GENTING
HONG KONG

ANNUAL REPORT
2019

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.

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.

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ABOUT US

Genting Hong Kong Limited ("Genting Hong Kong" or the "Company") 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) delivers 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 including Global Dream, slated to launch in 2021, and her sister ship.

Crystal's award-winning fleet of brand experiences has been the definitive leader in luxury since it first launched as Crystal Cruises in 1990. In the years since, Crystal has expanded to include Crystal Yacht Cruises, Crystal River Cruises, Crystal AirCruises and Crystal Luxury Air, with Crystal Expedition Cruises set to launch in 2020. While each Crystal Experience offers distinctly unique destinations, onboard features and shoreside discoveries, what remains consistent across the Crystal fleet is the globally acclaimed standard of excellence, unparalleled personalized service and attention to detail.

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 over 2,800 experienced management and workers, MV Werften will be capable of building large-scale mega-ships.

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 ninth 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, nonstop vacation spot for topnotch entertainment and world-class leisure alternatives, featuring seven hotels including the all-suite Maxims Hotel, an iconic shopping mall, four high-end cinemas and a multi-purpose performing arts theatre.

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".

"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 collection of world-renowned Crystal Experiences – featuring global journeys aboard Crystal Cruises, Crystal River Cruises, Crystal Yacht Cruises, Crystal Expedition Cruises, Crystal AirCruises and Crystal Luxury Air – continues to delight the world's most discerning travelers with an unwavering standard of luxury and genuine, personalized 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 -** Star Pisces **4 -** The Taipan

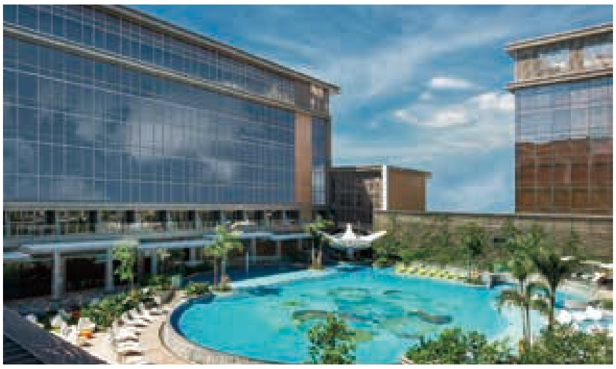
RESORTS WORLD MANILA

Resorts World Manila ("RWM") is the first integrated resort in the Philippines. It is a one-stop, non-stop entertainment and leisure destination that features gaming thrills, world-class entertainment, unique events, and exciting lifestyle options.

Conveniently located across from Ninoy Aquino International Airport Terminal 3, RWM is the gateway to world-class Philippine hospitality. It is home to eight hotel brands: Maxims Hotel, Marriott Hotel Manila, Holiday Inn Express, Belmont Hotel Manila, Savoy Hotel Manila, Hilton Hotel Manila, Sheraton Manila Hotel and the soon-to-open Hotel Okura Manila. It features a wide range of Meetings, Incentives, Conferences, and Exhibitions venues, including a three-storey convention center that houses the country's largest hotel ballroom, the Marriott Grand Ballroom.

RWM is home to a world-class casino, bars and lounges with nightly live entertainment, the House Manila nightclub, and the Newport Mall which features international luxury brands, the state-of-the-art Newport Cinemas, and the award-winning, ultra-modern Newport Performing Arts Theater. It has over 50 restaurants offering a diverse selection of local and world cuisine, prepared by top Filipino and foreign chefs.

A direct reflection of RWM's unwavering commitment towards corporate citizenship, its Corporate Social Responsibility efforts are designed to make communities win. Guided by its core values — inspiring excellence, unyielding integrity, and true compassion — Resorts World Manila holds a continuing commitment to Philippine Tourism and the Arts, Social Development, and Environmental Sustainability.



ZOUK

Since it opened its doors, Zouk has delivered an innovative and progressive clubbing environment, introducing Singapore to the world's freshest dance music. As the pioneer clubbing institution in Singapore, Zouk was the first club to introduce House music, establishing itself as a trailblazer in the industry.

In December 2016, Zouk Singapore moved to its new premise at Clarke Quay, Singapore's entertainment centre. Housed in a revamped warehouse, the new space retained its multi-room concept with three club outlets, and a bar including the signature main room, Zouk, Phuture, Capital, Queens, and RedTail.

In a big step towards further expansion as a lifestyle company, Zouk Group welcomed the first FIVE GUYS outlet in Singapore, Southeast Asia's first franchisee market outside of Hong Kong. Furthering its reach outside of Singapore, the Zouk Atrium at Resorts World Genting in Malaysia opened its doors last year, comprising six outlets – RedTail social gaming lounge, RedTail Karaoke, Zouk superclub, Empire club lounge, FUHU Restaurant and FUHU Shack. Zouk At Sea also launched a new, one-of-a-kind weekend experience on board Dream Cruises called The WKND. The by-invitation-only 3-day and 2-night staycation aims to introduce the concept of cruising to 22 – 38-year-olds through its value-centric packages on board Genting Dream (Singapore) and World Dream (Hong Kong). Since its launch, Zouk At Sea has helped to drive the millennials demographic to cruise with Dream Cruises.

In 2019, Zouk Singapore also pioneered several new initiatives including a new zoukSHOP merchandise line, a canned cocktail series, a Zouk App, and the revamp of the zoukclub.com website.

MV Werften

At MV WERFTEN ("MVW"), Hanseatic shipbuilding tradition meets future innovation. With a worldwide unique new construction programme, the celebrated shipyards in Wismar, Rostock and Stralsund are leaders in the global shipbuilding industry.

With covered shipbuilding docks, one of the largest ship lifts in the world and an efficient logistics infrastructure, in combination with the comprehensive maritime expertise of its employees, MVW has the ideal conditions to build high-quality cruise ships in any weather.

In 2017, MVW delivered the first 'made in MV' luxury river cruise ships, followed by two more in 2018. Additionally, two Global Class cruise ships and the flagship of the Endeavor Class are currently under construction at its three yards.

Last year saw the transfer of the centre-piece of "Global Dream" from Rostock-Warnemünde to Wismar, a huge towing project at MVW. The transport of the 216m long and 57m high hull of "Global Dream", the first ship of the Global Class series, between the two locations took almost a day and the midship section had to cover a route of 43 nautical miles, or nearly 50 land miles.

