	-	11,254	11,254	-	11,254
At 1 January 2018 (restated)	848,249	41,634	936,823	110,987	(20,057)	-	15	-	2,634,329	4,551,980	35,967	4,587,947
Comprehensive income/(loss):												
Loss for the year	-	-	-	-	-	-	-	-	(210,875)	(210,875)	(2,426)	(213,301)
Other comprehensive income/(loss) for the year:												
Foreign currency translation differences	-	-	-	-	(120,293)	-	-	-	-	(120,293)	-	(120,293)
Fair value loss on derivative financial instruments	-	-	-	-	-	-	-	(25,284)	-	(25,284)	-	(25,284)
Share of other comprehensive income of an associate	-	-	-	471	-	-	-	-	-	471	-	471
Fair value loss on financial assets at FVOCI	-	-	-	-	-	-	(756)	-	-	(756)	-	(756)
Actuarial loss on retirement benefit plans	-	-	-	-	-	-	-	-	(79)	(79)	-	(79)
Total comprehensive income/(loss)	-	-	-	471	(120,293)	-	(756)	(25,284)	(210,954)	(356,816)	(2,426)	(359,242)
Transaction with equity owners:												
Lapse of share options	-	-	-	(2,105)	-	-	-	-	2,105	-	-	-
2017 final dividend paid	-	-	-	-	-	-	-	-	(84,825)	(84,825)	-	(84,825)
2018 interim dividend paid	-	-	-	-	-	-	-	-	(84,825)	(84,825)	-	(84,825)
At 31 December 2018	848,249	41,634	936,823	109,353	(140,350)	-	(741)	(25,284)	2,255,830	4,025,514	33,541	4,059,055

	Attributable to equity owners of the Company										
	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Additional paid-in capital US$'000	Foreign currency translation adjustments US$'000	Cash flow hedge reserve US$'000	Available-for-sale investments reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017	848,249	41,634	936,823	111,780	(137,601)	(17,280)	104,037	2,897,616	4,785,258	37,958	4,823,216
Comprehensive loss:											
Loss for the year	–	–	–	–	–	–	–	(242,289)	(242,289)	(1,991)	(244,280)
Other comprehensive income/(loss) for the year:											
Foreign currency translation differences	–	–	–	–	64,331	–	–	–	64,331	–	64,331
Fair value gain on derivative financial instruments	–	–	–	–	–	46,139	–	–	46,139	–	46,139
Share of other comprehensive income of an associate	–	–	–	385	–	–	–	–	385	–	385
Fair value gain on available-for-sale investments	–	–	–	–	–	–	292,455	–	292,455	–	292,455
Actuarial gain on retirement benefit plans	–	–	–	–	–	–	–	548	548	–	548
Release of reserves upon disposal of available-for-sale investments	–	–	–	–	53,213	–	(258,207)	–	(204,994)	–	(204,994)
Total comprehensive income/(loss)	–	–	–	385	117,544	46,139	34,248	(241,741)	(43,425)	(1,991)	(45,416)
Transaction with equity owners:											
Lapse of share options	–	–	–	(1,178)	–	–	–	1,178	–	–	–
Cash flow hedges reclassified to property, plant and equipment	–	–	–	–	–	(28,859)	–	–	(28,859)	–	(28,859)
2016 final dividend paid	–	–	–	–	–	–	–	(84,825)	(84,825)	–	(84,825)
2017 interim dividend paid	–	–	–	–	–	–	–	(84,825)	(84,825)	–	(84,825)
At 31 December 2017	848,249	41,634	936,823	110,987	(20,057)	–	138,285	2,487,403	4,543,324	35,967	4,579,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Genting Hong Kong Limited (the "Company") is an exempted company continued into Bermuda with limited liability and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, whereas the principal place of business of the Company is situated at Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise related operations, shipyard operations and leisure, entertainment and hospitality activities.

2. Principal Accounting Policies and Basis of Preparation

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), derivative financial instruments and retirement benefit assets which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

Standards and interpretations to existing standard effective in 2018

From 1 January 2018, the Group has adopted the following revised HKFRS and interpretations ("HK (IFRIC)"), which are relevant to its operations.

(i) HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018). The Interpretations Committee clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The interpretation does not have a material impact on the Group's consolidated financial statements.

(ii) HKFRS 9, "Financial Instruments" (effective from 1 January 2018). HKFRS 9 addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The effects of the adoption of HKFRS 9 are set out in note 3(a).

(iii) HKFRS 15, "Revenue from Contracts with Customers" (effective from 1 January 2018). This replaces Hong Kong Accounting Standard ("HKAS") 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The effects of the adoption of HKFRS 15 are set out in note 3(b).

2. Principal Accounting Policies and Basis of Preparation (Continued)

(a) Basis of preparation (Continued)

New and amended standards and interpretations that have been issued and not yet effective and have not been early adopted

Certain new and amended HKFRS/HKAS and HK (IFRIC) have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group.

(i) HKFRS 16, "Leases" (effective from 1 January 2019). It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in the new standard and has identified the following areas that will be affected.

As at the reporting date, the Group has non-cancellable operating lease commitments of US$46.8 million (see note 36(ii)). Of these commitments, the Group expects the amount related to short-term leases and low value leases is insignificant and will both be recognised on a straight-line basis as expense in the consolidated statement of comprehensive income.

For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) on 1 January 2019.

The Group expects that there will be an increase in total assets and liabilities due to the recognition of right-of-use assets and lease liabilities. The Group will also recognise amortisation of the right-of-use assets and interest expenses on the lease liabilities in the statement of comprehensive income in the financial year ending 31 December 2019. The Group's operating cash flows will increase and the financing cash flows will decrease as the repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence, the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(ii) HK (IFRIC) 23, "Uncertainty over Income Tax Treatments" (effective from 1 January 2019). The Interpretations Committee clarified how the recognition and measurement requirements of HKAS 12 "Income taxes" are applied where there is uncertainty over income tax treatments.

(iii) Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures" (effective from 1 January 2019) clarify that an entity should apply HKFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(a) Basis of preparation (Continued)

New and amended standards and interpretations that have been issued and not yet effective and have not been early adopted (Continued)

(iv) Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (effective 1 January 2019) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

(v) Amendments to HKFRS 3 "Definition of a Business" (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. The amendments shall be applied prospectively.

(vi) HKFRS 10 and HKAS 28 (Amendments), "Sale or contribution of assets between an investor and its associate or joint venture" (effective date to be determined). The amendments clarify the treatment of gains and losses on the sale of a subsidiary to an associate or joint venture which did not qualify as a business as defined in HKFRS 3.

The Group plans to apply the new standards and amendments and interpretations when they become effective. Except for HKFRS 16 as discussed above, the Group has already commenced assessments of the related impacts of new and amended standards and interpretations to the Group and it is not yet in a position to state whether the new standards and amendments and interpretations will result in any substantial changes to the Group's significant policies and presentation of the financial information.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds from the disposal and the Group's share of its net assets, including the cumulative amount of any foreign currency translation differences that relate to the subsidiary recognised in equity in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

In the Company's statement of financial position, interests in subsidiaries are stated at cost less provision of impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(b) Consolidation (Continued)

(ii) Transaction with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in relation to that entity are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial information of associates was prepared using accounting policies of the respective countries and where necessary, appropriate adjustments were made to conform with the accounting policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(b) Consolidation (Continued)

(v) Joint ventures

The Group's interests in joint ventures are accounted for using the equity method of accounting in the consolidated financial statements. Equity accounting involves recognising the Group's share of post-acquisition results of joint ventures in the consolidated statement of comprehensive income and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount, which includes goodwill identified on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint ventures that is attributable to other venturers. The Group does not recognise its share of profits or losses from the joint ventures that result from the purchase of assets by the Group from the joint ventures until it resells the assets to an external party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value or an impairment of an asset transferred.

The financial information of joint ventures was prepared using accounting policies of the respective countries and where necessary, appropriate adjustments were made to conform with the accounting policies adopted by the Group.

(vi) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The options over the equity of the subsidiary that are to be settled by exchange of a fixed amount of cash or another financial assets for a fixed number of shares in the subsidiary to transfer to the Group are accounted for as a contingent consideration arrangement. In the event that the options expire unexercised, the liabilities are derecognised with a corresponding adjustment to the non-controlling interests.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of comprehensive income.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(b) Consolidation (Continued)

(vi) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the consolidated statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

(c) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollar, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated using the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated using the average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Foreign exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(c) Translation of foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to the consolidated statement of comprehensive income.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences, are reattributed to non-controlling interest and are not recognised in the consolidated statement of comprehensive income. For all other partial disposal (that is, reduction in the Group's ownership interest in associates or joint venture that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated statement of comprehensive income.

(d) Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if 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 or enhances an asset that the customer controls as the asset is created or enhanced.
- 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.

If any of the above conditions are not met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

Specific criteria for each of the Group's activities are described as below.

(i) Passenger ticket revenue for cruise operation and AirCruises

Passenger ticket revenue, and all associated direct costs of a voyage/flight, is recognised over time, by reference to the voyage/flight period on a pro rata basis. Passenger ticket revenue is recognised based on ticket prices received/receivable. No element of financing is deemed present for credit sales as our payment terms generally require an upfront deposit to confirm the reservation, with the balance due prior to the voyage/flight.

Deposits received from customers for future voyages/flights are recognised as contract liabilities until such services are rendered to the customers.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(d) Revenue recognition (Continued)

(ii) Onboard revenue from sales of goods and services rendered

Onboard revenue comprises sales of food and beverages, sales of retail goods, entertainment onboard revenue and other onboard services. Revenue from the sales of food, beverages and retail goods are recognised at a point in time when the control of the goods has been transferred, the customers have accepted the goods and the Group has no unfulfilled obligations. Revenue from other onboard services is recognised over time as and when the services are rendered. Transaction price of these goods and services is determined based on the selling price net of discounts to customers. Payment of the transaction price is due immediately when the customer purchases the goods and services onboard of the cruise ships. The Group has not identified any separate performance obligation in the transactions with customers.

Entertainment onboard revenue is the aggregate of wins and losses from gaming. Commission rebated directly or indirectly through promoters to customers, cash discounts and other cash incentives are recorded as a reduction of gross entertainment onboard revenue.

(iii) Construction services from shipyard

For revenue from shipbuilding, repairs and conversion activities, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of reporting period as a percentage of estimated total costs for each contract.

The Group enters into fixed-priced contracts with the customers and the customer pays the fixed amount based on a payment schedule. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. No element of financing is deemed present as the payment schedule and credit terms are consistent with the market practice.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as a contract asset. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as a contract liability. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(d) Revenue recognition (Continued)

(iv) Sales of completed properties for sale

Revenue from the sales of completed properties is recognised by reference to the price stipulated in the sale and purchase agreement, net of discounts given to purchasers. Sales of completed properties are recognised at a point in time, when the control of assets are transferred to the purchasers, the customers obtain the physical possession or the legal title of the completed properties and the customers have made full payment of the purchase price. No element of financing is deemed present as the sales are recognised based on cash receipt.

(v) Revenue from aviation service and onshore hotel operations

Revenue from aviation service and onshore hotel operations are recognised over time throughout the period when the services are rendered and are based on contract prices received/receivable. No element of financing is deemed present for credit sales as the credit terms (less than 30 days) are consistent with the market practice.

(vi) Accounting policies applied until 31 December 2017

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the voyage period. Where services are provided on credit, revenue is recognised when it is probable that future economic benefits will flow to the Group. Ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

Deposits received from customers for future voyages are recorded as advance ticket sales until such passenger ticket revenue is earned. Interest income and expense are recognised on a time proportion basis using the effective interest method.

Revenue from aviation service and onshore hotel operations are recognised when the services are rendered.

Entertainment onboard revenue is the aggregate of wins and losses. Commission rebated directly or indirectly through promoters to customers, cash discounts and other cash incentives are recorded as a reduction of gross entertainment onboard revenue.

Contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured by reference to the contract costs incurred to date, as compared to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the statement of comprehensive income.

Revenue from sales of completed properties for sale is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

The Group operates loyalty programmes where customers accumulate points for voyages made which entitle them to discounts or onboard benefit on future voyages. The reward points are recognised as a separate identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as a liability at their fair value based on a number of assumptions including historical experience, expected redemption rates and programme design. Revenue from the reward points is recognised when the points are redeemed or upon expiry.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(e) Customer loyalty programmes for cruise operation

The Group operates loyalty programmes where customers can accumulate points and earn future cruise benefits from voyages made, onboard spendings and onboard entertainment activities, which entitle them to benefits such as discounts or onboard benefits on future voyages.

The reward points and future cruise benefits accumulated from voyages made and onboard spendings are recognised as contract liability as an allocation of a portion of the revenue from contracts based on the relative stand-alone selling price of the goods and services provided and expected to be redeemed, which is recognised as revenue in the consolidated statement of comprehensive income upon redemption or expiry. These estimations are based on a number of assumptions including historical experience and expected redemption rates.

The Group accrues for liability in respect of reward points accumulated from onboard entertainment activities as an expense and the liability is reversed when the rewards points are redeemed or expired.

(f) Dividend income

Dividends are received from financial assets at FVPL and financial assets at FVOCI (2017: from available-for-sale investments). Dividends are recognised as other income in the consolidated statement of comprehensive income when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

From 1 January 2018 onward, dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income ("OCI") if it relates to an investment in equity instruments measured at FVOCI.

(g) Drydocking costs

Drydocking costs represent major inspection and overhaul costs and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally every two to three years. The Group has included these drydocking costs as a separate component of the ship costs in accordance with HKAS 16 "Property, Plant and Equipment".

(h) Advertising costs

The Group's advertising costs are generally expensed as incurred.

(i) Start up expenses

Start up expenses, which primarily comprise expenses of deploying a ship from the dockyard to its port of operations and repositioning a ship to develop a new market, including crew payroll and ship expenses, are expensed as incurred and included in operating expenses. Marketing expenses incurred during the year are included in selling, general and administrative expenses.

(j) Current and deferred income tax

The tax expense for the year comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(j) Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments which are subject to an insignificant risk of change in value and exclude restricted cash and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within loans and borrowings in current liabilities.

(l) Completed properties for sale

Completed properties for sale are carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

(m) Inventories

Inventories include consumable inventories and inventories used in construction.

Consumable inventories consist mainly of provisions and supplies are carried at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is determined on the basis of estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories used in construction consist of raw materials and work-in-progress are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(n) Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of comprehensive income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing these assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Trade and other receivables

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follow:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(n) Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. The measurement of expected credit losses reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4(a)(iii) for further details.

For other receivables and amounts due from related companies, the Group applied the general 3-stage impairment model. The Group measures expected credit loss through loss allowance at an amount equal to 12 month expected credit loss if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(n) Financial assets (Continued)

(v) Accounting polices applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

Until 31 December 2017, the Group classifies its financial assets in the following categories: available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the consolidated statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of consolidated statement of financial position. These are classified as non-current assets. The Group's loans and receivables comprise "cash and cash equivalents", "amounts due from related companies" and "trade and other receivables" in the consolidated statement of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses. Loans and receivables are carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(n) Financial assets (Continued)

(v) Accounting polices applied until 31 December 2017 (Continued)

(ii) Recognition and measurement (Continued)

The Group assesses at each date of consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtors and the probability that the debtor will default in payments are considered indicators that the trade receivables are impaired. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(p) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are recognised for a contract that is onerous, a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions are not recognised for future operating losses.

Provisions for warranty are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the reporting date. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the consolidated statement of comprehensive income when the changes arise.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, the asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(q) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Assets under leases

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The land held under a long-term lease is classified as an operating lease if the risks and rewards incidental to ownership will not be transferred to the lessee. Rental payments applicable to such operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(ii) Operating leases – where the Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

(s) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Tradenames

Separately acquired tradenames are shown at historical cost. Tradenames acquired in a business combination are recognised at fair value at the acquisition date. Tradenames have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of tradenames over their estimated useful lives of 10 years to 40 years.

(iii) Development expenditures on ship designs

Development expenditures on ship designs have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful life of 10 years.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(s) Intangible assets (Continued)

(iv) Others

Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years to 10 years.

(t) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Significant cruise ship refurbishing costs are capitalised as additions to the cruise ship, only when it is probable that future economic benefits associated with these items will flow to the Group and the costs of these items can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Cruise ships and ships improvement are depreciated to their estimated residual values on a straight-line basis over periods ranging from 15 to 40 years.

Other assets are depreciated to their residual values on a straight-line basis over their estimated useful lives as follows:

Jetties, docks, buildings, terminal building and improvements	20 – 50 years
Equipment and motor vehicles	3 – 20 years
Aircrafts	10 – 20 years
Yachts and submersibles	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of consolidated statement of financial position.