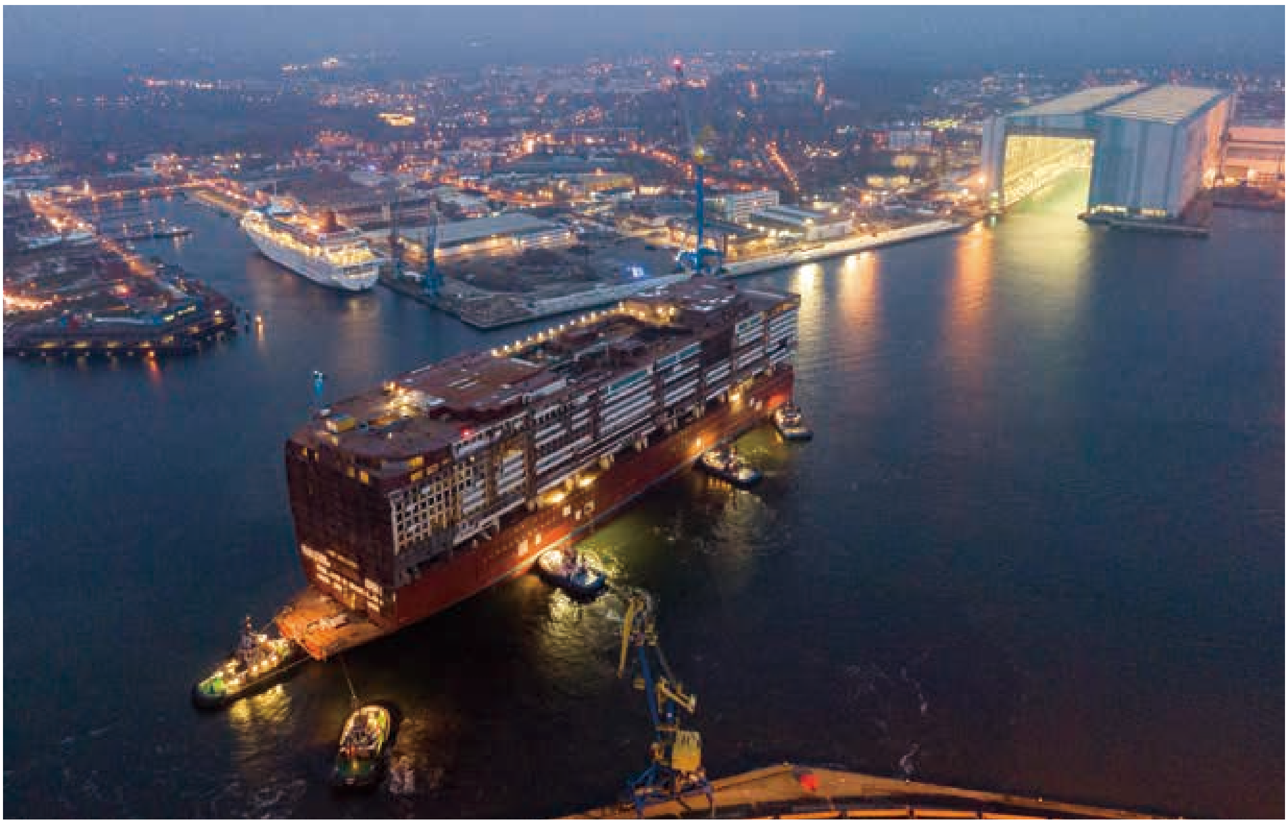
A further milestone was achieved in December 2019 when "Crystal Endeavor" was successfully undocked, or "floated-out", in Stralsund where the luxury yacht is now berthed for final outfitting on the quay.

With a commitment to developing the shipbuilding tradition, 66 young men and women were ceremoniously welcomed at MVW's three locations in September last year where they are currently being trained in seven specialist areas. A total of 282 young apprentices – 247 trainees and 35 dual students – are currently training at the three locations of MVW and all trainees or students will be offered permanent

employment after they have successfully completed their training or dual course of study.

As a result of the company's commitment to the industry, MVW received a special award for exemplary and convincing innovation management: the TOP 100 seal of approval, confirming that it is one of the 100 most innovative small and medium-sized enterprises in Germany. The award was based on a systematic corporate analysis carried out by the Chair for Entrepreneurship and Innovation at the Vienna University of Economics and Business.

MVW further broadened its profile with the general public when its shipyard in Rostock-Warnemünde opened its gates for guests, welcoming 30,000 interested visitors for an exclusive opportunity to visit the shipyard and to view the midship of the largest passenger ship ever built in Germany.



TAN SRI LIM KOK THAY

Chairman and Chief Executive Officer
Genting Hong Kong Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

In line with the previous outlook guidance, the Company's 2019 overall financial performance was on course to achieve a firm trend of progress across the cruise and shipyards segments. However, the tourism industry closed out 2019 on a weak note mainly due to the social unrest in Hong Kong. Global growth momentum was further derailed by geopolitical tensions and slower growth in many emerging economies in Asia.

CHAIRMAN'S STATEMENT

DREAM CRUISES

Asia's Global Cruise Line

Dream Cruises, operating with its current fleet of Genting Dream, World Dream, and Explorer Dream, has grown to become a leading Asian brand within the short span of 3 years. It has garnered a series of prestigious international awards and accolades from Asia and across the globe and even Explorer Dream, which just joined the fleet, also made her debut in the Berlitz Cruising and Cruise Ships 2020 guide under the "Mid-Sized Ship" category, earning a Top 20 ranking.

TPG Capital Asia, TPG Growth and Ontario Teachers' Pension Plan saw the potential in the Dream Cruises brand and had jointly acquired approximately 32.58 percent equity interest, and may increase up to 35 percent, in Dream Cruises, bolstering the Group's capital structure. This strategic partnership demonstrates the confidence our valued investors have in the Dream Cruises brand and its management team and this investment will help Dream Cruises to have the youngest and most technologically advanced fleet of quality German built cruise ships.

The first Global Class ship – Global Dream, was officially named in August 2019 during the IBTM event in Beijing. Guests were invited to an exclusive sneak preview of Global Dream through a specially constructed, full-scale smart show cabin. When Dream Cruises launches Global Dream in 2021 in Asia, she will provide guests with cutting edge features and facilities including innovative leisure, entertainment and recreation options to appeal to the millennial audience who has grown up in the digital age. The highlight of the "Dream Park at the Pier", the first-ever theme park concept at sea, will be the 300-metre Space Cruiser - the world's longest roller coaster ever built on board a cruise ship.

The Company has pioneered the Asia cruise market and remains optimistic on the long term continued growth in this region. Ahead of the arrival of Global Dream in 2021, we are focusing our efforts in growing the various source markets and working with corporate partners to strengthen the MICE business. There is great potential in the cruise business in the Greater Bay Area with three cruise ports operating in the region. More thematic itineraries embarking from this region will be added to jointly promote intra region cruise products and popularize the concept of cruise travel.

CRYSTAL CRUISES

The World's Most Awarded Luxury Cruise Line

Crystal Cruises will be celebrating its 30th anniversary in 2020 with a year-long celebration. Crystal Cruises was first launched on July 24, 1990 when Crystal Harmony sailed from San Francisco on a 12-day inaugural voyage to Alaska, pioneering the luxury cruising industry and setting the stage for three decades of award-winning vacation experiences.

With Crystal Cruises' growing presence in Asia under Genting Cruise Lines, the international, award-winning, ultra-luxury cruise brand was also recognized by the readers of Condé Nast Traveler China and was included in the 2019 Gold List, winning the "Best Small-Ship Cruise Award" in May 2019. Crystal Cruises further made history at the 2019 Condé Nast Traveler Readers' Choice Awards by taking top honors across every category that it was eligible. Crystal Cruises won "Best Medium-Ship Cruise Line", Crystal Yacht Cruises won "Best Small-Ship Cruise Line" and Crystal River Cruises won "Best River Cruise Line" in the magazine's annual awards. The Readers' Choice Awards are the longest-running and most prestigious recognition of excellence in the travel industry and this year marks a record 26th year that Crystal Cruises has received top recognition at these celebrated awards.

2020 will be another eventful year for Crystal Cruises when it welcomes its first luxury expedition ship - Crystal Endeavor. This purpose-built, polar-class yacht will have 100 all-balcony suites, an extensive spa and six fine dining restaurants and will be the world's largest polar code compliant (PC6) luxury expedition ship, capable of cruising in the Arctic and Antarctic.

MV WERFTEN

The German government has been actively supporting the shipbuilding program and has provided export credit support for the construction of our two "Global Class" ships currently being built in MV Werften. The Group's comprehensive investments at the three shipyards over the years have proven to be strategic and rewarding as evidenced by the promising performance of the shipyards in 2019.

The construction of Crystal Endeavor is near completion and on course for delivery in 2020. The construction of Global Dream is progressing and on course for delivery in 2021. On 10 September 2019, MV Werften in Rostock-Warnemünde commenced production of the second Global-class ship for Dream Cruises, almost exactly a year after the keel-laying for the first Global Dream.

Future Outlook

2019 was a breakthrough year for the Group as evidenced by the encouraging performance of the cruise segment despite the negative impacts from the social unrest in Hong Kong in the second half of 2019, as well as a continuation of the negative headwinds facing the cruise industry.