Freehold land is not depreciated as it has infinite life. No depreciation is provided on property, plant and equipment, which are under construction. The Group capitalises interest based on the weighted average cost of borrowings on cruise ships and other capital projects during the period required to get such assets ready for their intended use. Interest capitalisation ceases when the asset is substantially completed.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease is calculated using the straight-line method to allocate their cost over their estimated useful lives of 40 to 90 years.

Capitalised project costs are reviewed at the end of each reporting period in order to determine if these costs should continue to be capitalised. When a project has been aborted or circumstances indicate that a project has become commercially not viable, all costs previously capitalised relating to such projects are expensed to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(t) Property, plant and equipment (Continued)

Construction-in-progress represents cruise ships, buildings, and plant and machinery under construction or pending installation and is stated at cost less impairment, if any. This includes cost of construction, plant and equipment and other directly attributable costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy stated above.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note (z)).

(u) Earnings per share

Basic earnings per share is computed by dividing profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during each year.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has the dilutive potential ordinary shares on exercise of share options. Certain shares under share options will have an effect on the adjusted weighted average number of shares in issue if the average market price is higher than the average exercise price.

(v) Retirement benefit costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(v) Retirement benefit costs (Continued)

The current service cost of the defined benefit plan, recognised in the consolidated statement of comprehensive income, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in staff costs in the consolidated statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise.

(w) Employee leave entitlements

Employees' entitlements to annual leave are recognised when they are accrued to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the date of consolidated statement of financial position.

Employees' entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(x) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the consolidated statement of comprehensive income in the year in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(y) Borrowings and borrowing costs (Continued)

Accounting policies applied from 1 January 2018

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in the consolidated statement of comprehensive income.

Accounting policies applied until 31 December 2017

Until 31 December 2017, the Group had accounted for modification of borrowings measured at amortised cost without resulting in extinguishment of the original borrowings and amortised the difference arising from the modification over the remaining life of the modified borrowings.

(z) Impairment of non-financial assets

At each date of consolidated statement of financial position, both internal and external sources of information are considered to assess whether there is any indication that interests in joint ventures, associates, property, plant and equipment and intangible assets are impaired. If any indication of impairment of an asset exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. In the case of goodwill, impairment assessment is performed at least on an annual basis. Such impairment losses are recognised in the consolidated statement of comprehensive income. For the purpose of assessing impairment, assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The Group measures the amount of the impairment by comparing the carrying amount of an asset to its recoverable amount, which is the higher of an asset's fair value less costs of disposal or its value in use. The Group estimates recoverable amount based on the best information available. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties less costs of disposal. The estimation of value in use is measured using various financial modeling techniques such as discounting future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful lives at discount rates which commensurate with the risk involved.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment losses made against goodwill arising from acquisition of subsidiaries are not reversed. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2. Principal Accounting Policies and Basis of Preparation (Continued)

(bb) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior management who makes strategic decisions.

(cc) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Accounting policies applied from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principle of HKFRS 15 "Revenue from Contracts with Customers", where applicable.

Accounting policies applied until 31 December 2017

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and the amount initially recognised less cumulative amortisation, where applicable.

(dd) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Principal Accounting Policies and Basis of Preparation (Continued)

(dd) Derivative financial instruments and hedging activities (Continued)

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as property, plant and equipment. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated statement of comprehensive income.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in the consolidated statement of comprehensive income at the time of the hedge relationship rebalancing.

(ee) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the asset and released to the consolidated statement of comprehensive income by way of reduced depreciation charge.

3. Changes in Accounting Policies

As explained in note 2 above, the Group has adopted HKFRS 9 and HKFRS 15 that are effective for the financial year beginning on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

(a) HKFRS 9

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current year, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments – Disclosures".

The total impact on the Group's retained earnings due to adoption of HKFRS 9 as at 1 January 2018 is as follows:

	Note	US$'000
Closing retained earnings at 31 December 2017 – HKAS 39		2,487,403
Adjustment to retained earnings from adoption of HKFRS 9:		
Reclassify listed equity securities investments from available-for-sale investments to financial assets at FVPL	3(a)(i)	138,270
Increase in provision for trade receivables	3(a)(ii)	(1,203)
Additional expected credit losses recognised by an associate	3(a)(iii)	(1,395)
Opening retained earnings at 1 January 2018 – HKFRS 9		2,623,075

(i) Classification and measurement of financial instruments

Management has assessed the business models and the contractual terms of the cash flows that apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The main effects resulting from this reclassification on the Group's financial position are as follows:

	Available-for-sale investments US$'000	**Financial assets at FVOCI US$'000**	**Financial assets at FVPL US$'000**
Closing balance at 31 December 2017 – HKAS 39	696,445	–	–
Reclassify unlisted equity securities investments from available-for-sale investments to financial assets at FVOCI	(9,610)	9,610	–
Reclassify listed equity securities investments from available-for-sale investments to financial assets at FVPL	(686,835)	–	686,835
Opening balance at 1 January 2018 – HKFRS 9	–	9,610	686,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in Accounting Policies (Continued)

(a) HKFRS 9 (Continued)

(i) Classification and measurement of financial instruments (Continued)

The main effects resulting from this reclassification on the Group's equity are as follows:

	Available-for-sale investments reserve US$'000	Financial assets at FVOCI reserve US$'000	Retained earnings* US$'000
Opening balance – HKAS 39	138,285	–	–
Reclassify unlisted equity securities investments from available-for-sale investments to financial assets at FVOCI	(15)	15	–
Reclassify listed equity securities investments from available-for-sale investments to financial assets at FVPL	(138,270)	–	138,270
Opening balance – HKFRS 9	–	15	138,270

* Before adjustment for impairment, see note 3(a)(ii) below.

Equity interest in unlisted equity securities with a fair value of US$9,610,000 was reclassified from available-for-sale investments to financial assets at FVOCI; the accumulated fair value gains of US$15,000 were reclassified from the available-for-sale investments reserve to the financial assets at FVOCI reserve on 1 January 2018; whereas the equity interest in a listed equity security with a fair value of US$686,835,000 was reclassified to financial assets at FVPL and the accumulated fair value gains of US$138,270,000 were reclassified from the available-for-sale investments reserve to retained earnings on 1 January 2018.

There is no impact on the Group's accounting for financial liabilities.

(ii) Impairment of financial assets

The Group has the following types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- trade and other receivables
- amounts due from related companies

(a) Simplified approach for trade receivables

The Group revised its impairment methodology under HKFRS 9 by applying the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The expected loss rates are developed based on the historical credit losses rate. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified (i) internal credit rating and (ii) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors. As at 1 January 2018, the weighted average expected credit loss rate of trade receivables was assessed to be 5%.

US$1,203,000 was recognised in retained earnings as at 1 January 2018 for those trade receivables whose credit risk has been assessed as other than low.

3. Changes in Accounting Policies (Continued)

(a) HKFRS 9 (Continued)

(ii) Impairment of financial assets (Continued)

(a) Simplified approach for trade receivables (Continued)

The loss provision for trade receivables as at 31 December 2017 reconciled to the opening loss allowances on 1 January 2018 is as follows:

	Allowances on trade receivables US$'000
Closing balance at 31 December 2017 – HKAS 39	195,456
Amounts restated through opening retained earnings	1,203
Opening balance at 1 January 2018 – HKFRS 9	196,659

(b) General 3-stage approach for other receivables and amounts due from related companies

At 1 January 2018, the Group measures expected credit losses through loss allowance at an amount equal to 12 month expected credit losses if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime expected credit losses is required.

Impairment based on expected credit loss model on the Group's other receivables and amounts due from related companies are not material.

(iii) Effects on interests in associates due to adoption of HKFRS 9

Below is the total impact on interests in associates due to additional expected credit losses recognised by an associate arising from the adoption of HKFRS 9:

	As at 1 January 2018		
	As previously stated US$'000	**Adjustments under HKFRS 9 US$'000**	**Restated US$'000**
Consolidated statement of financial position (extract)			
NON-CURRENT ASSETS			
Interests in associates	**535,410**	**(1,600)**	**533,810**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**21,751**	**(205)**	**21,546**
EQUITY			
Retained earnings	**2,487,403**	**(1,395)**	**2,486,008**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provision of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

(i) Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities recognised for deposits received from customers for future voyages until such passenger ticket revenue is earned previously presented as "Advance ticket sales" and the accruals for obligations under customer loyalty programmes included in "Provisions, accruals and other liabilities".

- The excess of cumulative progress billing to customers for construction contracts over cumulative contract costs incurred plus recognised profits less recognised losses is recognised as contract liabilities. It was previously presented as "Provisions, accruals and other liabilities – amounts due to customers on construction contracts".

- The excess of cumulative contract costs incurred plus recognised profits less recognised losses for construction contracts over cumulative progress billing to customers is recognised as contract assets. It was previously presented as "Other assets, prepaid expenses and other receivables – amounts due from customers on construction contracts".

(ii) Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract costs.

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15 (Continued)

(iii) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018			
	As previously stated US$'000	Reclassification under HKFRS 15 US$'000	Adjustments under HKFRS 15 US$'000	Restated US$'000
Consolidated statement of financial position (extract)				
NON-CURRENT ASSETS				
Interests in associates	535,410	–	787	536,197
CURRENT ASSETS				
Contract costs	–	–	10,568	10,568
CURRENT LIABILITIES				
Provisions, accruals and other liabilities				
– Accruals for obligations under customer loyalty programmes	24,305	(16,405)	–	7,900
– Deposits received from customers	17,679	(17,679)	–	–
– Amounts due to customers on construction contracts	76,861	(76,861)	–	–
– Others	31,466	6,950	–	38,416
Contract liabilities	–	297,154	–	297,154
Advance ticket sales	193,159	(193,159)	–	–
NON-CURRENT LIABILITIES				
Deferred tax liabilities	21,751	–	101	21,852
Contract liabilities	–	17,903	–	17,903
Advance ticket sales	17,903	(17,903)	–	–
EQUITY				
Retained earnings	2,487,403	–	11,254	2,498,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15 (Continued)

(iv) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
	Results without the adoption of HKFRS 15 US$'000	Effects of the adoption of HKFRS 15 US$'000	Results as reported US$'000
Consolidated statement of financial position (extract)			
NON-CURRENT ASSETS			
Interests in associates	502,678	1,175	503,853
CURRENT ASSETS			
Contract assets	–	1,320	1,320
Contract costs	–	13,224	13,224
Prepaid expenses and other receivables			
– Amounts due from customers on construction contracts	1,320	(1,320)	–
CURRENT LIABILITIES			
Provisions, accruals and other liabilities			
– Accruals for obligations under customer loyalty programmes	16,883	(13,707)	3,176
– Amounts due to customers on construction contracts	31,676	(31,676)	–
– Deposits received from customers	2,293	(2,293)	–
Contract liabilities	–	259,452	259,452
Advance ticket sales	211,776	(211,776)	–
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23,638	151	23,789
Contract liabilities	–	29,514	29,514
Advance ticket sales	29,514	(29,514)	–
EQUITY			
Retained earnings	2,241,582	14,248	2,255,830

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15 (Continued)

(iv) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows: (Continued)

	For the year ended 31 December 2018		
	Results without the adoption of HKFRS 15 US$'000	Effects of the adoption of HKFRS 15 US$'000	Results as reported US$'000
Consolidated statement of comprehensive income (extract)			
Operating expenses			
– Commission, incentives, transportation and other related costs	(181,367)	2,656	(178,711)
Share of profit of associates	12,068	388	12,456
Loss before taxation	(206,853)	3,044	(203,809)
Taxation	(9,442)	(50)	(9,492)
Loss for the year	(216,295)	2,994	(213,301)

(v) **Details of contract costs are as follows:**

	As at	
	31 December 2018 US$'000	1 January 2018 US$'000
Costs of obtaining contracts related to future cruise voyages	13,224	10,568

Costs of obtaining contracts relates to travel agents commission directly attributable to obtaining contracts for future cruise voyages which the Group expects to recover. The contract costs are amortised on a systematic basis that is consistent with the timing of revenue recognition of the related future cruise voyages.

(vi) **Details of contract assets are as follows:**

	As at	
	31 December 2018 US$'000	1 January 2018 US$'000
Amounts related to construction contracts of shipyard	1,320	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15 (Continued)

(vii) Details of contract liabilities are as follows:

	As at 31 December 2018 US$'000	As at 1 January 2018 US$'000
Amounts received in advance for future cruise voyages (note (a))	**241,290**	211,062
Amounts received in advance for sales of properties and related services (note (b))	**1,243**	4,499
Amounts received in advance for other non-cruise activities	**1,050**	6,230
Amounts related to construction contracts of shipyard (note (c))	**31,676**	76,861
Arising from customer loyalty programmes	**13,707**	16,405
	288,966	315,057
Less: Non-current portion	**(29,514)**	(17,903)
Current portion	**259,452**	297,154

Notes:

(a) Contract liabilities consist of amounts received from customers for cruise and cruise-related activities for future voyages. Increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and increase in the number of cruise ships during the year.

(b) Contract liabilities represent advance deposits received from customers from sale of properties and related services. Decrease in contract liabilities represented revenue recognised during the year and with fewer residential property units sold during the year.

(c) Contract liabilities relating to construction contracts of shipyard represent the amount billed to the customers for construction work performed that exceeded the contract costs incurred to date plus recognised profits. Decrease in contract liabilities was due to the contract revenue recognised during the year and less progress billings were issued to the customers during the year.

Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the current year relates to carried-forward contract liabilities:

	2018 US$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**271,416**

3. Changes in Accounting Policies (Continued)

(b) HKFRS 15 (Continued)

(viii) Unsatisfied performance obligations of contracts with customers

	Expected to be recognised within one year US$'000	Expected to be recognised after one year US$'000	Total transaction price allocated to unsatisfied contracts as at 31 December 2018 US$'000
Contracts related to future cruise voyages	**330,905**	**113,420**	**444,325**
Contracts related to sales of properties and related services	**2,089**	**–**	**2,089**
Contracts related to other non-cruise activities	**1,050**	**–**	**1,050**
Construction contracts of shipyard	**224,201**	**48,465**	**272,666**
Customer loyalty programmes	**13,707**	**-**	**13,707**
	571,952	**161,885**	**733,837**

4. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to recognise potential adverse effects on the Group's financial performance. The Group enters into derivative financial instruments, primarily foreign currency forward contracts to limit its exposures to fluctuations in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate fluctuations on the US dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure mainly relates to the Euro, Hong Kong dollar, Chinese Renminbi, Singapore dollar, Malaysian Ringgit and Indian Rupee. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time when appropriate, to enter into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

At 31 December 2018, if Euro, Chinese Renminbi, Singapore dollar, Malaysian Ringgit and Indian Rupee had weakened/strengthened by 2% (2017: Euro, Chinese Renminbi, Singapore dollar and Malaysian Ringgit had weakened/ strengthened by 5%) against US dollar with all other variables held constant, the foreign exchange losses/gains as a result of translation of Euro, Chinese Renminbi, Singapore dollar, Malaysian Ringgit and Indian Rupee denominated trade receivables, trade payables and cash and cash equivalents would be as follows:

	2018 **US$'000**	2017 US$'000
Foreign exchange losses/gains	**9,398**	17,322

Since Hong Kong dollar is pegged to US dollar, management considered that the Group does not have any material foreign exchange exposure in this regard.

The Group treasury's risk management policy is to hedge up to 50% of forecast Euro cash flows for shipbuilding cost up to 2020 using foreign exchange forward contracts. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing, currency amount and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio in the same currency type with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

(ii) Price risk

The Group is exposed to equity securities price risk because of listed investments held by the Group and classified in the consolidated statement of financial position as financial assets at FVPL. The investments made by the Group are for strategic purposes, and each investment is managed by senior management on a case by case basis. The Group did not hold any listed investments as at 31 December 2018. As at 31 December 2017, if the price of equity securities classified as available-for-sale investments had increased/decreased by 10% with all other variables held constant, other comprehensive income would increase/decrease by US$68.7 million.

The Group is exposed to fluctuations in fuel price relating to the consumption of fuel on its ships. Management monitors the market conditions and fuel price fluctuations and where appropriate, fuel swap agreements are entered to mitigate the financial impact.

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, advances to third parties and related parties, as well as sales of services made on deferred credit terms. For cash and cash equivalents and deposits with banks, the Group deposits the cash with reputable financial institutions with Moody's long-term obligation ratings ranging from Aa1 to A3.

The Group seeks to control credit risk by setting credit limits and ensuring that the advances are made to third parties and related parties and services are made to customers with an appropriate credit history following background checks and investigations of their creditworthiness. The Group also manages its credit risk by performing regular reviews of the ageing profile of trade receivables, damages claim receivables, advances to third parties and related parties.

The Group considers the risk of material loss in the event of non-performance by a debtor to be unlikely. In addition, certain debtors provide security to the Group in the form of bank and assets guarantees.

While cash and cash equivalents are also subject to the impairment requirements as set out in HKFRS 9, the identified loss allowance was not material as deposits of the Group are placed with financial institutions with good credit ratings.

The Group has provided guarantees to certain banks in respect of mortgage loan facilities provided to certain purchasers of residential property units developed by the Group for repayments. Detailed disclosure of these guarantees is made in note 36(iv).

i. Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which estimates a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and number of days past due. The expected loss rates are developed based on the historical credit losses rate. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified (i) internal credit rating and (ii) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

As at 31 December 2018, the weighted average expected credit loss rate of trade receivables was assessed to be 3% (1 January 2018: 5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Impairment of trade receivables and contract assets (Continued)

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 US$'000	2017 US$'000
At 1 January – calculated under HKAS 39	**195,456**	**194,327**
Amounts restated through opening retained earnings	**1,203**	**–**
At 1 January	**196,659**	**194,327**
Increase in loss allowance recognised in consolidated statement of comprehensive income during the year	**6,885**	**10,535**
Write off against receivables	**(132,626)**	**–**
Unused amount reversed	**(5,371)**	**(9,490)**
Currency translation differences	**(115)**	**84**
At 31 December	**65,432**	**195,456**

Of the above impairment losses, US$6,793,000 (2017: US$4,904,000) relate to receivables arising from contracts with customers.

As at 31 December 2018, the loss allowance provision for contract assets was not material.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and contract assets are presented within operating expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

ii. Impairment of other receivables and amounts due from related companies

The Group use four categories for other receivables and amounts due from related companies which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Description	Basis for recognition of expected credit loss
Performing	Low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses
Underperforming	Significant increase in credit risk since initial recognition	Lifetime expected losses
Non-performing	Evidence indicating that the asset is credit-impaired	Lifetime expected losses
Write-off	No reasonable expectation of recovery	Asset is written off

As at 31 December 2018, no provision for impairment loss of other receivables and amounts due from related companies was made as they were considered to be low credit risk and the expected credited loss was minimal.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash (2018: US$904.1 million and 2017: US$1,147.7 million) and committed credit lines available (2018: US$236.6 million and 2017: US$636.5 million).

Management also monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents based on expected cash flows to ensure that it will have sufficient cash flows to meet its working capital, loan repayments and covenant requirements. This is generally carried out on a regular and frequent basis at the Group level. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of assets necessary to meet these projections; monitoring the financial position liquidity ratios against internal and external financing requirements; and maintaining debt financing plans.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period from the date of consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
2018				
Non-derivative financial liabilities				
Loans and borrowings	402,992	290,754	945,407	802,766
Trade payables	117,942	–	–	–
Accruals and other liabilities	233,496	356	92	138
Amounts due to related companies	61	–	–	–
Derivative financial liabilities				
Inflow arising from derivative financial instruments	(449,278)	(131,468)	–	–
Outflow arising from derivative financial instruments	474,006	145,941	–	–
2017				
Non-derivative financial liabilities				
Loans and borrowings	381,789	267,615	756,886	936,185
Trade payables	101,012	–	–	–
Accruals and other liabilities	201,458	394	339	85
Amounts due to related companies	522	–	–	–

For the maturity analysis of guarantees, please refer to note 36(iv) for details.

(v) Interest rate risk

Majority of the Group's indebtedness and its related interest expenses are denominated in US dollar and 61% of them are based upon floating rates of interest. The Group limits its exposure to interest rate fluctuation by entering into variable to fixed interest rate swaps from time to time when appropriate, to fix a portion of interest costs over a period of time. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

As at 31 December 2018 and 2017, the Group had loans and borrowings bearing fixed interest rates which exposed the Group to fair value interest rate risk. The Group has assessed and considered the fair value interest rate risk to be insignificant.

For the year ended 31 December 2018, if the interest rates on variable-rate borrowings had been higher or lower by 100 basis points, loss before taxation would have increased or decreased by the amounts shown below:

	2018 US$'000	2017 US$'000
Increase/decrease in loss before taxation	12,590	11,915

4. Financial Risk Management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents.

The gearing ratio as at 31 December 2018 was as follows:

	2018 US$'000	2017 US$'000
Total borrowings (note 29)	**1,988,059**	1,888,159
Less: cash and cash equivalents (note 27)	**(904,131)**	(1,147,702)
Net debt	**1,083,928**	740,457
Total equity	**4,059,055**	4,579,291
Gearing ratio	**26.7%**	16.2%

The Group was in compliance with financial debt covenants imposed by the financial institutions for the years ended 31 December 2018 and 2017.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value by level of the inputs and valuation techniques used to measure fair value. Such inputs are categorised into three levels within the fair value hierarchy, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The Group's financial instruments measured and recognised at fair value on a recurring basis are as follows:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2018				
Financial assets				
Financial assets at FVOCI	**–**	**–**	**8,854**	**8,854**
Financial liabilities				
Derivatives financial instruments	**–**	**25,284**	**–**	**25,284**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2017				
Financial assets				
Available-for-sale investments	686,835	–	–	686,835

There have been no transfers between the levels of the fair value hierarchy during the years ended 31 December 2018 and 2017.

The fair value of financial instruments traded in active market is based on quoted market prices at the date of consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques recognise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar financial instruments is used
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of consolidated statement of financial position, with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

4. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The financial assets at FVOCI measured at level 3 of the fair value hierarchy are pertaining to investments in unquoted equity securities. Prior to the reclassification of the unquoted equity securities from available-for-sale investments to financial assets at FVOCI, the investments in the unquoted equity securities were measured at costs less impairment losses as there is no quoted price in an active market for an identical instrument and the fair value cannot be reliably measured.

The investee is currently under development stage and has not commenced operations. The net assets of the investee comprised mainly land use rights, construction work in progress and other financial assets and liabilities. Accordingly, the adjusted net asset method was adopted in deriving the fair value of the investee's equity instruments by reference to the fair value of the investee's net assets.

The adjusted net asset method measures the fair value of the individual assets and liabilities recognised in the investee's statement of financial position as well as the fair value of any unrecognised assets and liabilities at the measurement date.

The land use rights was adjusted to fair value determined based on the income approach. The key assumptions used in the income approach include annual rental rate, growth rate, capitalisation rate, discount rate and the estimated annual administrative expenses associated with the land use rights. The fair values of other financial assets and liabilities approximate their carrying amounts due to short-term maturities of these instruments. There is no other unrecognised assets and liabilities at the measurement date that will cause significant adjustments to the net assets of the investee as of the measurement date.

Quantitative information about the significant unobservable inputs used in level 3 fair value measurements is summarised below.

Description	Valuation technique	Unobservable inputs		Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income	Adjusted net asset value	Average market unit rate (US$/sq.m.)	3,268	Note (i)
		Capitalisation rate	3%	Note (i)
		Market rent growth rate	4%	Note (i)
		Discount rate	8%	Note (ii)

Notes:

(i) The higher average market unit rate, capitalisation rate and market rent growth rate, the higher the fair value.

(ii) The higher discount rate, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

The following table presents the changes in the fair value of level 3 items for the year ended 31 December 2018.

	Unlisted equity securities US$'000
At 1 January 2018 (Note 3(a)(i))	**9,610**
Losses recognised in other comprehensive income	**(756)**
At 31 December 2018	**8,854**

Loans and borrowings

The carrying amount and fair value of the loans and borrowings (including the current portion) are as follows:

	2018 US$'000	2017 US$'000
Carrying amount	**1,988,059**	1,888,159
Fair value	**2,092,899**	2,056,487

The fair value of loans and borrowings is estimated based on rates currently available for the same or similar terms and remaining maturities.

Fair value of financial assets and liabilities measured at amortised cost

The fair values of trade and other receivables, other current financial assets, cash and cash equivalents, trade payables and accrued liabilities approximate their carrying amounts.

(d) Financial instruments by category

Financial assets	2018 US$'000	2017 US$'000
Financial assets at amortised cost		
Trade receivables	**33,261**	66,937
Other receivables	**18,122**	33,439
Amounts due from related companies	**1,224**	852
Restricted cash	**105,831**	126,851
Cash and cash equivalents	**904,131**	1,147,702
	1,062,569	1,375,781
Financial assets at FVOCI	**8,854**	–
Available-for-sale investments	**–**	696,445
	1,071,423	2,072,226

4. Financial Risk Management (Continued)

(d) Financial instruments by category (Continued)

Financial liabilities	2018 US$'000	2017 US$'000
Financial liabilities at amortised cost		
Trade payables	**117,942**	101,012
Accruals and other liabilities	**234,082**	202,276
Amounts due to related companies	**61**	522
Loans and borrowings	**1,988,059**	1,888,159
	2,340,144	2,191,969
Derivative financial instruments used for hedging	**25,284**	–
	2,365,428	2,191,969

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-financial assets

The Group reviews its assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Where an impairment indicator exists, the recoverable amount of the asset is determined based on the valuation performed by independent valuers or value-in-use calculations prepared on the basis of management's assumptions and estimates about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Group takes into consideration assumptions that are mainly based on market condition existing at the date of consolidated statement of financial position and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group.

(b) Estimated useful lives of property, plant and equipment and intangible assets

In accordance with HKAS 16 "Property, Plant and Equipment" and HKAS 38 "Intangible Assets", the Group estimates the useful lives of property, plant and equipment and intangible assets to determine the amount of depreciation/amortisation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Critical Accounting Estimates and Judgements (Continued)

(c) Impairment of trade receivables and contract assets

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates (note 4(a)(iii)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward – looking estimates at the end of reporting period.

(d) Loyalty points fair value assessment

The Group recognises the fair values of the customer loyalty award credits, based on the published redemption terms, historical redemption pattern of customers, life expectancy of customers and fair value of cabins onboard and other goods and services as at year end. The Group reassess the measurement basis used for calculating the fair value of customer loyalty award credits for redemption of cabin onboard and other goods and services on a regular basis.

(e) Revenue recognition and recognition of construction cost on shipbuilding contracts

The Group recognises revenue from shipbuilding contracts over time by reference to the completion of specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of estimated total costs of each contracts.

Shipbuilding costs include, where appropriate, relevant shipbuilding costs and borrowing cost capitalised. During the construction process, costs directly attributable to the shipbuilding activities are recorded as shipbuilding costs.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue, respectively. In making these estimates, management have used their accumulative knowledge of the industry, market conditions, and its customers, and corroborated with the experience gained from the most recent deliveries.

(f) Impairment of goodwill

The Group conducts reviews annually whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of CGUs are determined based on value-in-use calculations or fair value less costs of disposal. Value-in-use calculations require the use of management judgements and estimates in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Fair value less costs of disposal calculations require available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions applied by management in assessing impairment of goodwill are stated in note 17.

6. Revenue and Segment Information

The Group is principally engaged in the operation of passenger cruise ships. Senior management reviews the performance and makes operating decisions and resources allocation based on the Group's internal reports. The Group's business is divided into cruise operation, shipyard operation and non-cruise operation. Accordingly, three reportable segments namely, cruise and cruise-related activities, shipyard and non-cruise activities are identified.

Revenue from our cruise and cruise-related activities are categorised as "passenger ticket revenue" and "onboard revenue". Passenger ticket revenue primarily consists of revenue from the sale of passenger tickets and the sale of transportation to and from our cruise ships to the extent guests purchase these items from the Group. Onboard revenue primarily consists of revenue from food and beverage sales, shore excursion, entertainment and other onboard services.

Revenue from our shipyard primarily consists of revenue from shipbuilding, repairs and conversion activities.

Revenue from our non-cruise activities primarily consists of revenue from our onshore hotel, travel agent, aviation (including AirCruises and air-related services), entertainment, sales of residential property units and dividend income from investments, none of which are of a significant size to be reported separately.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") exclude, if any, share of profit of joint ventures and associates, other income/gains or expenses/losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

The segment information of the Group is as follows:

For the year ended 31 December 2018	Cruise and cruise-related activities[1] US$'000	Shipyard US$'000	Non-cruise activities US$'000	Inter-segment elimination/ adjustments[2] US$'000	Total US$'000
Passenger ticket revenue	987,655	-	18,482		1,006,137
Onboard revenue	360,819	-	-		360,819
Revenue from shipyard	-	792,639	-		792,639
Other revenue	-	-	66,113		66,113
Reportable segment revenue	1,348,474	792,639	84,595		2,225,708
Less: Inter-segment revenue	-	(613,488)	(12,119)		(625,607)
Total revenue from external customers[3]	1,348,474	179,151	72,476		1,600,101
Segment EBITDA	152,391	3,594	(20,022)	(63,686)	72,277
Less: Depreciation and amortisation	(177,096)	(21,751)	(34,324)	19,422	(213,749)
Segment results	(24,705)	(18,157)	(54,346)	(44,264)	(141,472)
Share of profit of joint ventures					1,016
Share of profit of associates					12,456
Other expenses, net					(20,964)
Other gains, net					15,505
Finance income					8,341
Finance costs					(78,691)
Loss before taxation					(203,809)
Taxation					(9,492)
Loss for the year					(213,301)

(1) Consistent with the internal reporting to the chief operating decision maker, included in the passenger ticket revenue of US$987.7 million (2017: US$728.3 million) were revenue allocated from onboard activities of US$178.3 million (2017: US$116.3 million) mainly for cruise cabins provided to customers in support of the Group's entertainment onboard activities.

(2) These eliminations are mainly to eliminate revenue and expenses relating to shipbuilding for the Group.

(3) During the year ended 31 December 2018, revenue of the Group amounted to US$1,600.1 million, of which revenue from contracts with customers totalled US$1,365.7 million.

Revenue from contracts with customers is recognised as follows:

For the year ended 31 December 2018	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Timing of revenue recognition for revenue from contracts with customers:				
At a point in time	95,201	7,058	39,038	141,297
Over time	1,023,380	169,004	32,039	1,224,423
	1,118,581	176,062	71,077	1,365,720

6. Revenue and Segment Information (Continued)

As at 31 December 2018	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Segment assets	4,404,815	766,573	1,596,352	6,767,740
Deferred tax assets				2,983
Total assets				6,770,723
Segment liabilities	512,476	149,545	29,437	691,458
Loans and borrowings (including current portion)	1,967,541	20,518	–	1,988,059
	2,480,017	170,063	29,437	2,679,517
Current income tax liabilities				8,362
Deferred tax liabilities				23,789
Total liabilities				2,711,668
Capital expenditure:				
Property, plant and equipment	633,580	130,332	39,919	803,831
Intangible assets	–	128,228	335	128,563
	633,580	258,560	40,254	932,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

For the year ended 31 December 2017	Cruise and cruise-related activities[1] US$'000	Shipyard US$'000	Non-cruise activities US$'000	Inter-segment elimination/ adjustments[2] US$'000	Total US$'000
Passenger ticket revenue	728,324	–	2,339		730,663
Onboard revenue	287,682	–	–		287,682
Revenue from shipyard	–	193,254	–		193,254
Other revenue	–	–	134,227		134,227
Reportable segment revenue	1,016,006	193,254	136,566		1,345,826
Less: Inter-segment revenue	–	(140,708)	(14,703)		(155,411)
Total revenue from external customers[3]	1,016,006	52,546	121,863		1,190,415
Segment EBITDA	(43,317)	(82,498)	(12,149)	(23,038)	(161,002)
Less: Depreciation and amortisation	(142,796)	(19,697)	(28,012)	–	(190,505)
Segment results	(186,113)	(102,195)	(40,161)	(23,038)	(351,507)
Share of profit of joint ventures					1,048
Share of profit of associates					225
Other expenses, net					(849)
Other gains, net					166,050
Finance income					7,098
Finance costs					(49,373)
Loss before taxation					(227,308)
Taxation					(16,972)
Loss for the year					(244,280)
Other segment information:					
Impairment loss on:					
– Property, plant and equipment	–	–	22,646		22,646
– Goodwill	–	–	10,945		10,945
– Other receivables	–	–	5,353		5,353
	–	–	38,944		38,944

(3) During the year ended 31 December 2017, revenue of the Group amounted to US$1,190.4 million, of which revenue from contracts with customers totalled US$1,022.5 million.

Revenue from contracts with customers is recognised as follows:

For the year ended 31 December 2017	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Timing of revenue recognition for revenue from contracts with customers:				
At a point in time	63,498	12,906	85,155	161,559
Over time	796,971	31,211	32,796	860,978
	860,469	44,117	117,951	1,022,537

6. Revenue and Segment Information (Continued)

As at 31 December 2017	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Segment assets	4,577,659	530,777	2,032,583	7,141,019
Deferred tax assets				4,025
Total assets				7,145,044
Segment liabilities	459,912	144,500	38,414	642,826
Loans and borrowings (including current portion)	1,865,027	15,991	7,141	1,888,159
	2,324,939	160,491	45,555	2,530,985
Current income tax liabilities				13,017
Deferred tax liabilities				21,751
Total liabilities				2,565,753
Capital expenditure:				
Property, plant and equipment	970,252	215,122	124,898	1,310,272
Intangible assets	–	–	90	90
Property, plant and equipment arising from acquisitions of subsidiaries and business	–	–	16,092	16,092
	970,252	215,122	141,080	1,326,454

Geographical information

Revenue

Revenue from cruise and cruise-related activities are analysed based on geographical territory of departure port. Revenue from shipyard and non-cruise activities are based on the location at which the services were provided or goods delivered, in the case of contract revenue, based on the location of the customers, except for revenue from AirCruises which are based on geographical territory of place of departure.