Since January 2020, the COVID-19 outbreak has evolved into a global pandemic, adversely affecting many economies and businesses globally. The hospitality, travel and tourism sectors suffered a major setback resulting from widespread travel advisories, temporary closures of cruise ports and the suspension of flights as part of the precautionary measures implemented in many countries to curtail the pandemic.

The COVID-19 outbreak has also caused the Group to cancel many sailings and suspend almost all of its cruise operations temporarily since February 2020. To mitigate the above negatives, the Chairman and Chief Executive Officer, Deputy Chairman, Deputy Chief Executive Officer and Directors have waived 100 percent of their fees and compensation from February until December 2020. The Company also implemented voluntary reduction in salary of 20 to 50 percent for managers in the corporate office and 90 percent of the managers have supported the initiative with savings of US$15 million in shore salaries and wages for the year. As part of the precautionary cost control measures, the Company has materially reduced the crew onboard, imposed a company-wide recruitment freeze and restricted all non-essential expenses, especially staff travel, to avoid risk of infection, apart from encouraging its employees to take voluntary unpaid leave.

These are unprecedented and extremely challenging times for the Group and the effects on the ability and desire of people to travel (including cruising) will continue to have an impact on the Group's operations, results, growth, outlooks, liquidity and stock price. As of the date of this statement, the situation globally remains fluid as responses to curtail and contain the outbreak by governments world-wide continue to evolve rapidly.

However, there have been some encouraging indications, albeit slow improvement, in sentiment in China as the COVID-19 situation stabilizes and factory production progressively re-starting since March 2020. Genting Dream will recommence operation when Singapore authorities reopen their cruise terminal. In the interim, the Company will continue to evaluate alternative deployment plans for World Dream and Explorer Dream, whilst waiting for the authorities in China to allow cruise operations to resume. Meanwhile, the Star Cruises and Crystal Cruises fleets have suspended operations until the situation improves.

Safeguarding the health and safety of the guests and crew on board our ships remain a top priority for our business. In February 2020, World Dream safely disembarked over 3,600 passengers and crew members in Hong Kong during the COVID-19 outbreak in Asia with zero infection incidents. Going forward, the Group will deploy all possible means and technology to implement a new comprehensive onboard health plan to further enhance the hygiene control in our existing fleets and ships under construction in our shipyards for all our passengers and crew in the new sailing seasons ahead.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to the Genting Hong Kong management team, all its employees, officers and crew for their resilience and hard work to get through this unprecedented difficult situation.

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer
27 March 2020

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

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(Bermuda) Limited)

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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 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".

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, revenue from third party concessionaires, 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 hotels, travel agent, aviation (including AirCruises and air-related services), entertainment and sales of residential property units.

Operating expenses

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel expenses, food expenses, shipbuilding and related costs, 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, food and 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 associated delivery costs.

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

Shipbuilding and related costs consist of materials, services and other costs incurred in connection with shipbuilding, repairs and conversion activities.

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 customer 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 2019 ("2019") compared with year ended 31 December 2018 ("2018")

Full Year 2019 Highlights

- Cruise segment recorded a 3% increase in revenue to US$1,384 million from US$1,348 million in 2018 despite a reduction in capacity day of 6%. Occupancy grew by 2% to 93% in 2019 from 91% in 2018 with improvements in both Gross Yield and Net Yield at 9% and 7% respectively.

- Construction of Crystal Endeavor and Global Dream achieved 68% and 51% progressive completion respectively as at the end of 2019.

- Group EBITDA was US$142.5 million, doubled that of US$72.3 million in 2018, mainly driven by a combination of improved cruise revenues and higher utilisation of the shipyard.

- Operating Loss reduced by 32% to US$96.2 million with cruise segment at breakeven. Net Loss was 26% lower compared to 2018 at US$158.6 million.

Full Year 2019 Results

Revenue reduced by 2.4% to US$1,561 million compared to US$1,600 million in 2018. The decline was primarily due to a lower third party revenue recognised in the Shipyard segment offset by an improved Net Yield in the cruise segment.

Cruise segment remains a key revenue driver for the Group posted a 3% increase in revenue to US$1,384 million from US$1,348 million in 2018, mainly attributed to improved Net Yield compared to 2018. Overall occupancy grew by 1.9% to 93.3% in 2019 from 91.4% in 2018 with improvements in Gross Yield and Net Yield at 8.8% and 7.1% respectively.

Cruise EBITDA saw a significant improvement of US$37.4 million, rose to US$189.8 million in 2019 from US$152.4 million in 2018.

Shipyard EBITDA posted a lower loss of US$23.3 million in 2019 compared to US$59.6 million in 2018 as a result of higher utilisation of the shipyard.

The Group registered a higher EBITDA of US$142.5 million in 2019 from US$72.3 million in 2018 with a significant improvement of US$70.2 million. After depreciation and amortisation, Operating Loss reduced significantly at US$96.2 million in 2019 compared to US$141.5 million in 2018.

The Group's consolidated net loss was lower at US$158.6 million in 2019 from US$213.3 million in 2018 as a result of its improved EBITDA and a reduction of finance costs of US$29.7 million which is mainly due to higher interest capitalisation compared to 2018 offset by impairment losses of US$15.8 million.

Share of Profit of Joint Ventures and Associates

Share of profit of joint ventures and associates totalled US$9.7 million in 2019 compared with US$13.5 million in 2018. The decrease was mainly due to smaller contribution from Travellers International Hotel Group, Inc. which was mainly due to absence of non-operating income recognised in 2018.

Other Expenses, net

Net other expenses in 2019 amounted to US$11.3 million compared with US$21.0 million in 2018. Net other expenses mainly included write off and loss on disposal of property, plant and equipment of US$3.4 million (2018: US$16.3 million) and loss on foreign exchange amounted to US$10.1 million (2018: US$9.9 million) resulting from depreciation of certain foreign currencies against US dollar.

Year ended 31 December 2019 ("2019") compared with year ended 31 December 2018 ("2018") (Continued)

Other (Losses)/Gains, net

Net other losses in 2019 amounted to US$15.4 million compared with net other gains of US$15.5 million in 2018. In 2019, net other losses included a loss on disposal of a subsidiary of US$1.8 million and impairment loss of US$15.8 million on certain vessels and an aircraft which is partially offset by reversal of impairment loss on other receivables of US$2.2 million.

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.

Net Finance Costs

Net finance costs (i.e. finance costs, net of finance income) in 2019 of US$43.2 million was recorded compared with US$70.4 million in 2018 primarily due to increase in interest capitalisation in 2019 resulting from the adoption of Annual Improvement to HKFRSs 2015 – 2017 Cycle – Amendments to Hong Kong Accounting Standard ("HKAS") 23 "Borrowing Costs" from 1 January 2019, partly offset by higher interest expenses arising from higher outstanding loan balances and borrowing rates.

Loss for the Year

The Group recorded an improvement with consolidated net loss of US$158.6 million in 2019, as compared with a consolidated net loss of US$213.3 million in 2018.

Liquidity and Financial Resources

As at 31 December 2019, cash and cash equivalents amounted to US$595.1 million, a decrease of US$309.0 million compared with US$904.1 million as at 31 December 2018.

The decrease in cash and cash equivalents was primarily due to cash outflows of (i) US$1,231.7 million for capital expenditure of property, plant and equipment and intangible assets; (ii) US$462.4 million for repayments of existing bank loans and borrowings and payments of interest and financing costs; (iii) increase in restricted cash of US$280.5 million; and (iv) net cash outflow of US$10.6 million for the acquisition of a subsidiary. Cash outflows were partially offset by cash inflows of (i) positive cash flows from operating activities of US$212.8 million; (ii) US$446.8 million proceeds from partial disposal of interests in subsidiaries, net of transaction costs; and (iii) US$1,023.0 million from the drawdowns of bank loans and borrowings.