	2018 US$'000	2017 US$'000
Asia Pacific (note (a))	**1,060,350**	810,973
America	**311,281**	204,312
Europe	**197,340**	157,415
Others	**31,130**	17,715
	1,600,101	1,190,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

Geographical information (Continued)

Non-current assets, other than financial instruments and deferred tax assets

	2018 US$'000	2017 US$'000
Asia Pacific (note (a))	**3,129,340**	3,240,602
Europe	**1,516,305**	749,398
Unallocated (note (b))	**856,719**	911,682
	5,502,364	4,901,682

Notes:

(a) Asia Pacific mainly includes Australia, Cambodia, Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, Indonesia, Japan, the Philippines, Malaysia, Singapore, Taiwan, Thailand and Vietnam.

(b) With the exception of Crystal River Cruises ships operating in Europe, unallocated includes non-current assets other than financial instruments and deferred tax assets of Crystal Cruises as it is operated on a global basis. Accordingly, management considers that there is no suitable basis for allocating such assets by geographical territory.

7. Other Expenses, Net

	2018 US$'000	2017 US$'000
Write off and loss on disposal of property, plant and equipment	**(16,299)**	(17,276)
Write off of intangible assets	**–**	(86)
(Loss)/gain on foreign exchange	**(9,869)**	12,914
Other income, net	**5,204**	3,599
	(20,964)	(849)

8. Other Gains, Net

	2018 US$'000	2017 US$'000
Gain on disposal of financial assets at FVPL	**34,395**	–
Fair value loss on financial assets at FVPL	**(18,890)**	–
Gain on disposal of available-for-sale investments	**–**	204,994
Impairment loss on:		
– property, plant and equipment (note (a))	**–**	(22,646)
– goodwill (note (b))	**–**	(10,945)
– other receivables	**–**	(5,353)
	15,505	166,050

Notes:

(a) The Group performed a review of the carrying value of certain of its property, plant and equipment. Accordingly, for the year ended 31 December 2017, the Group wrote down the carrying value of an aircraft by US$22.6 million, being excess of the carrying value over the recoverable amount.

(b) On 11 April 2017, the Group acquired the remaining 50% equity interest in a 50% owned joint venture, Wider S.R.L. The goodwill on acquisition of US$10.9 million had been fully impaired during the year ended 31 December 2017 after assessment by the Group.

9. Finance Costs

	2018 US$'000	2017 US$'000
Commitment fees and amortisation of bank loans arrangement fees	**21,849**	13,778
Interests on bank loans and others	**81,981**	49,492
Interest capitalised for qualifying assets	**(25,139)**	(13,897)
Finance costs expensed	**78,691**	49,373

10. Loss Before Taxation

Loss before taxation is stated after charging the following:

	2018 US$'000	2017 US$'000
Depreciation and amortisation is analysed into:	**213,749**	190,505
– relating to operating function	**196,489**	175,510
– relating to selling, general and administrative function	**17,260**	14,995
Commission, incentives, transportation and other related costs (including amortisation of incremental costs for obtaining contracts of US$95,200,000) (2017: Nil)	**178,711**	146,342
Onboard costs	**99,291**	84,125
Staff costs excluding directors' remuneration (note 13)	**523,190**	445,324
Food and supplies	**77,033**	56,682
Fuel costs	**131,012**	85,073
Cost of completed properties sold	**4,545**	33,768
Operating leases	**17,159**	10,647
Auditors' remuneration:		
– audit services	**2,075**	2,064
– non-audit services	**470**	853
Advertising expenses	**83,738**	93,423

11. Taxation

	2018 US$'000	2017 US$'000
Overseas taxation		
– Current taxation	**7,805**	16,484
– Deferred taxation (note 31)	**2,850**	(450)
	10,655	16,034
(Over)/under provision in respect of prior years		
– Current taxation	**(1,163)**	938
	9,492	16,972

The Group has incurred tax charges, as shown above, based on income derived from certain jurisdictions where it operates. The appropriate tax rates have been applied in order to determine the applicable tax charges in accordance with relevant tax regulations. Certain revenue of the Group derived from international waters or outside taxing jurisdictions is not subject to income tax and/or is eligible to tax exemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Taxation (Continued)

	2018 US$'000	2017 US$'000
Loss before taxation	**(203,809)**	(227,308)
Tax calculated at domestic tax rates applicable to profit in the respective jurisdictions	**(37,038)**	(90,300)
Tax effects of:		
– Income not subject to taxation	**(654)**	(617)
– Expenses not deductible for taxation purposes	**32,697**	67,923
– Utilisation of previously unrecognised tax losses and deductible temporary differences	**(3,388)**	(884)
– Deductible temporary differences not recognised	**18,625**	38,178
– Others	**413**	1,734
(Over)/under provision in respect of prior years	**(1,163)**	938
Total tax expense	**9,492**	16,972

12. Loss Per Share

Loss per share is computed as follows:

	2018	2017
BASIC		
Loss attributable to equity owners of the Company for the year (US$'000)	**(210,875)**	(242,289)
Weighted average outstanding ordinary shares, in thousands	**8,482,490**	8,482,490
Basic loss per share for the year in US cents	**(2.49)**	(2.86)

	2018	2017
DILUTED		
Loss attributable to equity owners of the Company for the year (US$'000)	**(210,875)**	(242,289)
Weighted average outstanding ordinary shares, in thousands	**8,482,490**	8,482,490
Effect of dilutive potential ordinary shares on exercise of share options, in thousands	**–***	–*
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**8,482,490**	8,482,490
Diluted loss per share for the year in US cents	**(2.49)**	(2.86)

* The calculation of diluted loss per share for the years ended 31 December 2018 and 2017 did not take into account the share options of the Company as the assumed exercise had an anti-dilutive effect on the basic loss per share. Therefore, the diluted loss per share is the same as basic loss per share.

13. Staff Costs

Staff costs include employee salaries and other employee related benefits but excluding directors' remuneration.

	2018 US$'000	2017 US$'000
Wages and salaries	**475,668**	411,204
Termination benefits	**761**	1,387
Social security costs	**34,896**	23,916
Post-employment benefits		
– defined contribution plan	**11,386**	8,240
– defined benefit plan	**479**	577
	523,190	445,324

Total staff costs include payroll and related staff expenses of US$385.6 million (2017: US$300.9 million) relating to operating function.

14. Emoluments of Directors and Senior Management

(i) Directors' emoluments

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2018 are set out as follows:

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonus US$'000	Other benefits[a] US$'000	Contribution to provident fund US$'000	Total US$'000
2018						
Tan Sri Lim Kok Thay	**50**	**1,799**	**226**	**12**	**2**	**2,089**
Mr. Alan Howard Smith	**69**	**–**	**–**	**–**	**–**	**69**
Mr. Lam Wai Hon, Ambrose	**70**	**–**	**–**	**–**	**–**	**70**
Mr. Lim Keong Hui	**50**	**398**	**50**	**10**	**2**	**510**
Mr. Justin Tan Wah Joo	**64**	**–**	**–**	**–**	**–**	**64**
	303	**2,197**	**276**	**22**	**4**	**2,802**

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonus US$'000	Other benefits[a] US$'000	Contribution to provident fund US$'000	Total US$'000
2017						
Tan Sri Lim Kok Thay	50	1,798	150	12	2	2,012
Mr. Alan Howard Smith	74	–	–	–	–	74
Mr. Lam Wai Hon, Ambrose	70	–	–	–	–	70
Mr. Lim Keong Hui	50	378	32	10	2	472
Mr. Justin Tan Wah Joo	64	–	–	–	–	64
	308	2,176	182	22	4	2,692

Note:

(a) Other benefits include housing allowances, other allowances and benefits in kind.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Emoluments of Directors and Senior Management (Continued)

(ii) Directors' material interests in transactions, arrangements or contracts

In respect of the Directors' material interests in transactions, arrangements or contracts, save as disclosed in note 34 to the consolidated financial statements, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(iii) Five highest paid individuals

Details of the emoluments of the five highest paid individuals in the Group are as follows:

	2018 US$'000	2017 US$'000
Fees	**50**	50
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	**5,925**	4,570
Contributions to provident fund	**5**	6
	5,980	4,626
Number of Directors included in the five highest paid individuals	**1**	1

The emoluments of the 5 individuals fall within the following bands:

	Number of individuals	
	2018	2017
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**–**	2
HK$5,000,001 – HK$5,500,000	**1**	–
HK$6,500,001 – HK$7,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**1**	–
HK$8,000,001 – HK$8,500,000	**1**	–
HK$9,500,001 – HK$10,000,000	**1**	–
HK$15,500,001 – HK$16,000,000	**–**	1
HK$16,000,001 – HK$16,500,000	**1**	–

15. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	Cruise ships and ship improvements US$'000	Land, jetties, docks, buildings and improvements US$'000	Equipment, yachts and motor vehicles US$'000	Construction in progress US$'000	Aircrafts US$'000	Total US$'000
Cost						
At 1 January 2018	**3,696,177**	**613,545**	**547,629**	**413,728**	**346,486**	**5,617,565**
Currency translation differences	**32**	**(13,125)**	**(3,704)**	**(29,567)**	**–**	**(46,364)**
Additions	**42,331**	**23,300**	**36,815**	**700,875**	**505**	**803,826**
Reclassified to intangible assets (note 17)	**–**	**–**	**–**	**(65,298)**	**–**	**(65,298)**
Write off/disposals	**(18,040)**	**(3,035)**	**(5,010)**	**–**	**–**	**(26,085)**
Reclassification	**128,062**	**98**	**12,590**	**(140,750)**	**–**	**–**
At 31 December 2018	**3,848,562**	**620,783**	**588,320**	**878,988**	**346,991**	**6,283,644**
Accumulated depreciation and impairment						
At 1 January 2018	**(947,557)**	**(153,887)**	**(214,206)**	**–**	**(45,326)**	**(1,360,976)**
Currency translation differences	**(50)**	**1,791**	**929**	**–**	**–**	**2,670**
Charge for the year	**(125,978)**	**(28,326)**	**(55,626)**	**–**	**(21,127)**	**(231,057)**
Write off/disposals	**3,552**	**1,539**	**4,453**	**–**	**–**	**9,544**
At 31 December 2018	**(1,070,033)**	**(178,883)**	**(264,450)**	**–**	**(66,453)**	**(1,579,819)**
Net book value						
At 31 December 2018	**2,778,529**	**441,900**	**323,870**	**878,988**	**280,538**	**4,703,825**

	Cruise ships and ship improvements US$'000	Land, jetties, docks, buildings and improvements US$'000	Equipment, yachts and motor vehicles US$'000	Construction in progress US$'000	Aircrafts US$'000	Total US$'000
Cost						
At 1 January 2017	2,702,737	566,700	459,770	311,291	228,718	4,269,216
Currency translation differences	–	34,299	8,409	9,412	–	52,120
Additions	14,580	4,964	124,000	1,161,569	5,159	1,310,272
Acquisition of subsidiaries and business	–	515	84	15,493	–	16,092
Write off/disposals	(18,361)	(3,551)	(6,983)	–	(1,240)	(30,135)
Reclassification	997,221	10,618	(37,651)	(1,084,037)	113,849	–
At 31 December 2017	3,696,177	613,545	547,629	413,728	346,486	5,617,565
Accumulated depreciation and impairment						
At 1 January 2017	(853,155)	(124,212)	(172,879)	–	(7,444)	(1,157,690)
Currency translation differences	–	(4,175)	(751)	–	–	(4,926)
Charge for the year	(101,553)	(26,620)	(43,971)	–	(16,429)	(188,573)
Write off/disposals	7,151	1,120	3,395	–	1,193	12,859
Impairment	–	–	–	–	(22,646)	(22,646)
At 31 December 2017	(947,557)	(153,887)	(214,206)	–	(45,326)	(1,360,976)
Net book value						
At 31 December 2017	2,748,620	459,658	333,423	413,728	301,160	4,256,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Property, Plant and Equipment (Continued)

At 31 December 2018, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$3.0 billion (2017: US$2.9 billion).

During the year ended 31 December 2018, the Group has capitalised borrowing costs amounting to US$17.8 million (2017: US$12.0 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.55% (2017: 3.79%) per annum.

During the year ended 31 December 2018, the Group has capitalised depreciation amounted to US$19.4 million (2017: Nil) in construction in progress.

During the year ended 31 December 2018, the amount of government grants recognised in relation to the acquisition of property, plant and equipment was US$18.7 million (2017: Nil). There are no unfulfilled conditions or other contingencies attached to these grants.

For the year ended 31 December 2018, the Group incurred operating losses for its shipyard and its non-cruise activities segments. In addition, certain cruise ships within the cruise and cruise-related activities segment recorded operating losses. Management have reviewed the recoverability of the relevant carrying amounts of these CGUs, which is determined at each cruise ship, aircraft and shipyard that generates independent cash flows. Details are as follows:

Except for the two cruise ships that the recoverable amounts are determined based on the present values of future cash flows expected to be derived from the CGUs, the recoverable amounts of all cruise ships with indication of impairment are determined based on the valuations performed by independent valuers with reference to the available market information having taken into account the conditions, ages and sizes of the individual assets and the measurement of fair value are classified as level 3 in the fair value hierarchy.

The recoverable amount of the Group's shipyard CGU of MV Werften is determined based on discounted cash flows calculations. These calculations are based on plans projected and approved by management. Details of the key assumptions used in the calculations are disclosed in note 17.

In respect of non-cruise activities, the recoverable amount of one of the Group's aircraft is determined based on discounted cash flows calculations. The calculation is based on the present value of future cash flows expected to be derived from the CGU. The recoverable amounts of other aircrafts with indication of impairment are determined based on the valuation performed by an independent valuer with reference to the available market information having taken into account the conditions and ages of the individual assets and the measurement of fair value are classified as level 3 in the fair value hierarchy.

As a result of the impairment reviews, the recoverable amounts of these CGUs are higher than the respective carrying values of these CGUs. Accordingly, no impairment loss provision is considered necessary. Any reasonably possible change in any of these key assumptions, the change in the results of the impairment assessments would be insignificant.

16. Land Use Rights

The Group's interest in land use rights represent prepaid operating lease payments which are analysed as follows:

	2018 US$'000	2017 US$'000
Outside Hong Kong:		
Medium leasehold (less than 50 years but not less than 10 years)	**3,499**	3,813

	2018 US$'000	2017 US$'000
At 1 January	**3,813**	3,671
Amortisation of prepaid operating lease payments for the year	**(110)**	(110)
Currency translation differences	**(204)**	252
At 31 December	**3,499**	3,813

17. Intangible Assets

	Goodwill (note (a)) US$'000	Tradenames (note (b)) US$'000	Development expenditures on ship designs (note (c)) US$'000	Others US$'000	Total US$'000
Cost					
At 1 January 2018	58,358	40,650	–	1,578	100,586
Reclassified from property, plant and equipment (note 15)	–	–	65,298	–	65,298
Additions (note (d))	–	–	128,228	335	128,563
Currency translation differences	(1,447)	(158)	(1,966)	(149)	(3,720)
At 31 December 2018	56,911	40,492	191,560	1,764	290,727
Accumulated amortisation and impairment					
At 1 January 2018	(10,945)	(4,929)	–	(650)	(16,524)
Amortisation charge for the year	–	(1,488)	–	(516)	(2,004)
Currency translation differences	–	60	–	116	176
At 31 December 2018	(10,945)	(6,357)	–	(1,050)	(18,352)
Net book value					
At 31 December 2018	45,966	34,135	191,560	714	272,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Intangible Assets (Continued)

	Goodwill (note (a)) US$'000	Tradenames note (b)) US$'000	Development expenditures on ship designs note (c)) US$'000	Others US$'000	Total US$'000
Cost					
At 1 January 2017	43,315	40,230	–	–	83,545
Acquisitions of subsidiaries and business	10,945	–	–	1,142	12,087
Additions	–	–	–	90	90
Write off	–	–	–	(86)	(86)
Currency translation differences	4,098	420	–	432	4,950
At 31 December 2017	58,358	40,650	–	1,578	100,586
Accumulated amortisation and impairment					
At 1 January 2017	–	(3,356)	–	–	(3,356)
Amortisation charge for the year	–	(1,482)	–	(340)	(1,822)
Impairment	(10,945)	–	–	–	(10,945)
Currency translation differences	–	(91)	–	(310)	(401)
At 31 December 2017	(10,945)	(4,929)	–	(650)	(16,524)
Net book value					
At 31 December 2017	47,413	35,721	–	928	84,062

Notes:

(a) Goodwill is monitored by management at the CGU level within an operating segment level with reference to each brand of cruise ship, shipyard and other businesses. A summary of the allocation of goodwill to the identified CGUs of the Group is as follows:

	2018 US$'000	2017 US$'000
Crystal Cruises	**10,356**	10,356
Lloyd Werft	**1,585**	1,518
Zouk	**1,608**	1,605
MV Werften	**32,417**	33,934
	45,966	47,413

The recoverable amount is calculated based on the higher of value-in-use calculation or fair value less costs of disposal.