The majority of the Group's cash and cash equivalents are held in Euro, US dollar, Chinese Renminbi, Hong Kong dollar and Singapore dollar. The Group's liquidity as at 31 December 2019 amounted to US$631.8 million (31 December 2018: US$1,140.7 million), which comprised cash and cash equivalents and undrawn credit facilities.

As at 31 December 2019, total loans and borrowings amounted to US$2,739.4 million (31 December 2018: US$1,988.1 million) and were mainly denominated in US dollar. Taking into account the effect of hedging from the interest rate swap contracts, approximately 29% (31 December 2018: 39%) of the Group's loans and borrowings was under fixed rate and 71% (31 December 2018: 61%) was under floating rate. Loans and borrowings of US$216.3 million (31 December 2018: US$304.0 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$4.0 billion (31 December 2018: US$3.0 billion).

The Group was in a net debt position of US$2,144.3 million as at 31 December 2019, as compared with US$1,083.9 million as at 31 December 2018. The total equity of the Group was approximately US$4,345.1 million (31 December 2018: US$4,059.1 million). The gearing ratio as at 31 December 2019 was 49.3% (31 December 2018: 26.7%). 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.

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

Year ended 31 December 2019 ("2019") compared with year ended 31 December 2018 ("2018") (Continued)

Liquidity and Financial Resources (Continued)

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

2020 Outlook

Global economic growth in 2019 was marred by uncertainty arising from protracted US-China trade war, social unrest in Hong Kong and regional geopolitical tensions. The COVID-19 outbreak in the first quarter of 2020 puts further pressure on many businesses globally. Hospitality, travel and tourism sector suffered a major setback resulting from widespread travel advisories, temporary closure of cruise ports and suspension of flights as part of the drastic measures implemented in many countries to curb the spread of the global pandemic.

The COVID-19 outbreak has caused the Group to cancel many sailings and suspend almost all of its cruise operations temporarily in the first quarter of 2020 and the operations in all three shipyards of MV Werften in Wismar, Rostock and Stralsund, Germany to suspend for approximately four weeks commencing from 21 March 2020. In mitigation, the Chairman and Chief Executive Officer, Deputy Chairman, Deputy Chief Executive Officer and Directors of the Company have waived 100% of their fees and compensation from February until the end of year 2020, subject to further review during the year, if appropriate. The Company also implemented voluntary reduction in salary of 20-50% on managers in corporate office and 90% of the managers have supported the initiative with saving of US$15 million, or about 16% of the shore salaries and wages for 2020. As part of the precautionary cost control measures, the Company has reduced the crew onboard to correspond to reduced demand, imposed a company-wide recruitment freeze and restricted all non-essential staff travel to avoid risk of infection, apart from encouraging its employees to take voluntary unpaid leave.

With the rapid transmission of COVID-19, the Group anticipates an operating loss in 2020, despite efforts and remedial measures taken to contain costs. The magnitude of the impact on the Group's performance is difficult to quantify as the COVID-19 outbreak continues to spread globally. The Group will continue to monitor its business closely during this temporary disruption and adjust its plans in the best interest of the Group.

Since mid-March 2020, there has been a decline in reported new infections in China and most enterprises in China have rolled out active preventive measures while resuming production progressively. This is an encouraging sign albeit slow improvement in consumer sentiment. Genting Dream will recommence operation when Singapore authority reopens its cruise terminal. In the interim, the Company will continue to evaluate alternative deployment plans for World Dream while the Star Cruises fleet has suspended operations until the situation in the region improves.

Year ended 31 December 2019 ("2019") compared with year ended 31 December 2018 ("2018") (Continued)

Operating Statistics

The following table sets forth selected statistical information:

	Year ended 31 December	
	2019	2018
Passenger Cruise Days	**4,986,423**	5,178,075
Capacity Days	**5,345,827**	5,667,420
Occupancy Percentage	**93.3%**	91.4%

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	
	2019 US$'000	2018 US$'000
Passenger ticket revenue	**1,037,184**	987,655
Onboard revenue	**346,506**	360,819
Total cruise and cruise-related revenue	**1,383,690**	1,348,474
Less:		
Commission, incentives, transportation and other related costs	**(181,861)**	(177,964)
Onboard costs	**(120,026)**	(99,291)
Net Revenue	**1,081,803**	1,071,219
Gross Yield (US$)	**258.8**	237.9
Net Yield (US$)	**202.4**	189.0

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

Year ended 31 December 2019 ("2019") compared with year ended 31 December 2018 ("2018") (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	
	2019 US$'000	2018 US$'000
Total operating expenses	**1,369,247**	1,453,048
Total selling, general and administrative expenses	**287,861**	288,525
	1,657,108	1,741,573
Less: Depreciation and amortisation	**(238,664)**	(213,749)
	1,418,444	1,527,824
Less: Expenses relating to shipyard and non-cruise activities	**(224,583)**	(331,741)
Gross Cruise Cost	**1,193,861**	1,196,083
Less:		
Commission, incentives, transportation and other related costs	**(181,861)**	(177,964)
Onboard costs	**(120,026)**	(99,291)
Net Cruise Cost	**891,974**	918,828
Less: Fuel costs	**(120,471)**	(125,550)
Net Cruise Cost Excluding Fuel	**771,503**	793,278
Gross Cruise Cost per Capacity Day (US$)	**223.3**	211.0
Net Cruise Cost per Capacity Day (US$)	**166.9**	162.1
Net Cruise Cost Excluding Fuel per Capacity Day (US$)	**144.3**	140.0
EBITDA for the year as reported	**142,477**	72,277

Human Resources

As at 31 December 2019, the Group had approximately 16,200 employees, consisting of approximately 10,500 (or 65%) shipbased officers and crew as well as approximately 5,700 (or 35%) staff employed in the various world-wide offices and shipyards 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 2019, 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 organisations such as Cruise Lines International Association, continue 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 the 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, Australian dollar and New Taiwan dollar. 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 71% of them are based upon floating rates of interest after taking into account the effect of hedging from the interest rate swap contracts entered into. The Group continuously evaluates its debt portfolio 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 incorporating sustainability in our business strategy for the creation of long-term value. Building on our strict adherence to all applicable environmental legislative and regulatory requirements, we protect the environment and minimise the environmental impacts of our business operations through a series of internal policies and measures. The policies guide our daily operations to achieve exceptional environmental standards, and the corresponding Environmental Management System serves to identify and manage our environmental impacts continuously.

To cope with the changing climate, Genting Hong Kong has put forward a pragmatic approach in recognising the climate-related business risks and stepping up for mitigation and adaptation measures.

Compliance with Laws & Regulations

The Group's Legal Department plays a critical role in managing daily group-level legal affairs, and advising the Management of the Group on legal and commercial issues of concern. In view of our operations in multiple jurisdictions, we keep a lookout of the development of laws and regulations applicable to the Group's operation which enables swift update of internal policies and procedures. To strengthen our legal accountability, we engage 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.

Employees

Genting Hong Kong regards employees as the cornerstones to our business success. We strive to attract, develop and retain our employees by creating a safe and pleasant working environment, and offering them optimal career and development opportunities. During the year, we have expanded the scope of training and leisure activity offered to employees of different segments, aiming to equip them with the appropriate skill sets and to relieve their work stress.

Customers

To reinforce our leadership in the global entertainment and hospitality industry, we always prioritise guests' experience as first and uplift our service quality to best fit their needs. This year, we invested in developing a digital platform together with a mobile application to cater for guests' needs end-to-end, from pre-cruise to onboard, so as to bring greater convenience and experience to them.

Business Partners and Suppliers

We work with our business partners and suppliers to build long-term and mutually beneficial relationships, which is based on their compliance with our procurement policies and procedures regarding ethical business conduct and sustainable operations. Furthering our step to promote a sustainable value chain, we have devoted resources in purchasing a variety of eco-friendly goods.