The recoverable amount of Crystal Cruises is determined based on discounted cash flows calculations. This calculation uses cash flow projections based on five-year financial budgets, with reference to past performance and expectations for market development, approved by management. The annual revenue growth rate during the projection period is 3.4% to 4.2% (2017: 1.8% to 26.2%) whereas the cash flows beyond the five-year period are extrapolated with an estimated terminal growth rate of 1.91% (2017: 1.68%) which does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used of approximately 8.00% (2017: 8.00%) is pre-tax and reflects the specific risks related to the relevant business.

The recoverable amounts of Crystal Cruises CGUs that take into account the fair value of the underlying assets and liabilities are not less than the carrying amounts of the CGUs. Accordingly, no impairment loss was considered necessary.

The recoverable amount of MV Werften is determined based on income approach, calculated based on a ten-year discounted cash flows projection of the Group's long term shipbuilding programme, by taking into account the Group's committed investments in the capabilities of the yards and a reasonable shipbuilder's contract margin established on a negotiated basis. The average EBITDA margin is 5.3% (2017: 2.8%) during the projection period. The discount rate used of approximately 7.46% (2017: 7.00%) is post-tax and reflects the specific risks related to the relevant business. The measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs used in valuation. The recoverable amount of MV Werften CGU is higher than the carrying amount of the CGU. Accordingly, no impairment loss has considered necessary.

Any reasonably possible change in any of these key assumptions, the change in the results of the impairment assessments would be insignificant.

17. Intangible Assets (Continued)

Notes: (Continued)

(b) The tradenames arose from the acquisition of equity shares of Crystal Cruises and the business of Zouk. Included within the carrying amount of tradenames, US$29.6 million (2017: US$30.4 million) relates to Crystal Cruises for which the remaining useful life is 36.4 years (2017: 37.4 years).

(c) Development expenditures on ship designs relate to the expenditures incurred by MV Werften in the development stage for the cruise ships platform designs. The estimated useful life of these ship designs is 10 years from the date of completion.

(d) During the year, the Group has capitalised borrowing costs amounting to US$7.3 million (2017: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.55% (2017: Nil) per annum.

18. Interests in Joint Ventures

The Group's interests in joint ventures are as follows:

	2018 US$'000	2017 US$'000
At 1 January	**3,555**	3,847
Capital contribution to a joint venture	**–**	1,585
Share of profit of joint ventures	**1,016**	1,048
Dividends	**(1,059)**	(2,961)
Currency translation differences	**(14)**	36
At 31 December	**3,498**	3,555

As at 31 December 2018 and 2017, there are no material joint ventures that have significant impact towards the financial position of the Group.

19. Interests in Associates

The Group's interests in associates are as follows:

	2018 US$'000	2017 US$'000
At 1 January (as previously stated)	**535,410**	549,885
Adjustment on adoption of HKFRS 9 (note 3(a)(iii))	**(1,600)**	–
Adjustment on adoption of HKFRS 15 (note 3(b)(iii))	**787**	–
At 1 January (as restated)	**534,597**	549,885
Acquisition of additional equity interest in an associate	**–**	781
Share of profit of associates	**12,456**	225
Share of other comprehensive income of an associate	**471**	385
Dividends	**(750)**	(5,638)
Currency translation differences	**(42,921)**	(10,228)
At 31 December	**503,853**	535,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Interests in Associates (Continued)

Travellers International Hotel Group, Inc. ("Travellers"), in the opinion of the directors, is a material associate to the Group as at 31 December 2018. Travellers has share capital consisting of ordinary shares and preferred shares, which are held directly by the Group.

Nature of interest in Travellers as at 31 December 2018 and 2017 is as follows:

			% of ownership interest			
Name	Country of incorporation	Principal country of operations	**2018**	2017	Nature of relationship	Measurement method
Travellers	Republic of the Philippines	Republic of the Philippines	**44.9**	44.9	Note (a)	Equity method

Note:

(a) Travellers operates Resorts World Manila, the Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world class leisure alternatives. Travellers is the Group's first foray in a land-based attraction.

As at 31 December 2018, the fair value of the Group's interest in Travellers, which is listed on The Philippines Stock Exchange, Inc, was approximately US$713.7 million (2017: US$565.9 million) and the carrying amount of the Group's interest was approximately US$493.3 million (2017: US$526.3 million).

Summarised financial information of an associate

Set out below are the summarised financial information of Travellers which is accounted for using the equity method.

Summarised statement of financial position

	Travellers	
	2018 US$'000	2017 US$'000
Current		
Cash and cash equivalents	**192,753**	212,119
Other current assets (excluding cash and cash equivalents)	**137,282**	182,149
Total current assets	**330,035**	394,268
Loans and borrowings	**(120,650)**	(391,950)
Other current liabilities (including trade payables)	**(207,923)**	(205,818)
Total current liabilities	**(328,573)**	(597,768)
Non-current		
Assets	**1,708,584**	1,342,785
Loans and borrowings	**(739,443)**	(240,057)
Other liabilities	**(103,485)**	(10,129)
Total non-current liabilities	**(842,928)**	(250,186)
Net assets	**867,118**	889,099

19. Interests in Associates (Continued)

Summarised financial information of an associate (Continued)

Summarised statement of comprehensive income

	Travellers	
	2018 US$'000	2017 US$'000
Revenue	**399,490**	381,326
Depreciation and amortisation	**(43,497)**	(38,251)
Interest income	**2,847**	3,335
Interest expense	**(5,807)**	(16,720)
Profit before taxation	**30,775**	9,110
Taxation	**(2,815)**	(4,324)
Profit for the year	**27,960**	4,786
Other comprehensive income/(loss)	**1,049**	(857)
Total comprehensive income	**29,009**	3,929
Dividends received from the associate during the year	**–**	5,638

The information above reflects the amounts presented in the financial information of the associate adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information to the Group's interests in the associate

	Travellers	
	2018 US$'000	2017 US$'000
Net assets as at 1 January (as previously stated)	**889,099**	901,425
Adjustment on adoption of HKFRS 9	**(3,562)**	–
Adjustment on adoption of HKFRS 15	**1,750**	–
Net assets as at 1 January (as restated)	**887,287**	901,425
Profit for the year	**27,960**	4,786
Other comprehensive income/(loss)	**1,049**	(857)
Dividend declaration	**–**	(12,580)
Currency translation differences	**(49,178)**	(3,675)
Net assets as at 31 December	**867,118**	889,099
Interest in an associate @ 44.9%	**389,336**	399,205
Carrying amount as at 31 December	**493,250**	526,336
Fair value adjustment from acquisition	**(122,294)**	(124,449)
Translation differences on the consolidation level	**18,380**	(2,682)
Share of net assets of the associate	**389,336**	399,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Interests in Associates (Continued)

Aggregate financial information of associates that are not individually material

In addition to the interest in a material associate disclosed above, the Group also has interests in a number of associates that are accounted for using the equity method but not individually material.

	2018 US$'000	2017 US$'000
Carrying amount in the consolidated financial statements	**10,603**	9,074
Share of profit for the year	**1,970**	257
Share of total comprehensive income for the year	**1,970**	257

20. Available-for-Sale Investments

	2018 US$'000	2017 US$'000
At 1 January	–	1,266,658
Currency translation differences	–	10
Disposals	–	(862,678)
Fair value gains recognised in other comprehensive income	–	292,455
At 31 December	–	696,445
Less: non-current portion	–	(9,610)
Current portion	–	686,835

Available-for-sale investments include the following:

	2018 US$'000	2017 US$'000
Listed investments:		
Equity securities – listed outside Hong Kong	–	686,835
Unlisted investments:		
Equity securities	–	9,610
	–	696,445

Available-for-sale investments are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	–	686,835
Philippine Peso	–	9,401
Euro	–	209
	–	696,445

21. Financial Assets at Fair Value Through Other Comprehensive Income

	2018 US$'000	2017 US$'000
Unlisted equity securities investments at fair value through other comprehensive income:		
At 1 January (note 3(a)(i))	**9,610**	–
Fair value loss recognised in other comprehensive income	**(756)**	–
At 31 December	**8,854**	–

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

22. Financial Assets at Fair Value Through Profit or Loss

	2018 US$'000	2017 US$'000
Listed equity securities investments at fair value through profit or loss:		
At 1 January (note 3(a)(i))	**686,835**	–
Fair value loss recognised in the consolidated statement of comprehensive income	**(18,890)**	–
Disposals	**(667,945)**	–
At 31 December	**–**	–

23. Inventories

	2018 US$'000	2017 US$'000
Food and beverages	**13,192**	10,745
Supplies and consumables	**15,478**	14,093
Retail inventories	**7,158**	7,726
Raw materials	**2,383**	1,206
Work-in-progress	**–**	3,619
	38,211	37,389

24. Trade Receivables

	2018 US$'000	2017 US$'000
Trade receivables	**98,693**	262,393
Less: Provisions	**(65,432)**	(195,456)
	33,261	66,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Trade Receivables (Continued)

The ageing analysis of trade receivables after provisions by invoice date is as follows:

	2018 US$'000	2017 US$'000
Current to 30 days	**27,017**	58,000
31 days to 60 days	**1,067**	3,060
61 days to 120 days	**3,226**	5,272
121 days to 180 days	**1,154**	62
181 days to 360 days	**657**	70
Over 360 days	**140**	473
	33,261	66,937

Credit terms generally range from payment in advance to 45 days credit (31 December 2017: payment in advance to 45 days credit).

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Receivables amounting to US$5.5 million (2017: US$3.1 million) are secured by the underlying pledged securities and bear interest ranging from 5.1% to 10.1% (2017: 5.3% to 6.3%) per annum.

The carrying amounts of the Group's trade receivables after provision are denominated in the following currencies:

	2018 US$'000	2017 US$'000
Hong Kong dollar	**8,901**	20,458
US dollar	**3,798**	10,467
Singapore dollar	**6,388**	12,576
Malaysian Ringgit	**2,919**	1,209
Chinese Renminbi	**148**	870
Euro	**5,797**	18,692
Indian Rupee	**1,389**	1,669
Other currencies	**3,921**	996
	33,261	66,937

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been extended. Overdue balances are reviewed regularly by senior management. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. As at 31 December 2017, the trade receivables that were past due but not provided was US$8.9 million. No provision has been made on these amounts as the Group was closely monitoring these receivables and was confident of their eventual recovery.

25. Other Assets, Prepaid Expenses and Other Receivables

	2018 US$'000	2017 US$'000
Other debtors	**7,290**	13,186
Deposits	**8,280**	16,144
Indirect taxes recoverable	**18,054**	7,089
Prepayments	**97,908**	93,675
Amount due from a joint venture	**-**	1,859
Amount due from an associate	**2,552**	2,250
	134,084	134,203
Less: non-current portion	**(17,560)**	(21,058)
Current portion	**116,524**	113,145

26. Restricted Cash

Restricted cash of the Group includes an amount of US$88.3 million (2017: US$90.5 million) pledged to the banks for the issuance of irrevocable standby letter of credit in favour of third parties. Restricted cash is presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows.

27. Cash and Cash Equivalents

Deposits, cash and bank balances consist of the following:

	2018 US$'000	2017 US$'000
Deposits with banks	**365,104**	555,443
Cash and bank balances	**539,027**	592,259
	904,131	1,147,702

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	2018 US$'000	2017 US$'000
Deposits, cash and bank balances	**904,131**	1,147,702

Cash and cash equivalents are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	**275,496**	684,948
Singapore dollar	**85,842**	57,974
Hong Kong dollar	**90,351**	96,177
Malaysian Ringgit	**11,799**	13,761
Chinese Renminbi	**89,176**	101,519
Euro	**326,909**	178,442
Indian Rupee	**5,396**	2,317
New Taiwan dollar	**6,640**	6,887
Other currencies	**12,522**	5,677
	904,131	1,147,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share Capital

	Authorised share capital			
	Preference shares of US$0.10 each		Ordinary shares of US$0.10 each	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January 2018 and 31 December 2018	**10,000**	**1**	**19,999,990,000**	**1,999,999**
At 1 January 2017 and 31 December 2017	10,000	1	19,999,990,000	1,999,999

	Issued and fully paid ordinary shares of US$0.10 each	
	No. of shares	US$'000
At 1 January 2018 and 31 December 2018	**8,482,490,202**	**848,249**
At 1 January 2017 and 31 December 2017	8,482,490,202	848,249

29. Loans and Borrowings

Loans and borrowings consist of the following:

	2018 US$'000	2017 US$'000
US$500 million secured term loan and revolving credit facility	**197,173**	245,514
US$300 million secured term loan	**186,450**	218,121
US$664 million secured term loan	**521,797**	570,702
US$689 million secured term loan	**593,912**	644,381
US$192 million secured term loan	**169,861**	87,398
US$200 million revolving credit facility	**198,348**	98,911
US$100 million revolving credit facility	**100,000**	–
EUR4 million secured term loan	**2,754**	3,322
EUR17 million secured term loan	**17,764**	12,669
RMB25 million secured entrustment loan (note (i))	**–**	2,995
RMB13 million secured entrustment loans (note (i))	**–**	3,839
RMB9 million secured entrustment loan (note (i))	**–**	307
Total liabilities	**1,988,059**	1,888,159
Less: current portion	**(303,973)**	(297,354)
Non-current portion	**1,684,086**	1,590,805

Note:

(i) As at 31 December 2017, the secured entrustment loans were secured by equivalent amount of restricted cash.

29. Loans and Borrowings (Continued)

The carrying amounts of the loans and borrowings are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	**1,967,541**	1,865,027
Euro	**20,518**	15,991
Chinese Renminbi	**–**	7,141
	1,988,059	1,888,159

As at 31 December 2018, the outstanding balances of loans and borrowings denominated in Euro was approximately EUR18.4 million (2017: EUR13.4 million). As at 31 December 2017, the outstanding balances of loans and borrowings denominated in Chinese Renminbi was approximately RMB46.5 million.

As at 31 December 2018, approximately 39% of the Group's loans and borrowings was fixed rated (2017: 39%) and 61% was variable rated (2017: 61%).

The following is a schedule of repayments of the loans and borrowings in respect of the outstanding borrowings at the dates of consolidated statement of financial position:

	2018 US$'000	2017 US$'000
Within one year	**303,973**	297,354
In the second year	**206,166**	193,270
In the third to fifth years	**780,639**	591,647
After the fifth year	**697,281**	805,888
	1,988,059	1,888,159

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the dates of consolidated statement of financial position are as follows:

	2018 US$'000	2017 US$'000
6 months or less	**1,221,532**	1,145,917

The secured loans and borrowings were secured by legal charges over assets including fixed and floating charges of US$3.0 billion (2017: US$2.9 billion).

The weighted average interest rates per annum at the date of consolidated statement of financial position were as follows:

	2018	2017
Bank borrowings in US dollar	**3.9%**	3.5%
Bank borrowings in Euro	**1.1%**	1.2%
Bank borrowings in Chinese Renminbi	**N/A**	4.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Derivative Financial Instruments

	2018 US$'000	2017 US$'000
Liabilities		
Forward foreign exchange contracts – cash flow hedges	**25,284**	–
Analysed as:		
Current	**16,744**	–
Non-current	**8,540**	–
	25,284	–

The fair values of financial instruments including derivatives are determined based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the date of consolidated statement of financial position or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. They are presented as current assets or liabilities if they are expected to be settled within twelve months after the end of the reporting period. The following are the estimated fair values of the Group's financial instruments and the methods used to estimate such fair value.

During the year ended 31 December 2018, the Group entered into forward contracts to buy Euro dollar at a fixed exchange rate. As at 31 December 2018, the notional amount of these contracts was US$619.9 million and the estimated fair value loss of these forward contracts was approximately US$25.3 million. These forward contracts have been designated and qualified as cash flow hedges. The changes in the fair value of these forward contracts were included as a separate component of reserves and upon maturity will be included in the initial measurement of the cost of the underlying hedged items which are non-financial assets. The Group did not hold any such derivative financial instruments as at 31 December 2017.