Community

The Group pays close attention to the needs of the communities where we operate in, and organises sponsorships and activities for various good causes. With the debut of Genting Cruise Lines' maiden voluntourism campaign in Asia, and continued contribution to charity events across various destinations we sail in, we have made community participation a significant element of our journey towards building a more sustainable world.

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 68, 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 an associate of the Company and was listed on the Main Board of The Philippine Stock Exchange, Inc. until its voluntary delisting in October 2019. 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, 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 49.46% 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 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 35, was appointed an Executive Director of the Company in June 2013. Mr. Lim has served the Company for more than eleven 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 a director of a subsidiary 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 49.46% 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 76, 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 and Wheelock and Company Limited, which are listed on the Stock Exchange; and a director of ICBC Credit Suisse Asset Management Co., Ltd..

Directors' Profiles (Continued)

Independent Non-executive Directors (Continued)

Mr. Lam Wai Hon, Ambrose

Mr. Lam Wai Hon, Ambrose, aged 66, 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 Yue Xiu Securities Holdings Limited in November 2019 and currently serves as its Chief Executive Officer. Mr. Lam was the Chairman of Able Capital Partners Limited when he left the company in October 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 an Independent Non-executive Director of Pacific Online Limited and Playmates Toys Limited, which are listed on the Stock Exchange, and an Independent Non-executive Director of Lei Shing Hong Limited. Mr. Lam is also an Independent Non-executive Director of China Agri-Industries Holdings Limited, which was a listed company on the Stock Exchange until the listing of its shares thereon was withdrawn voluntarily on 23 March 2020.

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 69, 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 70, 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 27 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, 40 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. Chris Chan Kam Hing
Chief Financial Officer

Mr. Chris Chan Kam Hing, aged 54, 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 56, 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. Michael Goh Beng Huat
President, Dream Cruises and Head of International Sales, Genting Cruise Lines

Mr. Michael Goh Beng Huat, aged 61, was appointed as President of Dream Cruises and Head of International Sales, Genting Cruise Lines in July 2019. Mr. Goh first joined the Company in 2000 as the Vice President of Sales & Marketing for Star Cruises and as General Manager for the Singapore sales and marketing division. In 2008, he expanded his portfolio as the Senior Vice President of International Sales for Star Cruises and subsequently for Dream Cruises and Crystal Cruises' sales and marketing in Asia.

With over 30 years of vast experience in the Asian hospitality, travel and tourism industry, he has been instrumental in developing the brands under Genting Cruise Lines, as well as the cruise tourism industry in the Asia Pacific for last two decades; as well as part of the Advisory Committee for the Hospitality Programme at Singapore Institute of Technology.

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

Mr. Thomas Michael Wolber, aged 60, was appointed as President and Chief Executive Officer of Crystal Cruises in September 2017. He is responsible for developing and managing Crystal Cruises' business and brand for long-term strategic growth.

Prior to joining Crystal Cruises, he served in various executive roles at the Walt Disney Company ("Disney") for 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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019.

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 9 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 40 to the consolidated financial statements.

Geographical analysis of financial information for the year ended 31 December 2019 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 2019 are set out in the consolidated statement of comprehensive income on pages 70 and 71.

Dividends

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2019 (2018: Nil). No dividend for the full year 2019 was declared (2018: US$0.01 per ordinary share, totalling approximately US$84.8 million).

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 45 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 77 and 78 of this annual report respectively.

Distributable reserves of the Company at 31 December 2019, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to US$3,060.4 million (2018: US$3,122.3 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 169.

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 2019.

Donations

Charitable and other donations made by the Group during the year amounted to US$0.1 million. As a global corporation, the Company pays close attention to the needs of the communities in which it operates by contributing resources through the organisation of sponsorships and activities and participation in different charity activities.

Principal Properties

Details of the principal properties owned by the Group as at 31 December 2019 are set out on pages 170 and 171.

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 2019 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, Mr. Lim Keong Hui and Mr. Lam Wai Hon, Ambrose 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 36 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 36 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 2019 are disclosed in note 36 to the consolidated financial statements.

(b) Transactions set out in items (a) to (g), (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 ("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 31 December 2017, 2018 and 2019 was expected to be as follows:

	For the year ended 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 2019, (i) the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the GENM-GENHK Services Agreement and the GENS-GENHK Services Agreement was approximately US$2.3 million and US$0.8 million respectively and has not exceeded the Annual Cap of US$10 million and US$11 million respectively; and (ii) no services had been provided by GMC and accordingly, the aggregate amount paid by the Group in respect of the transactions contemplated under the GENT-GENHK Services Agreement was Nil and has not exceeded the Annual Cap of US$0.2 million.

As announced by the Company on 23 December 2019, in view of the expiry of the GENM-GENHK Services Agreement and the GENS-GENHK Services Agreement on 31 December 2019, the parties entered into new services agreements (the "2020 GENM/GENS (Payable) Services Agreements") on 23 December 2019 separately to extend the term of the respective agreements for a further period of 3 years commencing from 1 January 2020.

Details of the 2020 GENM/GENS (Payable) Services Agreements as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 23 December 2019 and 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, as required.

(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.

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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 31 December 2017, 2018 and 2019 was expected to be as follows:

	For the year ended 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 2019, 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$0.06 million and US$0.03 million respectively and has not exceeded the Annual Cap of US$1 million and US$2 million respectively.

As announced by the Company on 23 December 2019, in view of the expiry of the GENHK-GENS Services Agreement and the GENHK-GENM Services Agreement on 31 December 2019, the parties entered into new services agreements (the “2020 GENS/GENM (Receivable) Services Agreements”) on 23 December 2019 separately to extend the term and to modify the scope of services (as the case may be) of the respective agreements for a further period of 3 years commencing from 1 January 2020.

Details of the 2020 GENS/GENM (Receivable) Services Agreements as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 23 December 2019 and 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, as required.

(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”.

Connected Transactions (Continued)

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 31 December 2018 and 2019 would not exceed HK$2.5 million.

For the year ended 31 December 2019, 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.

As announced by the Company on 23 December 2019, in view of the expiry of the Rich Hope Tenancy Agreement on 31 December 2019, the parties entered into a new tenancy agreement (the "2020 Rich Hope Tenancy Agreement") on 23 December 2019 to renew the Rich Hope Tenancy Agreement for a further period of 3 years commencing from 1 January 2020. As further clarified in the Company's announcement dated 9 January 2020, the transactions contemplated under the 2020 Rich Hope Tenancy Agreement (the "Rich Hope Lease Transaction") should be classified as a one-off connected transaction of the Company instead of a continuing connected transaction of the Company under the application of HKFRS 16 "Leases". Given that the highest of the applicable percentage ratios in respect of the value of right-of-use asset recognised under the Rich Hope Lease Transaction is less than 0.1%, the Rich Hope Lease Transaction is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(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.

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 prices and the terms of the Ambadell Lease have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 23 December 2019.

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 2019, 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.

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

(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 prices and the terms of the Ambadell Services have been determined in accordance with the pricing policies and guidelines set out in the Company's announcement dated 23 December 2019.

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 2019, 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 7 January 2019, the Company entered into two services agreements with Secret Garden (Zhangjiakou) Resort Co., Ltd. ("ZJK") to renew the old services agreements which expired on 31 December 2018 for a further period of 3 years commencing from 1 January 2019 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, ski tickets sales, property management, repair and maintenance, provision of public utilities, leasing of rooms, dormitory, convention or function room, activity equipment and facilities, and other related services, as and when required (the "ZJK-GENHK Services Agreement").

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 23 December 2019.

Connected Transactions (Continued)

The Annual Cap for the transactions contemplated under the GENHK-ZJK Services Agreement and the ZJK-GENHK Services Agreement respectively for each of the 3 financial years ended/ending 31 December 2019, 2020 and 2021 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2019 US$	2020 US$	2021 US$
Annual amounts received/receivable by the Group under the GENHK-ZJK Services Agreement	400,000	450,000	500,000
Annual amounts paid/payable by the Group under the ZJK-GENHK Services Agreement	300,000	350,000	400,000

For the year ended 31 December 2019, (i) the aggregate amount received/receivable by the Group in respect of the transactions contemplated under the GENHK-ZJK Services Agreement was approximately US$23,000 and has not exceeded the Annual Cap of US$400,000; 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$300,000.

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 (where applicable) with each other for the relevant financial years, due to their similar nature and the association of the counterparties to these transactions.

(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 31 December 2017, 2018 and 2019 was expected to be US$1.5 million and US$3 million respectively.

For the year ended 31 December 2019, (i) the aggregate amount paid/payable by the Group in respect of the JPM Transactions was approximately US$0.007 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$0.1 million and has not exceeded the Annual Cap of US$3 million.

As announced by the Company on 20 December 2019, in view of the expiry of the JPM Agreement on 31 December 2019, the parties entered into a renewal letter (together with the JPM Agreement, the "2020 JPM Agreement") on 20 December 2019 to extend the term of the JPM Agreement for a further period of 2 years commencing from 1 January 2020.

Connected Transactions (Continued)

Details of the 2020 JPM Agreement as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 20 December 2019 and 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, as required.

(8) 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$2.85 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 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.

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 while the ski passes will expire by March 2020.

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).

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$2.85 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 2019.

From the date of the Cooperation Agreement until 31 December 2019, the aggregate amount paid/payable to ZJK in respect of the ZJK (Payable) Transactions was RMB20,000,000 (equivalent to approximately US$2.85 million) and has not exceeded the aggregate consideration of RMB20,000,000 (equivalent to approximately US$2.85 million) as mentioned in the Cooperation Agreement.

Connected Transactions (Continued)

(9) On 27 December 2018, Star Cruise (C) Limited ("SC(C)") entered into a Genting Rewards Alliance agreement (the "GRA Agreement") with RW Tech Labs Sdn Bhd ("RWT") to renew the old Genting Rewards Alliance agreement which expired on 31 December 2018 for a further period of 3 years from 1 January 2019 to 31 December 2021, which is renewable by SC(C) for a maximum of 3 years each, up to nine renewals. Pursuant to the GRA Agreement, RWT 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 or (ii) a fee equivalent to 3% of the value of the total products/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 12 months period.

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. RWT is a direct wholly-owned subsidiary of Resorts World Inc Pte. Ltd. ("RWI") which in turn is a company held as to 50% indirectly by each of GENT and Tan Sri Lim, and an indirect subsidiary of GENT. Transactions under the GRA Agreement 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 20 December 2019.

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 years ended/ending 31 December 2019, 2020 and 2021 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2019 US$'000	2020 US$'000	2021 US$'000
Annual amounts paid/payable by the Group under the GRA Transactions	200	200	300
Annual amounts received/receivable by the Group under the GRA Transactions	200	300	500

For the year ended 31 December 2019, (i) the aggregate amount paid/payable by the Group in respect of the GRA Transactions was US$41,000 and has not exceeded the Annual Cap of US$200,000; and (ii) the aggregate amount received/receivable by the Group in respect of the GRA Transactions was US$24,000 and has not exceeded the Annual Cap of US$200,000.

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 (9) 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.

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Connected Transactions (Continued)

(10) On 27 December 2018, the Company as purchaser entered into a master agreement (the "ETG Master Agreement") with FreeStyle Gaming Pte Ltd ("FSGPL") as vendor to renew the old master agreement which expired on 31 December 2018 for a further period of 3 years from 1 January 2019 to 31 December 2021, 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 FSGPL. Pursuant to the ETG Master Agreement, FSGPL 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.

FSGPL is a direct wholly-owned subsidiary of RWI and an indirect subsidiary of GENT. Transactions under the ETG Master Agreement are referred to as the "ETG Transactions".

The price and the terms of the ETG Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 27 December 2018.

The Annual Cap for the aggregate consideration paid/payable by the Group under the ETG Transactions for each of the 3 years ended/ending 31 December 2019, 2020 and 2021 was/is expected to be US$1 million, US$3 million and US$3 million respectively.

For the year ended 31 December 2019, the aggregate amount paid/payable by the Group in respect of the ETG Transactions was approximately US$0.3 million and has not exceeded the Annual Cap of US$1 million.

(11) 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 6 May 2019, Zouk Genting entered into a supplemental deed to the Zouk Management Agreement with GENM to amend, inter alia, the terms of the incentive management fee with effect from 6 May 2019.

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 (as amended) 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 announcements dated 14 December 2017 and 6 May 2019.

Connected Transactions (Continued)

The Annual Cap for the transactions contemplated under the Zouk Management Agreement (as amended) 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 ended 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 (as amended)	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 2019, (i) the aggregate amount received/receivable by Zouk Genting in respect of the transactions contemplated under the Zouk Management Agreement (as amended) was RM1,521,000 and has not exceeded the Annual Cap of RM3,065,000; and (ii) the aggregate amount received/receivable by Zouk IP in respect of the transactions contemplated under the Zouk Licence Agreement was RM476,000 and has not exceeded the Annual Cap of RM1,818,000.

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 ZJK (Payable) Transactions, the GRA Transactions, the ETG Transactions and the Zouk Transactions for the year ended 31 December 2019 (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.

REPORT OF THE DIRECTORS

Connected Transactions (Continued)

(c) Transactions set out in items (l), (p) and (q) of these related party transactions, which constitute continuing connected transactions under the Listing Rules, are 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 respective aggregate annual consideration under these continuing connected transactions for the year ended 31 December 2019 is less than the relevant de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

(d) Transaction set out in item (r) of these related party transactions, which constitutes a connected transaction under the Listing Rules, details of which as required to be disclosed in this annual report in accordance with the Listing Rules are given in note 36 to the consolidated financial statements.

(e) Other related party transactions entered into by the Group during the year ended 31 December 2019 as set out in note 36 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"), 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 49.46% and 52.66% equity interests in GENM and GENS respectively. GENM indirectly owns 49% of the common stock in Empire Resorts, Inc. ("Empire"), a company with various subsidiaries engaged in the hospitality and gaming industries. GENM also indirectly owns 100% of the Series G Convertible Preferred Stock and 49% of the Series H Convertible Preferred Stock in Empire.

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 51% of the common stock in Empire. Golden Hope as trustee of the GHUT also indirectly owns 100% of the Series F Convertible Preferred Stock and 51% of the Series H Convertible Preferred Stock in Empire.

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. 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 2019, 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 *(Notes)*	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. Alan Howard Smith	–	–	–	8,000,000 *(7)*	8,000,000	0.09
Mr. Justin Tan Wah Joo	968,697 *(8)*	968,697 *(8)*	–	–	968,697 *(5)*	0.01

Notes:

As at 31 December 2019:

(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 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, 4,935,000,000 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) Mr. Alan Howard Smith as a beneficiary of a discretionary trust had a deemed interest in 8,000,000 ordinary shares.

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

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

(10) 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 *(Notes)*	Name of Director	Nature of interests/capacity in which such interests were held: Beneficial owner	Interests of spouse	Interests of controlled corporation	Founder/ Beneficiary of discretionary trusts	Total	Percentage of issued voting shares
		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 *(15) and (16)*	28.56
Starlet Investments Pte. Ltd. ("Starlet") *(3)*	Tan Sri Lim Kok Thay	–	250,000 *(4)*	250,000 *(5)*	250,000 *(6)*	500,000 *(15) and (16)*	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 *(15) and (16)*	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 *(15) and (16)*	100

Notes:

As at 31 December 2019:

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

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

(17) 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 section headed “Interests of Substantial Shareholders” below:

(a) as at 31 December 2019, 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.