The fair values of the above instruments have been estimated using quotes from reputable financial institutions. The Group has no significant concentrations of credit risk as at 31 December 2018.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	2018 US$'000
Derivative financial instruments – foreign exchange forward contracts	
Carrying amount (liability)	**25,284**
Notional amount	**619,947**
Maturity date	**January 2019 to November 2020**
Hedge ratio*	**1: 1**
Weighted average hedged rate for the year (including forward points)	**US$1.22: EUR1**

* The foreign exchange forward contracts are designated to hedge the foreign exchange exposure (USD to EUR) of the highly probable future shipbuild construction costs, therefore the hedge ratio is 1:1.

30. Derivative Financial Instruments (Continued)

	2018 US$'000
Cash flow hedge reserve	
At 1 January	–
Change in fair value of hedging instruments at recognised in OCI during the year	(25,284)
At 31 December	(25,284)

31. Deferred Tax

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2018 US$'000	2017 US$'000
Deferred tax assets	2,983	4,025
Deferred tax liabilities	(23,789)	(21,751)
	(20,806)	(17,726)

The movements in deferred tax assets and liabilities during the year are as follows:

	2018				
	Undistributed profit of an associate US$'000	Excess of capital allowances over depreciation US$'000	Tax losses US$'000	Other temporary differences US$'000	Total US$'000
Deferred tax assets/(liabilities)					
At 1 January (as previously stated)	(12,808)	(8,943)	2,657	1,368	(17,726)
Adjustment on adoption of HKFRS 9 (note 3(a))	205	–	–	–	205
Adjustment on adoption of HKFRS 15 (note 3(b))	(101)	–	–	–	(101)
At 1 January (as restated)	(12,704)	(8,943)	2,657	1,368	(17,622)
Currency translation differences	(36)	(288)	46	(56)	(334)
Deferred taxation (charged)/credited to consolidated statement of comprehensive income	(2,678)	860	(1,219)	187	(2,850)
At 31 December	(15,418)	(8,371)	1,484	1,499	(20,806)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Deferred Tax (Continued)

	2017				
	Undistributed profit of an associate US$'000	Excess of capital allowances over depreciation US$'000	Tax losses US$'000	Other temporary differences US$'000	Total US$'000
Deferred tax assets/(liabilities)					
At 1 January	(13,520)	(5,077)	2,130	–	(16,467)
Currency translation differences	–	(2,010)	301	–	(1,709)
Deferred taxation credited/(charged) to consolidated statement of comprehensive income	712	(1,856)	226	1,368	450
At 31 December	(12,808)	(8,943)	2,657	1,368	(17,726)

As at 31 December 2018, the unused tax losses for which no deferred tax asset was recognised in the consolidated statement of financial position were approximately US$799 million (2017: US$549 million), of which US$37 million (2017: US$15 million) will expire in one to twenty years (2017: five to ten years).

32. Trade Payables

The ageing analysis of trade payables based on invoice date is as follows:

	2018 US$'000	2017 US$'000
Current to 60 days	**99,392**	70,090
61 days to 120 days	**6,785**	8,141
121 days to 180 days	**452**	12,157
Over 180 days	**11,313**	10,624
	117,942	101,012

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2017: no credit to 45 days credit).

The carrying amounts of trade payables are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	**39,322**	44,385
Hong Kong dollar	**10,505**	15,147
Malaysian Ringgit	**2,151**	2,295
Euro	**59,884**	30,146
Other currencies	**6,080**	9,039
	117,942	101,012

33. Provisions, Accruals and other Liabilities

Provisions, accruals and other liabilities consist of the following:

	2018 US$'000	2017 US$'000
Payroll, taxes and related benefits	**66,906**	53,382
Accruals for obligations under customer loyalty programmes	**3,176**	24,305
Interest accrued	**18,993**	14,756
Port charges accrued	**14,644**	15,197
Accruals for repairs and maintenance	**3,538**	2,305
Accrued expenses	**107,463**	84,203
Provision for reorganisation costs	**–**	967
Deposits received from customers	**–**	17,679
Amounts due to customers on construction contracts (note (a))	**–**	76,861
Loans from non-controlling shareholders of a subsidiary	**12,662**	7,554
Others	**22,859**	23,912
	250,241	321,121
Less: non-current portion	**(586)**	(818)
Current portion	**249,655**	320,303

Note:

(a) Amounts due to customers on construction contracts

	2018 US$'000	2017 US$'000
Contract costs incurred	**–**	37,014
Recognised profits less recognised losses	**–**	8,137
	–	45,151
Less: progress billings	**–**	(122,012)
	–	(76,861)
Analysed for reporting purposes as:		
Amounts due to customers on construction contracts	**–**	76,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Significant Related Party Transactions and Balances

Related parties of the Group in respect of the significant related party transactions during the year ended 31 December 2018 are set out below:

Golden Hope Limited ("Golden Hope"), a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust ("GHUT"), a private unit trust which is wholly held directly and indirectly by Summerhill Trust Company (Isle of Man) Limited (formerly known as First Names Trust Company (Isle of Man) Limited) as trustee of a discretionary trust, the beneficiaries of which are Tan Sri Lim Kok Thay ("Tan Sri Lim"), Mr. Lim Keong Hui ("Mr. Lim") and certain other members of Tan Sri Lim's family, is a substantial shareholder of the Company.

Each of Tan Sri Lim and Mr. Lim is an Executive Director and a related party of the Company. Each of Tan Sri Lim and Mr. Lim is a beneficiary of another discretionary trust, whose trustee in its capacity as trustee of such discretionary trust indirectly holds more than 30% of the equity interests in Genting Berhad ("GENT"). Genting Management and Consultancy Services Sdn Bhd ("GMC") is a wholly-owned subsidiary of GENT. Genting Malaysia Berhad ("GENM") and Genting Singapore Limited (formerly known as Genting Singapore PLC prior to its re-domiciliation from the Isle of Man to Singapore in June 2018) ("GENS") are also subsidiaries of GENT. Accordingly, each of GENT, GENM, GENS and GMC is a related party of the Company. Each of GENT and GENM is a company listed on the Main Market of Bursa Malaysia Securities Berhad while GENS is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Rich Hope Limited ("Rich Hope") is a company in which each of Tan Sri Lim and his wife has an attributable interest as to 50%.

Ambadell Pty Limited ("Ambadell") is ultimately wholly-owned by Golden Hope as trustee of the GHUT.

Resorts World at Sentosa Pte. Ltd. ("RWS") is a company incorporated in Singapore and an indirect wholly-owned subsidiary of GENS.

International Resort Management Services Pte. Ltd. ("IRMS") is a company incorporated in Singapore and owned as to 80% by Tan Sri Lim and 20% by his wife.

Travellers International Hotel Group, Inc. ("Travellers") is an associate of the Company.

Secret Garden (Zhangjiakou) Resort Co., Ltd. (formerly known as 3rd Valley (Zhang Jia Kou) Resort Corporation) ("ZJK") is a company in which Golden Hope as trustee of the GHUT has 40.05% indirect equity interest and Datuk Lim Chee Wah (a brother of Tan Sri Lim and an uncle of Mr. Lim) has 59.95% indirect equity interest.

Resorts World Inc Pte. Ltd. ("RWI") is a company incorporated in Singapore and currently is a 50:50 joint venture company of Genting Intellectual Property Pte. Ltd. (a company incorporated in Singapore and a wholly-owned subsidiary of GENT) and KHRV Limited (a company incorporated in the Isle of Man and wholly-owned by Tan Sri Lim). Each of RW Tech Labs Sdn Bhd ("RWT") and FreeStyle Gaming Pte Ltd ("FSGPL") is a wholly-owned subsidiary of RWI.

34. Significant Related Party Transactions and Balances (Continued)

Significant related party transactions entered into or subsisting between the Group and the above companies during the year ended 31 December 2018 are set out below:

Item	Details of transactions	2018 US$'000	2017 US$'000
(a)	Service fee expenses in respect of secretarial, share registration, investor and related ancillary services charged by		
	• GMC	**9**	5
	Service fee expenses in respect of air ticket purchasing, leasing of office space, travel related services and information technology and implementation, support and maintenance services and ancillary services charged by		
	• GENM and its subsidiaries	**2,407**	2,227
	Service fee expenses in respect of information technology and implementation, support and maintenance services, leasing and management, housekeeping and maintenance and marketing and promotion services charged by		
	• GENS and its subsidiaries	**955**	1,963
(b)	Service fee income in respect of provision of air ticket purchasing, and marketing and promotion services to		
	• GENS and its subsidiaries	**135**	101
	Service fee income in respect of provision of tourism consultancy services to		
	• GENM and its subsidiaries	**28**	37
(c)	Rent expenses for the lease of an apartment charged by		
	• Rich Hope	**263**	247
(d)	Rent expenses for the lease of an office premises charged by		
	• Ambadell	**48**	48
(e)	Service fee expenses in respect of the provision of administrative, accounting and other support services charged by		
	• Ambadell	**30**	29
(f)	Service fee income in respect of provision of leasing of hotel rooms, shops and/or other areas and other related services to		
	• ZJK and its subsidiaries	**14**	24
	Service fee expenses in respect of provision of leasing of rooms, dormitory, convention or function room, activity equipment and facilities and ancillary related services charged by		
	• ZJK and its subsidiaries	**17**	10
(g)	Receivables in respect of joint promotion and marketing programmes for promoting the business of GENM and its subsidiaries		
	• GENM and its subsidiaries	**332**	455
	Payables in respect of joint promotion and marketing programmes for promoting the business of the Group		
	• GENM and its subsidiaries	**14**	46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Significant Related Party Transactions and Balances (Continued)

Significant related party transactions entered into or subsisting between the Group and the above companies during the year ended 31 December 2018 are set out below: (Continued)

Item	Details of transactions	2018 US$'000	2017 US$'000
(h)(1)	Call centre services income from		
	• RWS	**1,620**	1,621
(h)(2)	On 1 July 2018, RWS served a termination notice to terminate the call centre services with effect from 31 December 2018.	**N/A**	N/A
(i)	Rent expenses for the lease of an office premises charged by		
	• Travellers	**252**	253
(j)	Service fee income in respect of provision of various services to		
	• Travellers	**354**	402
(k)	Consideration payables in respect of provision of consultancy and maintenance services, grant of access rights for development of Genting World and Genting Residences, and grant of right to use all ski-related facilities at the Genting Resort, Secret Garden to		
	• ZJK	**–**	452
(l)	Pursant to the master services agreement dated 22 November 2016 between the Group and IRMS, consultancy services expenses charged by		
	• IRMS	**693**	851
(m)	Consideration for participating in customer loyalty programme "Genting Rewards Alliance"		
	• to RWT	**33**	7
	• from RWT	**8**	33
(n)	Purchase of electronic equipment and devices for electronic games and related services from		
	• FSGPL	**194**	1,405
(o)	Management fee income earned from		
	• GENM	**286**	–
	License fee income earned from		
	• GENM	**51**	–

The significant related party transactions described above were carried out in the normal course of business of the Group under terms and conditions negotiated amongst the related parties.

Transactions with Directors

(p) Certain Directors of the Company and the Group were granted share options entitling them to subscribe for ordinary shares in the share capital of the Company under the Post-listing Employee Share Option Scheme. Share options granted under the Post-listing Employee Share Option Scheme are exercisable at the price of HK$1.78 (US$0.23) and HK$3.78 (US$0.49) per share. Details of the movements of the share options during the year ended 31 December 2018 and the outstanding share options as at 31 December 2018 are set out in the section headed "Share Options" in the Report of the Directors.

34. Significant Related Party Transactions and Balances (Continued)

Key management compensation

(q) The key management compensations are analysed as follows:

	2018 US$'000	2017 US$'000
Salaries and other short-term employee benefits	**9,484**	7,130
Post-employment benefits	**27**	21
	9,511	7,151

The emoluments of the members of senior management (excluding directors) fall within the following bands:

	Number of individuals	
	2018	2017
HK$2,000,001 – HK$5,000,000	**3**	7
HK$5,000,001 – HK$8,000,000	**2**	–
HK$8,000,001 – HK$11,000,000	**2**	–

35. Retirement Benefit Obligations

The Group maintains (i) the Crystal Cruises Pension Plan ("Crystal Pension Plan") in the US, a non-contributory defined benefit pension plan; (ii) Lloyd Werft Occupational Pension Scheme ("Lloyd Werft Pension Scheme") in Germany; (iii) Lloyd Werft Managing Directors Pension Scheme ("Lloyd Werft MDPS") and (iv) MV Werften Occupational Pension Scheme ("MV Werften Pension Scheme") in Germany for certain executive management.

All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. In the Crystal Pension Plan, the level of benefits are provided based on members' average compensation and the number of years of service and it is funded in accordance with the terms of the plan and statutory requirements. In the three Germany plans, the levels of benefits provided are fixed based on the factors defined in the plans and they are unfunded plans where the Group meets the benefit payment obligation as it falls due.

The independent actuarial valuation of the Crystal Pension Plan was prepared by Principal Financial Services, Inc., using the projected unit credit method in 2018 and 2017. The actuarial valuation indicates that the Group's obligations under the Crystal Pension Plan was 85% (2017: 87%) covered by the plan assets held by the trustees at 31 December 2018.

The independent actuarial valuation of the Lloyd Werft Pension Scheme, Lloyd Werft MDPS and MV Werften Pension Scheme was prepared by Rüß, Dr. Zimmermann und Partner (GbR), using the projected unit credit method in 2018 and 2017. There is no plan asset covering the Group's obligations.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2018 US$'000	2017 US$'000
Present value of funded obligations	**28,025**	29,806
Fair value of plan assets	**(19,061)**	(20,697)
Liability in the consolidated statement of financial position	**8,964**	9,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Retirement Benefit Obligations (Continued)

The movements in the defined benefit liability are as follows:

	Present value of obligation US$'000	Fair value of plan assets US$'000	Total US$'000
At 1 January 2018	**29,806**	**(20,697)**	**9,109**
Current service cost	**277**	**–**	**277**
Interest expense/(income)	**939**	**(737)**	**202**
Administrative expenses	**–**	**124**	**124**
	31,022	**(21,310)**	**9,712**
Currency translation differences	**(264)**	**–**	**(264)**
Contributions:			
– Employers	**–**	**(500)**	**(500)**
Payments from plans:			
– Benefit payments	**(1,018)**	**955**	**(63)**
Remeasurements:			
– Experience adjustments	**155**	**–**	**155**
– Gains arising from changes in financial assumptions	**(1,870)**	**–**	**(1,870)**
– Losses on plan assets	**–**	**1,794**	**1,794**
At 31 December 2018	**28,025**	**(19,061)**	**8,964**

	Present value of obligation US$'000	Fair value of plan assets US$'000	Total US$'000
At 1 January 2017	27,540	(18,606)	8,934
Current service cost	321	–	321
Interest expense/(income)	998	(742)	256
Administrative expenses	–	123	123
	28,859	(19,225)	9,634
Currency translation differences	704	–	704
Contributions:			
– Employers	–	(625)	(625)
Payments from plans:			
– Benefit payments	(993)	937	(56)
Remeasurements:			
– Experience adjustments	(286)	–	(286)
– Losses arising from changes in financial assumptions	1,522	–	1,522
– Return on plan assets	–	(1,784)	(1,784)
At 31 December 2017	29,806	(20,697)	9,109

35. Retirement Benefit Obligations (Continued)

The defined benefit obligation and plan assets are composed by country as follows:

	2018		
	US US$'000	**Germany US$'000**	**Total US$'000**
Present value of obligation	**22,360**	**5,665**	**28,025**
Fair value of plan assets	**(19,061)**	**–**	**(19,061)**
Total	**3,299**	**5,665**	**8,964**

	2017		
	US US$'000	Germany US$'000	Total US$'000
Present value of obligation	23,889	5,917	29,806
Fair value of plan assets	(20,697)	–	(20,697)
Total	3,192	5,917	9,109

As at the last valuation date, the present value of the defined benefit obligation comprised approximately US$7.5 million (2017: US$9.0 million) relating to active employees, US$7.6 million (2017: US$7.2 million) relating to deferred members and US$12.9 million (2017: US$13.6 million) relating to members in retirement.

The significant actuarial assumptions were as follows:

	2018	
	US	**Germany**
Discount rate	**4.1% (2017: 3.6%)**	**1.9% (2017: 1.7%)**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	Decrease by 3.4% (2017: Decrease by 3.6%)	Increase by 3.6% (2017: Increase by 3.9%)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Retirement Benefit Obligations (Continued)

The major categories of plan assets are as follows:

	2018 US$'000	2017 US$'000
Investment funds:		
– Large US Equity	**4,644**	4,917
– Small/Mid US Equity	**1,153**	1,273
– International Equity	**1,374**	1,657
– Fixed Income	**11,890**	12,850
Total	**19,061**	20,697

36. Commitments and Contingencies

(i) Capital expenditure

	2018 US$'000	2017 US$'000
Contracted but not provided for		
– Cruise ships and related costs	**1,425,987**	712,024
– Property, plant and equipment	**88,883**	125,398
	1,514,870	837,422
Authorised but not contracted for	**64,193**	83,688

(ii) Operating leases

Rental expense under non-cancellable operating lease commitments was US$17.2 million for the year ended 31 December 2018 (2017: US$10.6 million).

At 31 December 2018, future minimum lease payments payable under non-cancellable operating leases are as follows:

	2018 US$'000	2017 US$'000
Within one year	**17,690**	13,045
In the second to fifth year inclusive	**25,584**	17,276
After the fifth year	**3,556**	3,271
	46,830	33,592

The rental expense under non-cancellable operating lease commitments mainly relates to rental of offices occupied by the Group.

36. Commitments and Contingencies (Continued)

(iii) Material litigation

The Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. The Group is also involved in other contractual disputes. In the opinion of management, all the aforesaid claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

(iv) Guarantees

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain purchasers of residential property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the default purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The guarantees will be gradually discharged along with the settlement of the mortgage loans granted by the banks to the purchasers. Such guarantees will also be discharged upon the earlier of (i) the issuance of the real estate ownership certificates of the relevant residential property units to the purchasers; and (ii) the full repayment of the mortgage loans by the purchasers. As at 31 December 2018, these guarantees provided by the Group are approximately US$25.6 million (31 December 2017: US$26.3 million).

The management considers that in case of default in payments, the net realisable value of the related residential property units can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Therefore, no provision has been made in the financial statements for the guarantees.

The guarantees of US$25.6 million are expected to be matured over next year.

37. Share Option Scheme

Post-listing Employee Share Option Scheme

The Company adopted a share option scheme on 23 August 2000 which was effected on 30 November 2000 upon listing of the Company's shares on the Stock Exchange and amended on 22 May 2002 (the "Post-listing Employee Share Option Scheme") to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective 1 September 2001. The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options can be granted under the scheme.

A summary of the Post-listing Employee Share Option Scheme is given below:

Purpose

The main purpose of the Post-listing Employee Share Option Scheme is to motivate the employees of the Group including any executive directors of any company in the Group.

Participants

The participants are the employees of the Group including any executive director of any company in the Group.

Total number of ordinary shares available for issue

The maximum number of ordinary shares available for issue under the Post-listing Employee Share Option Scheme and options to be granted under any other schemes of the Company is 132,733,953, representing approximately 3.2% of the issued share capital of the Company as of 22 May 2002 (the date of adoption of the Post-listing Employee Share Option Scheme (as amended)) and approximately 1.56% of the issued share capital as at the date of this Report. No further options can be granted under the Post-listing Employee Share Option Scheme following its expiry on 29 November 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Share Option Scheme (Continued)

Post-listing Employee Share Option Scheme (Continued)

Maximum entitlement of each employee

The total number of ordinary shares issued and to be issued upon exercise of the options granted to any one employee (including the exercised, cancelled and outstanding options) in any 12-month period up to and including the proposed date of the latest grant shall not exceed 1% of ordinary shares in issue, provided that the Company may grant further options in excess of this 1% limit subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

Granting options to Directors, Chief Executive or Substantial Shareholders

Any grant of options to a Director, the Chief Executive or a Substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is a grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder (as defined in the Listing Rules) or any Independent Non-executive Director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of ordinary shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the ordinary shares in issue; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the ordinary shares as quoted in the Stock Exchange's daily quotation sheet at the offer date of such option,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which the connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

Period within which the shares must be taken up under an option

The period during which the options may be exercised will be determined by the Board of Directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted.

Minimum period for which an option must be held before it can be exercised

The Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised.

The share options granted on (i) 27 May 2008 vested in five tranches over a period of ten years from the date of offer and were exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2009 to 2013 (all outstanding share options which remained unexercised upon maturity lapsed on 28 May 2018); and (ii) 16 November 2010 vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2011 to 2015.

Amount payable on acceptance of the option and period within which payments must be made

An offer of options shall be open for acceptance for a period of ninety days after the date of offer or such period as the Board of Directors may at its sole discretion determine. An option price of US$1 shall be payable by the employee concerned on acceptance of the option.

37. Share Option Scheme (Continued)

Post-listing Employee Share Option Scheme (Continued)

Basis of determining the exercise price of the ordinary shares

The exercise price shall be determined by the Board of Directors of the Company, save that such price will not be less than the highest of (a) the closing price of the ordinary shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the ordinary shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of an ordinary share of the Company.

Remaining life of the Post-listing Employee Share Option Scheme

The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options may be granted under the scheme. All outstanding share options remain exercisable subject to terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Details of the movement during the year for options outstanding are set out in the section headed "Share Options" in the Report of the Directors.

Movements in the number of ordinary shares under options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price in HK$ per ordinary share	**Number of ordinary shares under options (thousands)**	Average exercise price in HK$ per ordinary share	Number of ordinary shares under options (thousands)
At 1 January	**2.6453**	**16,701**	2.7369	18,167
Lapsed	**2.0075**	**(10,691)**	3.7800	(1,466)
At 31 December	**3.7800**	**6,010**	2.6453	16,701

A summary of the share options outstanding are as follows:

	2018		
	Options outstanding		**Options exercisable**
Exercise price	**Number of ordinary shares (in thousands)**	**Weighted average remaining life (years)**	**Number of ordinary shares (in thousands)**
HK$3.7800	**6,010**	**1.9**	**6,010**

	2017		
	Options outstanding		Options exercisable
Exercise price	Number of ordinary shares (in thousands)	Weighted average remaining life (years)	Number of ordinary shares (in thousands)
HK$1.7800	9,475	0.4	9,475
HK$3.7800	7,226	2.9	7,226
	16,701	1.5	16,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Principal Subsidiaries

The following is a list of principal subsidiaries of the Company as at 31 December 2018:

Name of Company	Country of incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Proportion of ownership interest held by the Group (%)
Subsidiaries held directly:				
Resorts Entertainment Holdings Limited	British Virgin Islands	Investment holding	2 ordinary shares of US$1.00 each	100
Subsidiaries held indirectly:				
Inter-Ocean Limited	Isle of Man	Investment holding	52,000,000 ordinary shares of US$1.00 each	100
Explorer Dream Limited (formerly known as Superstar Virgo Limited)	Isle of Man	Bareboat chartering	25,000,002 ordinary shares of US$1.00 each	100
Genting Dream Limited (formerly known as Chinese Dream Limited)	Bermuda	Bareboat chartering	100 common shares of US$1.00 each	100
World Dream Limited (formerly known as Chinese Percept Limited)	Bermuda	Bareboat chartering	100 common shares of US$1.00 each	100
Dream Global One Limited	Bermuda	Owner of a vessel under construction	100 common shares of US$1.00 each	100
Zhangjiakou Genting Property Development Company Limited (Note (1))	The People's Republic of China	Development and sale of commercial property; lease of owned property; property management; catering services and management; hotel management	RMB380,000,000	100
Treasure Island Entertainment Complex Limited	Macau Special Administrative Region	Development of hospitality facilities	MOP100,000	75
Genting Philippines Holdings Limited	Note (2)	Investment holding	10,002 ordinary shares of US$1.00 each	100
Star Cruises (HK) Limited	Hong Kong	Cruise sales, marketing and support services and carrier of passengers	23,000,000 ordinary shares (HK$230,000,000)	100

38. Principal Subsidiaries (Continued)

Name of Company	Country of incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Proportion of ownership interest held by the Group (%)
Subsidiaries held indirectly (Continued):				
Dream Cruises Management Limited	Hong Kong	Ship operator	1 ordinary share (HK$1)	100
Crystal Cruises, LLC	Note (3)	Cruise line operator	4,071.8824 shares of common stock	100
Crystal Acquisition Company Limited	Isle of Man	Investment holding	838,785,775 ordinary shares of US$1.00 each	100
Endeavor Holdings Limited	Isle of Man	Owner of a vessel under construction	2 ordinary shares of US$1.00 each	100
Symphony Holdings Limited	Isle of Man	Cruise services	100 ordinary shares of US$0.01 each	100
Serenity Holdings Limited	Isle of Man	Cruise services	100 ordinary shares of US$0.01 each	100
Crystal Air Holdings Limited	Isle of Man	Investment holding	2 ordinary shares of US$1.00 each	100
Lloyd Werft Bremerhaven GmbH	Bremerhaven, Germany	Investment holding and operates the Lloyd Werft shipyard and offers newbuilding, conversion and maintenance services for ships	6,750,000 shares of EUR1.00 each	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Principal Subsidiaries (Continued)

Name of Company	Country of incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Proportion of ownership interest held by the Group (%)
Subsidiaries held indirectly (Continued):				
MV Werften Stralsund GmbH	Note (4)	Operation of shipyards and docking facilities at Stralsund	EUR2,025,000	100
MV Werften Stralsund Property GmbH	Note (4)	Holding and management of real estate in Stralsund	EUR1,025,000	100
MV Werften Rostock GmbH	Note (5)	Operation of shipyards and docking facilities at Warnemünde	EUR3,025,000	100
MV Werften Rostock Property GmbH	Note (5)	Holding and management of real estate in Warnemünde	EUR1,025,000	100
MV Werften Wismar GmbH	Note (6)	Operation of shipyards and docking facilities at Wismar	EUR25,025,000	100
MV Werften Wismar Property GmbH	Note (6)	Holding and management of real estate in Wismar	EUR1,025,000	100
Zouk Event Pte. Ltd.	Singapore	Event organiser	3,000,001 ordinary shares (SGD3,000,001)	100
Zouk Clarke Quay Pte. Ltd.	Singapore	Operation of entertainment business	24,000,001 ordinary shares (SGD24,000,001)	100

Notes:

(1) This company was incorporated in The People's Republic of China as wholly foreign owned enterprise.

(2) This company was incorporated in British Virgin Islands and the place of business is in Republic of the Philippines.

(3) This company was incorporated in California, USA and provides cruise operating services substantially in international waters.

(4) These companies were incorporated in Bremerhaven, Germany and the place of business is in Stralsund, Germany.

(5) These companies were incorporated in Bremerhaven, Germany and the place of business is in Rostock, Germany.

(6) These companies were incorporated in Bremerhaven, Germany and the place of business is in Wismar, Germany.

39. Business Combinations

Acquisition of subsidiaries and business

On 11 April 2017, the Group acquired the remaining 50% of the equity interest in Wider S.R.L. ("Wider") for a consideration of EUR200,000 (approximately US$215,000). Wider is engaged in the operation of a shipyard in Italy. Before the acquisition, the Group owned 50% of the equity interest of Wider and accounted Wider as an interest in a joint venture of the Group. Wider became a wholly-owned subsidiary of the Group after the acquisition.

The following table summarises the consideration paid for Wider, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at the date of acquisition US$'000
Recognised amounts of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,208
Property, plant and equipment	16,092
Intangible assets	1,142
Inventories	19,353
Trade and other receivables	2,450
Trade payables	(7,740)
Provisions, accruals and other liabilities	(1,685)
Current income tax liabilities	(71)
Total identifiable net assets	30,749
Goodwill	10,945
Net assets acquired	41,694
Purchase consideration:	
Settled in cash	215
Settled by loans and advance to Wider as a joint venture before acquisition	41,479
	41,694
Outflow of cash to acquire a subsidiary, net of cash acquired	
Purchase consideration settled in cash	215
Less: Cash and cash equivalents in a subsidiary acquired	(1,208)
Net cash inflow on acquisition	(993)
Acquisition-related costs	250

The goodwill on acquisition of US$10,945,000 had been fully impaired in 2017 after assessment by the Group.

The acquisition of Wider did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Significant Subsequent Events

(i) In January 2019, the Group entered into a sale and purchase agreement with four independent third parties to acquire the entire equity interest in Neptun Ship Design GmbH ("NSD") for a total consideration of EUR18.0 million (approximately US$20.6 million). NSD is engaged in design, development, engineering and project management for ships. The acquisition of NSD has been completed on 7 March 2019.

(ii) In March 2019, the Group entered into a term and revolving credit facility of US$300 million with a term of 48 months from the first utilisation date for financing of the Group's general corporate funding requirements and capital expenditure. As at the date of these consolidated financial statements, the facility has not been utilised.

41. Statement of Financial Position and Reserve Movement of the Company

Statement of financial position of the Company as at 31 December 2018

	2018 US$'000	2017 US$'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	**57**	222
Prepaid expenses	**625**	–
Interests in subsidiaries	**1,838,317**	1,838,317
	1,838,999	1,838,539
CURRENT ASSETS		
Prepaid expenses and other receivables	**598**	860
Amounts due from subsidiaries	**5,136,294**	4,549,404
Cash and cash equivalents	**160,036**	99,025
	5,296,928	4,649,289
TOTAL ASSETS	**7,135,927**	6,487,828

41. Statement of Financial Position and Reserve Movement of the Company (Continued)

Statement of financial position of the Company as at 31 December 2018 (Continued)

	Note	2018 US$'000	2017 US$'000
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital		**848,249**	848,249
Reserves:			
Share premium	(a)	**41,634**	41,634
Contributed surplus	(a)	**936,823**	936,823
Additional paid-in capital	(a)	**99,259**	101,364
Retained earnings	(a)	**2,185,431**	422,838
TOTAL EQUITY		**4,111,396**	2,350,908
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings		**347,696**	196,720
Derivative financial instruments		**8,540**	–
		356,236	196,720
CURRENT LIABILITIES			
Provisions, accruals and other liabilities		**14,781**	5,308
Current portion of loans and borrowings		**147,825**	147,705
Derivate financial instruments		**16,744**	–
Amounts due to subsidiaries		**2,488,945**	3,787,187
		2,668,295	3,940,200
TOTAL LIABILITIES		**3,024,531**	4,136,920
TOTAL EQUITY AND LIABILITIES		**7,135,927**	6,487,828
NET CURRENT ASSETS		**2,628,633**	709,089
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,467,632**	2,547,628

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Mr. Alan Howard Smith
Deputy Chairman and Independent Non-executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Statement of Financial Position and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

COMPANY	Share capital US$'000	Share premium[1] US$'000	Contributed surplus US$'000	Additional paid-in capital[1] US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2018	**848,249**	**41,634**	**936,823**	**101,364**	**422,838**	**2,350,908**
Comprehensive income:						
Profit for the year	**-**	**-**	**-**	**-**	**1,930,138**	**1,930,138**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,930,138**	**1,930,138**
Transaction with equity owners:						
Lapse of share options	**-**	**-**	**-**	**(2,105)**	**2,105**	**-**
2017 final dividend paid	**-**	**-**	**-**	**-**	**(84,825)**	**(84,825)**
2018 interim dividend paid	**-**	**-**	**-**	**-**	**(84,825)**	**(84,825)**
At 31 December 2018	**848,249**	**41,634**	**936,823**	**99,259**	**2,185,431**	**4,111,396**
At 1 January 2017	848,249	41,634	936,823	102,542	645,971	2,575,219
Comprehensive loss:						
Loss for the year	–	–	–	–	(54,661)	(54,661)
Total comprehensive loss	–	–	–	–	(54,661)	(54,661)
Transaction with equity owners:						
Lapse of share options	–	–	–	(1,178)	1,178	–
2016 final dividend paid	–	–	–	–	(84,825)	(84,825)
2017 interim dividend paid	–	–	–	–	(84,825)	(84,825)
At 31 December 2017	848,249	41,634	936,823	101,364	422,838	2,350,908

Note:

1. These reserves are non-distributable as dividends to equity owners of the Company.

42. Dividends

	2018 US$'000	2017 US$'000
(i) Dividends paid		
– Final dividend for the year ended 31 December 2017 of US$0.01 (2016: 0.01) per ordinary share	**84,825**	84,825
– Interim dividend for the year ended 31 December 2018 of US$0.01 (2017: 0.01) per ordinary share	**84,825**	84,825
	169,650	169,650
(ii) Dividend not recognised at the end of the year	**–**	84,825

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2018 (2017: US$0.01 per ordinary share, totalling approximately US$84.8 million). Total dividend for the full year 2018 amounted to a total of US$0.01 per ordinary share, totalling approximately US$84.8 million (2017: US$0.02 per ordinary share, totalling approximately US$169.6 million).

43. Approval of Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2019.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Genting Hong Kong Limited
(Continued into Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Genting Hong Kong Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 177, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of non-financial assets

Key audit matters	How our audit addressed the Key audit matters

Revenue recognition
 	
Refer to note 6 to the consolidated financial statements.
 	