REPORT OF THE DIRECTORS

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 39 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 employees of the Group under the Post-listing Employee Share Option Scheme during the year and outstanding as at 31 December 2019 were as follows:

Post-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2019	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 31/12/2019	Date granted	Exercise price per ordinary share	Exercisable period
The employees	6,010,000	–	(722,000)	–	5,288,000	16/11/2010	HK$3.7800	16/11/2011 – 15/11/2020

The share options under the Post-listing Employee Share Option Scheme granted on 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 2019, 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)*						
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 2019:

(1) Summerhill Trust Company (Isle of Man) Limited ("Summerhill") 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. Summerhill 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 Summerhill 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) Summerhill 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) Summerhill 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) Summerhill 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, 4,935,000,000 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 2019, 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 37 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 36 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 2019, 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 50 to 69.

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 January 2020, the outstanding loan under the First Vessel Loan Facility Agreement has been settled in full.

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).

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.

REPORT OF THE DIRECTORS

General Disclosure pursuant to the Listing Rules (Continued)

Facility Agreements of the Group (Continued)

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, as amended by the consent and amendment agreement dated 24 April 2019 (collectively 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 2019, the aggregate principal amount under the above facility agreements was US$2,339 million and the aggregate outstanding loan balance thereunder was approximately US$1,720 million.

Significant Subsequent Events

(a) In January 2020, the Group has completed the sale and leaseback of Genting Dream for a financing of US$900 million with four leasing companies. Part of the funds received was used for repayment of the outstanding balance of the existing bank loan for Genting Dream. The transaction shall be accounted for as a financing arrangement. Further details of this transaction are set out in the Company's circular dated 28 November 2019.

(b) The widespread of the COVID-19 since the beginning of 2020 is a fluid and challenging situation facing all industries. This has resulted in widespread travel advisories and temporary closure of cruise ports which have negatively impacted the Group's businesses as follows:

  (i) World Dream stopped operation on 9 February 2020 due to non-approval by Hong Kong and Nansha for all cruise ships and the Company is evaluating alternative deployment;

  (ii) Genting Dream stopped operation on 23 February 2020 and will recommence cruising upon approval from Singapore Government;

  (iii) SuperStar Gemini stopped operation on 27 January 2020 in Xiamen due to closure of the port for cruises;

  (iv) SuperStar Aquarius stopped operation on 8 February 2020 in Keelung and will resume operations when the situation improves;

  (v) Star Pisces stopped operation on 5 February 2020 and will resume operations when the situation improves;

  (vi) The closure of Asian ports for cruise ships and travel advisory on cruising issued by the Centers for Disease Control and Prevention and State Department have also affected Crystal Cruises; and

  (vii) MV Werften with sites in Wismar, Rostock and Stralsund, Germany has suspended its shipbuilding operations for approximately four weeks commencing from 21 March 2020 after considering the restrictions in business operations and the health of its employees.

Significant Subsequent Events (Continued)

To mitigate the above negative impact, the Chairman and Chief Executive Officer, Deputy Chairman, Deputy Chief Executive Officer and Directors of the Company have waived 100% of their fees and compensation from February 2020 till the end of this year, subject to further review during the year, if appropriate. The Company also implemented voluntary reduction in salary on managers.

The Company is moving to the next phase of cost reduction by:

(i) Reduction in onboard crew by not renewing expiring contracts;

(ii) Reduction in shore headcount by not filling any vacancies or departures;

(iii) Reduction in all expenses, especially travel, to avoid possible virus infection; and

(iv) Voluntary no-pay leave.

HKAS 10 "Events After the Reporting Period" defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The widespread of the COVID-19 was not evident as at 31 December 2019, and it is therefore a non-adjusting event. The measurement of assets and liabilities as well as the impairment assessments as at 31 December 2019 prepared by management reflect only the conditions that existed as of that date and have not reflected the possible effects of the outbreak. The effects will be reflected in the financial results for the year 2020.

Up to the date on which the consolidated financial statements were authorised for issue, the Group is continuously assessing the impact of the COVID-19 on the performance of the Group based on the latest development. However, the Group expects that the consolidated net loss of the Group for the six months ending 30 June 2020 will be much higher than the corresponding period in 2019 due to lower revenue.

In addition, the estimated future cash flows of the Group's various cash-generating units ("CGUs") which are used for the impairment tests will be updated continuously based on the development of the COVID-19 outbreak. The recoverable amount of the Group's cruise and cruise-related CGUs may be lower if the COVID-19 outbreak continues for a prolonged period.

Notwithstanding the recent negative impact on the Group's operations, management's assessment indicates that the going concern basis continues to be appropriate for the Group for the next 12 months from the reporting date and the Group will be able to comply with all bank covenants for the year 2020.

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, 27 March 2020

CORPORATE GOVERNANCE REPORT

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. The key corporate governance practices of the Company are summarised in this Corporate Governance Report (the "CG Report").

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (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") in force during the year under review, save for Code Provisions A.2.1 and F.1.3 in respect of the separate roles of the Chairman and Chief Executive and the reporting line of the Company Secretary. The considered reasons for such deviations are given in sections 4 and 16 of this CG Report respectively.

1. Board of Directors

The Board is collectively responsible for leadership and control of the Company by directing and supervising the affairs of the Company and taking decision objectively in the best interest of the Company.

To carry out the responsibility of the Board for proper conduct of the Company's business, Directors had attended regular Board meetings held on a quarterly basis, meetings of committees of the Board (as appropriate) and general meetings of the Company held during the year under review, including the annual general meeting held on 4 June 2019 ("2019 AGM") and the special general meeting held on 19 December 2019 ("SGM") respectively to answer questions, if any, from shareholders of the Company. Details of attendance of each individual Director of the aforesaid meetings are set out in section 8 of this CG Report.

The Board is responsible to oversee and enhance 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 with substantial autonomy to run and develop the business of the Group.

Every Director continues to give appropriate time and attention to the affairs of the Company. While the Management is responsible for management and administrative functions of the day-to-day operations of the Company within the authority delegated by the Board, 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.

A formal letter of appointment setting out the key terms and conditions of appointment had been entered into between the Company and each individual Director. Each Director understands the delegation arrangements in place.

All Directors are provided with appropriate insurance cover in respect of legal action against them.

2. Board Composition

The Board currently comprises five directors, including two Executive Directors and three Independent Non-executive Directors ("INEDs"). 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. Biographical details, skills and experience of each of the Directors are set out in the section headed "Directors and Senior Management Profiles" of the Company's Annual Report. The Directors during the year under review and up to the date of this report are as follows:

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

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

3. Independent Non-executive Directors

The Board has a balanced composition of Executive Directors and Independent Non-executive Directors so that strong independent elements are included. The Company has always maintained a sufficient number of INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. Throughout the year under review, there were three INEDs, representing more than one-half of members of the Board. They contribute to the development of the Company's strategy and policies through their independent, constructive and informed comments. They are also responsible for participating in the Board meetings to bring independent judgement, dealing with potential conflicts of interests, serving Board Committees, if invited, and scrutinising the Company's performance and reporting. Through regular attendance and active participation at meetings of the Board and relevant Board Committee (as the case may be), the INEDs of the Company have given the Board and any Board Committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications.

All INEDs of the Company had attended the 2019 AGM of the Company and were available to answer questions thereat; and Mr. Lam Wai Hon, Ambrose as an INED had attended and been elected as Chairman of the SGM by the Directors present thereat to preside over the SGM in accordance with the Bye-laws of the Company. Details of attendance of INEDs of the Company are set out in section 8 of this CG Report.

A formal letter of appointment had been entered into between the Company and each of the INEDs whereby, all INEDs are appointed for a generally fixed term of not more than approximately two years expiring at the conclusion of the annual general meeting 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 annual general meeting in accordance with the Company's Bye-laws.