Passenger ticket revenue
 	
Passenger ticket revenue primarily consists of revenue from sale of passenger tickets. Recognition of passenger ticket revenue is a key audit matter because of the large volume of transactions and the recording of revenue involves certain manual processes which pose a higher risk of misstatement that revenue recorded may be overstated and/or may not be recorded accurately.
	Our procedures performed in relation to the Group's passenger ticket revenue included the following:
	
	• Understood, evaluated and tested the Group's key controls, on a sample basis, over:
	  • recording of ticket sales transactions in the cruise reservation system;
	  • reliability of voyage reports generated from the cruise reservation system;
	  • recording of passenger ticket revenue in the general ledger based on the system generated voyage reports; and
	
	• Tested the passenger ticket revenue on a sample basis by agreeing the transactions to supporting documents, including voyage reports, booking confirmation slips and remittance advices.

INDEPENDENT AUDITOR'S REPORT

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the Key audit matters</th></tr>
<tr><td>

Revenue recognition (continued)

Onboard revenue

Onboard revenue consists of revenue from food and beverages, retail goods, other onboard services and entertainment onboard revenue.

Recognition of entertainment onboard revenue is considered as a key audit matter because of the volume of transactions, the involvement of large number of employees handling the relevant currencies and tokens, and the recording of revenue involves certain manual processes which pose a higher risk of misstatement that revenue may be overstated and/or may not be recorded accurately.

</td><td>

Our procedures performed in relation to the Group's entertainment onboard revenue included the following:

- Understood, evaluated and tested the Group's key manual controls, on a sample basis, over:
  - count procedures over relevant currencies and tokens;
  - recording of daily net wins and losses to the operating system based on the count results;
  - recording of revenue to the general ledger;
- Observed the count processes over the relevant currencies and tokens performed by management on selected cruises at the year end date; and
- Tested, on a sample basis, the entertainment onboard revenue recorded in the general ledger to the daily reconciliation report, which reconciles the movement in relevant currencies and tokens to the daily count results.

We did not identify any material exception from performing the above procedures.

</td></tr>
<tr><td>

Impairment assessment of non-financial assets

Refer to notes 5, 15 and 17 to the consolidated financial statements.

As at 31 December 2018, the carrying amounts of the Group's property, plant and equipment and intangible assets (goodwill and tradenames) amounted to US$4,703.8 million (2017: US$4,256.6 million) and US$80.1 million (2017: US$83.1 million) respectively. These non-financial assets mainly comprised cruise ships and ship improvements, aircrafts, shipyard assets, cruise ships under construction, goodwill and tradenames.

Management considers each cruise ship and aircraft, the Lloyd Werft shipyard and the MV Werften shipyards to be separate CGUs. Goodwill and tradename of Crystal Cruises were allocated to a group of CGUs which consist of all cruise ships of Crystal Cruises as management monitors the business performance of these cruise ships collectively.

</td><td>

We assessed management's determination of CGUs for the respective stand alone cash-generating units and noted they are reasonable based on our understanding of the Group's business.

Our procedures performed in relation to the impairment assessments of respective CGUs include:

For assessments of property, plant and equipment using market approach

- Evaluated the competency, qualifications, experience and objectivity of the independent valuers;
- Read the valuation reports issued by the independent valuers. Discussed with the independent valuers to understand and evaluate the appropriateness of methodology, assumptions and adjustments applied, including the assessment of types, models, conditions, ages and sizes of cruises ships and aircrafts based on our understanding of the Group and industry knowledge, with the assistance of our internal valuation experts; and

</td></tr>
</table>

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the Key audit matters</th></tr>
<tr><td>

Impairment assessment of non-financial assets (continued)

During the financial year ended 31 December 2018, the Group incurred operating losses for its shipyard segment and its non-cruise activities segment. In addition, certain cruise ships within the cruise and cruise-related activities segment recorded operating losses or their actual performances were below budget. These were identified as indicators of impairment to the Group's non-financial assets and accordingly, impairment assessments were carried out for the relevant CGUs as detailed below.

The recoverable amounts of the Group's CGUs were determined based on the higher of the value-in-use or fair value less cost of disposal valuations.

For impairment assessments of property, plant and equipment using market approach

Management engaged independent valuers to evaluate the recoverable amount of the CGUs that suffered operating losses and whose financial performance were subject to high degree of uncertainty.

The independent valuers performed valuations based on market approach, by using market values of cruise ships and aircrafts of similar type and condition as compared to those of the Group and adjusted the market values to reflect the type and condition of cruise ships and aircrafts held by the Group. The selection of the comparable cruise ships and aircrafts and the adjustments made by the independent valuers involved significant judgements and assumptions.

For impairment assessments of goodwill and tradename of Crystal Cruises, goodwill of MV Werften and Lloyd Werft, certain cruise ships and aircraft using the discounted cash flows method

Management estimated the recoverable amounts of these CGUs using discounted cash flows method with projection periods of 5 to 10 years for the impairment assessment of goodwill and tradename and a projection period of up to the useful life of the assets for the impairment assessment of property, plant and equipment. The discounted cash flows method involved significant judgements towards future results of businesses, in particular, the key assumptions in future cash flow forecasts including annual revenue growth rates, terminal growth rates and discount rates.

</td><td>

- Compared the values of the cruise ships and aircrafts determined by the independent valuers to available information through market research.

For assessments of goodwill and tradename of Crystal Cruises, goodwill of MV Werften and Lloyd Werft, certain cruise ships and aircraft using the discounted cash flows method

- Discussed and evaluated management's key assumptions used in each of the discounted cash flow projections, including the budgeted EBITDA margin and annual revenue growth rates by comparing them to the Group's historical data and trends, market research reports and to the business plans of the CGUs approved by the Board of Directors. We also compared the discount rates and the terminal growth rates used in the projections to comparable businesses in the industry, with the assistance of our internal valuation experts; and
- Performed sensitivity analysis around the key assumptions such as budgeted EBITDA margin, annual revenue growth rates, terminal growth rates and discount rates and considered the extent of change in those assumptions that would result in an impairment.

We found the judgements made and assumptions used by management in assessing the impairment of these non-financial assets to be reasonable based on the evidence obtained.

</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the Key audit matters
Impairment assessment of non-financial assets (continued) Based on management's assessments described above, no impairment charge was made for the Group's non-financial assets for the year ended 31 December 2018. We focused on the impairment assessments above because the carrying amounts of these non-financial assets are significant to the consolidated financial statements. In addition, the judgements, assumptions and adjustments applied to these assessments are fundamental in determining whether an impairment charge is required.	

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the information included in annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
Results					
Revenue	**1,600,101**	1,190,415	1,016,668	689,954	570,810
Operating Loss	**(141,472)**	(351,507)	(223,202)	(88,753)	(41,902)
Share of profit/(loss) of joint ventures	**1,016**	1,048	(516)	247	1,530
Share of profit of associates	**12,456**	225	32,890	36,418	147,276
Other (expenses)/income, net	**(20,964)**	(849)	(7,474)	(42,888)	8,424
Other gains/(losses), net	**15,505**	166,050	(301,054)	2,223,778	300,952
Finance income	**8,341**	7,098	10,548	11,363	12,997
Finance costs	**(78,691)**	(49,373)	(6,841)	(25,959)	(31,442)
(Loss)/Profit before taxation	**(203,809)**	(227,308)	(495,649)	2,114,206	397,835
Taxation	**(9,492)**	(16,972)	(8,583)	(8,151)	(13,771)
(Loss)/Profit for the year	**(213,301)**	(244,280)	(504,232)	2,106,055	384,064
(Loss)/Profit attributable to:					
Equity owners of the Company	**(210,875)**	(242,289)	(502,325)	2,112,687	384,475
Non-controlling interests	**(2,426)**	(1,991)	(1,907)	(6,632)	(411)
	(213,301)	(244,280)	(504,232)	2,106,055	384,064
Basic (loss)/earnings per share (US cents)	**(2.49)**	(2.86)	(5.92)	25.50	4.79
Diluted (loss)/earnings per share (US cents)	**(2.49)**	(2.86)	(5.92)	25.48	4.61
Assets and Liabilities					
Total assets	**6,770,723**	7,145,044	6,546,695	6,508,705	3,871,051
Total liabilities	**(2,711,668)**	(2,565,753)	(1,723,479)	(1,008,259)	(630,567)
Total equity	**4,059,055**	4,579,291	4,823,216	5,500,446	3,240,484

PROPERTIES SUMMARY

As at 31 December 2018

	Location	Lot No.	Approximate land area	Approximate gross built-up area	Lease term (years)	Usage
1.	Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2930 (previously Lot PT 740)	137,962 ft^2 (12,817 m^2)	96,123 ft^2 (8,930 m^2)	Until 31 October 2087	J
2.	An adjoining site to the Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2931 (previously Lot PT 741)	40,462 ft^2 (3,759 m^2)	–	Until 31 October 2087	J
3.	No. 288 Suzhou Avenue East, Suzhou Industrial Park, Suzhou, China	Lot No: 75034	4,220 m^2	870 m^2	Until 30 August 2046	O/H
4.	A piece of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli District, Zhangjiakou City, Hebei Province, China	Lot No: (2013)21	15,106 m^2	2,500 m^2	Until 1 March 2054	H/RT
5.	A piece of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli District, Zhangjiakou City, Hebei Province, China	Lot Nos: (2013)20 and (2016)14	32,084 m^2	6,000 m^2	Until 1 March 2084	RSD
6.	Bruckenstr. 25, 27568 Bremerhaven, Germany	Lot Nos: 0056, 0160, 0161, 0201, 0203, 0205, 0207, 0262, 0263, and 0276	264,061 m^2	59,580 m^2	Freehold	OSB
7.	Bruckenstr. 25, 27568 Bremerhaven, Germany	Lot Nos: 0023 and 0215	23,987 m^2	450 m^2	Until 31 December 2025	OSB
8.	Werftallee 10 18119 Rostock, Germany	Lot No: 9019	684,238 m^2	139,000 m^2	Freehold	OSB
9.	An der Werft 5 18439 Stralsund, Germany	Lot No: 20853	340,671 m^2	112,000 m^2	Freehold	OSB
10.	Werftstraße 4/Wendorfer Weg 5 23966 Wismar, Germany	Lot Nos: 11885, 12005, 13456 and 13611	539,014 m^2	184,000 m^2	Freehold	OSB
11.	Zum Magazin 1 23966 Wismar, Germany	Lot No: 13456 (part)	25,466 m^2	10,300 m^2	Freehold	OSB
12.	An der Westtangente 1 23966 Wismar, Germany	Lot No: (a) 40372 Lot No: (b) 6207 (part)	27,286 m^2 19,000 m^2	13,585 m^2 6,000 m^2	Freehold Freehold	OSB OSB
13.	Alter Holzhafen, 23966 Wismar, Germany	Lot Nos. 3611/246; 3611/255; 3611/227; 3611/253; 3611/258; 3611/264; 3611/245	*(in total:)* 22,667 m^2	5,009 m^2	Freehold	H
14.	A piece of land located at "Terreno a aterrar junto à Praca de Ferreira do Amaral" in Macau which is generally known as "1 Lago Nam Van, Macao"	Reclamation Area (Lot A)	8,100 m^2	–	Until 24 June 2033	H/C

Notes:

i. The Group owns 100% of each of the properties listed in items 1 to 13 above. The Group owns 75% of the property listed in item 14 above by virtue of the Group's equity interest in the company which owns the property.

ii. The Group has acquired beneficial ownership of the property listed in item 12 (Lot No: (b)6207 (part)) in 2018; legal ownership is transferred upon registration in the real estate register in 2019.

iii. Usage:

J – Jetty

O – Office

H – Hotel

C – Casino (subject to approval of the Government of the Macau)

RT – Restaurant

RSD – Residential

OSB – Operational shipyard business

WORLDWIDE OFFICES AND REPRESENTATIVES

Corporate Headquarters

Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong S.A.R.
Tel: (852) 2378 2000 Fax: (852) 2314 3809

Sydney

Level 8, 401 Sussex Street, Sydney, 2000 NSW, Australia
Tel: (61) 2 9212 6288 Fax: (61) 2 9212 6188

Beijing

Unit 1507, Huateng Mansion, No.302 Chaoyang Jinsong 3 District Beijing, 100021 P.R.C.
Tel: (86) 10 6505 6223 Fax: (86) 10 6505 6221

Chengdu

Room 2802, Yanlord Landmark Office Tower, No. 1, Section 2 of Ren Min Nan Road, Jin Jiang District, Chengdu 610016 P.R.C.
Tel: (86) 28 8658 7988 Fax: (86) 28 8658 7899

Guangzhou

Unit 2001, West Tower, Yuexiu Neo-metropolis, No. 238 Zhong Shan Liu Road, Yuexiu District, Guangzhou City, Guangdong Province, 510180, P.R.C.
Tel: (86) 20-3811 6388

Shanghai

No.1102, North 1st Zhongshan Road, Hongkou District, Shanghai 200080 P.R.C.
Tel: (86) 21 6272 0101 Fax: (86) 21 6218 2826

Shenzhen

Unit 0107, 1/F, Lang Qiao Hua Yuan, the South East Joint of Huang Gang Road and Bai He Road, Fu Tian District, Shenzhen, Guangdong, 518033 P.R.C.
Tel: (86) 755 8278 9299 Fax: (86) 755 2390 2606

Xiamen

29/F Block E, Xiamen International Plaza, No.8 Lu Jiang Dao, Xiamen, 361001 P.R.C.
Tel: (86) 592 2110 268 Fax: (86) 592 2110 298

Taipei

Room E-1, 6F., No.168, Dunhua N. Rd., Songshan Dist., Taipei City 105
Tel: (886) 2 2175 9500 Fax (886) 2 2175 9501

Ahmedabad

502, 5th Floor, Hrishikesh, Opp Water Tank, Near IDBI Bank, Vasant Baugh, Gulbai Tekra, Ellis Bridge, Ahmedabad – 380006, Gujarat, India
Tel: (91) 79 26308099/8199

Bangalore

Unit 16, Level 11, Prestige Khoday Tower, # 5 Raj Bhavan Road, Bangalore–560 001, Karnataka, India
Tel: (91) 80 4635 7792

Mumbai

A/520, Kanakia Zillion, CST Road, BKC Annexe, Lal Bahadur Shastri Marg, Kapadia Nagar, Kurla, Mumbai, Maharashtra 400070 India
Tel: (91) 22 7100 2888 Fax: (91) 22 7100 2911

New Delhi

606, DLF Tower A, Jasola District Center, New Delhi 110025 India
Tel: (91) 11 4107 7900-01-02 Fax: (91) 11 4054 8883

Jakarta

Level 23 Unit F1, The Plaza Office Tower, Jln. MH Thamrin Kav. 28-30, Jakarta 10350, Indonesia
Tel: (62) 21 2992 2928

Tokyo

8F Palazzo Siena, 2-4-6 Higashi Shinbashi Minato-ku, Tokyo, 105-0021 Japan
Tel: (81) 3 6403 5188 Fax: (81) 3 6403 5189

Kuala Lumpur

21/F, Wisma Genting, 28 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Tel: (60) 3 2302 1288

Penang

Logan Heritage, No 6 Beach Street, 10300 George Town, Penang, Malaysia
Tel: (60) 4 269 8388 Fax: (60) 4 261 2888

Manila

4/F, Star Cruises Centre, 100 Andrews Avenue, Newport Pasay City, 1309 Metro Manila, Philippines
Tel: (63) 2 836 6000 Fax: (63) 2 836 6835

Singapore

3 Lim Teck Kim Road,#01-05 Genting Centre, 088934, Singapore
Tel: (65) 6226 1168

Malmö

S: t Johannesgatan 2, 3 tr, S-211 46 Malmö, Sweden
Tel: (46) 40 688 0988

Bangkok

Unit 12A-16, Chartered Square Building, 152 North Sathon Road, Silom, Bangrak, 10500 Bangkok, Thailand
Tel: (66) 2 235 7838 FAX: (66) 2 235 7839

Crystal Cruises

Los Angeles

11755 Wilshire Blvd., Suite 900
Los Angeles, CA 90025, U.S.A.
Tel: (1) 310 785 9300

Miami

1501 Biscayne Blvd., Suite 500
Miami, FL 33132, U.S.A.
Tel: (1) 310 785 9300

Resorts World Manila

10F NECC Building
Newport Boulevard, Newport City
Pasay 1309, Metro Manila, Philippines
Tel: (63) 2 908 8000

MV Werften

Wendorfer Weg 5
23966 Wismar
Germany
Tel: (49) 38 41 77-0 Fax: (49) 38 41 7636 24

Lloyd Werft

Brückenstraße 25
27568 Bremerhaven, Germany
Tel: (49) 0 471 478 0 Fax: (49) 0 471 478 280

Genting Hong Kong Limited

Suite1501, Ocean Centre, 5 Canton Road,
Tsimshatsui, Kowloon, Hong Kong SAR

www.gentinghk.com