Mr. Alan Howard Smith has served the Company as an INED for more than nine years. The Board considered that Mr. Alan Howard Smith has satisfied the requirements of independence guidelines set out in Rule 3.13 of the Listing Rules, and remains independent. The Board believes that his long service on the Board would not affect his integrity in exercising impartial and independent judgement on Board matters and his rich experience and professional knowledge can continue to bring valuable contribution to the Board and the growth of the Company.

4. Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Tan Sri Lim Kok Thay ("Tan Sri Lim") is the Chairman and Chief Executive Officer of the Company. In view of fact that Tan Sri Lim (i) has been with the Group since the formation of the Company in 1993; (ii) has considerable experience in the leisure and entertainment industry; and (iii) provides leadership for the Board in considering and setting the overall strategies and objectives of the Company, the Board is of the opinion that it is appropriate and in the interests of the Company to have Tan Sri Lim performing the dual roles of Chairman and Chief Executive Officer. Tan Sri Lim 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 INEDs, representing more than one-half of the members 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.

The Chairman, who is also the Chief Executive Officer of the Company and an Executive Director, continues to perform his duties as Chairman during the year under review as summarised below:

(1) ensure that all Directors are properly briefed on issues arising at Board meetings;

(2) ensure that adequate business documents and information about the Group (which are accurate, clear, complete and reliable) are provided to all Directors in a timely manner;

(3) provide leadership to the Board and ensure that the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner;

(4) ensure that good corporate governance practices and procedures are established and maintained;

(5) encourage Directors to make a full and active contribution to the Board's affairs and to voice their concerns if they have different views, and take the lead to ensure that the Board acts in the best interests of the Company;

(6) hold a meeting with INEDs without the presence of other Directors;

(7) ensure that an effective system of communication with shareholders has been established and to encourage shareholders to participate in general meetings whereat members of the Board and Board Committees are available to answer their questions; and

(8) promote a culture of openness, encourage all Directors to openly share their views on the Company's affairs and issues and ensure that the Directors are entitled to have access to Senior Management who will respond to queries raised by them as promptly and fully as possible.

5. Appointments, Re-election and Removal of Directors

The Company has a formal, considered and transparent procedure for the appointment and re-appointment of Directors. Nomination Committee of the Company has been established to carry out the responsibilities to nominate appropriate candidates for appointment as new Directors or consider the re-election of retiring Directors of the Company. Details of the functions of the Nomination Committee are set out in section 11 of this CG Report.

Pursuant to the Bye-laws of the Company, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors who are appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

All Directors have disclosed to the Board at the time of appointment, where required, any directorships in public companies or organisations and other significant commitments, and provide continuous updates, on a regular basis, for any change therein, with an indication of the time involved.

6. Training for Directors

All Directors, including INEDs, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Company. New Director, on appointment, will be given a comprehensive formal induction covering the Group's business and the statutory and regulatory obligations of a director of a listed company, and 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. All Directors are furnished with continuous updates and briefings on the latest changes or material developments 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 2019, 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 detail to keep the Directors abreast of the Group's affairs in order to perform their duties. In addition, a visit of MV Werften's Rostock 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 latest development of the facilities and business of the Group.

All Directors are also 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, and will 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.

CORPORATE GOVERNANCE REPORT

6. Training for Directors (Continued)

The participation by individual Directors in the continuous professional development programmes in 2019 is summarised as follows:

	Type of trainings
Executive Directors:	
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	A, B, C
Mr. Lim Keong Hui *(Deputy Chief Executive Officer)*	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

7. Board Meetings

Regular Board meetings of the Company are held at least four times each year on a quarterly basis and ad hoc Board meetings will be held as and when required. Formal notice of at least 14 days is given for a regular Board meeting and reasonable notice will be given for any other ad hoc Board meetings to all Directors. Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and Directors are given an opportunity to include matters in the draft agenda for deliberation at the meetings. 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. All Directors are entitled to have separate and independent access to Senior Management who will respond to queries raised by the Directors as promptly and fully as possible.

The Company continues to supply the Board and Board Committees with adequate information in a timely manner. Board papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.

The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for each Board meeting and Board Committee meeting. Draft and final versions of minutes of Board meetings and Board Committee meetings are sent to all Directors or respective members of Board Committees (as the case may be) for their comments and records within a reasonable time. 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.

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.

7. Board Meetings (Continued)

If a Director or substantial shareholder has a conflict of interest in a material transaction, the proposed transaction will be considered at Board meetings whereat the Board may consider, if appropriate, granting approval in-principle for the proposed transaction and authorising the final form thereof be further approved by way of circulation of written resolution or by a Board committee set up for that purpose in which case, any Director who is regarded as having material interest in the proposed transaction by virtue of his or his associates' interest shall abstain from voting on the relevant resolutions pursuant to the requirements of the Listing Rules and the Company's Bye-laws.

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.

8. Directors' Attendance and Time Commitments

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and at the general meetings for the year ended 31 December 2019 is set out below:

	Number of meetings attended/held					
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2019 AGM	SGM
Executive Directors:						
Tan Sri Lim Kok Thay [Note] *(Chairman and Chief Executive Officer)*	4/4	–	1/1	1/1	1/1	1/1
Mr. Lim Keong Hui [Note] *(Deputy Chief Executive Officer)*	4/4	–	–	–	1/1	1/1
INEDs:						
Mr. Alan Howard Smith *(Deputy Chairman)*	4/4	2/2	1/1	1/1	1/1	0/1
Mr. Lam Wai Hon, Ambrose	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Justin Tan Wah Joo	4/4	2/2	–	–	1/1	0/1

Note:

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

9. Board Committees

The Board has established certain Board Committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee, the Share Option Committee and will establish any other ad hoc Board Committees for investment and/or specific transaction purposes as appropriate, with clear terms of reference of such Committees containing at least the specific duties as prescribed by the CG Code. All relevant Board Committees are required by their terms of reference to report to the Board on their decisions or recommendations. The prevailing terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Exchange and the Company. All Board Committees are provided with sufficient resources, and can seek independent professional advice, pursuant to the requirement of the CG Code at the Company's expenses, if they consider necessary in order to perform their duties.

CORPORATE GOVERNANCE REPORT

10. Remuneration Committee

The Board has established the Remuneration Committee with specific written terms of reference which clearly define the role, authority and function of the Remuneration Committee and its specific duties as prescribed by the CG Code. The Remuneration Committee comprises three members, a majority of which are INEDs. The Chairman of the Remuneration Committee is Mr. Alan Howard Smith, an INED, and the other members are Tan Sri Lim (Chairman and Chief Executive Officer of the Company) and Mr. Lam Wai Hon, Ambrose, an INED.

No Director or any of his associates is involved in any decisions as to his own remuneration. Tan Sri Lim (Chairman and Chief Executive Officer of the Company) is a member of the Remuneration Committee, and would 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, and will abstain from voting when his or his associates' remuneration is considered by the Remuneration Committee.

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;

(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.

During the year 2019, 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 2018 which has been approved by the shareholders of the Company at the 2019 AGM.

Remuneration paid to members of Senior Management for the year under review has been disclosed by band in sub-section headed "Key management compensation" in note 36 to the consolidated financial statements.

11. Nomination Committee

The Board has established the Nomination Committee with specific written terms of reference which clearly define the role, authority and function of the Nomination Committee and its specific duties as prescribed by the CG Code. The Nomination Committee comprises three members, a majority of which are INEDs. The Chairman of the Nomination Committee is Mr. Alan Howard Smith, an INED, and the other members are Tan Sri Lim (Chairman and Chief Executive Officer) and Mr. Lam Wai Hon, Ambrose, an INED.

The Nomination Committee has adopted the "Director Nomination and Board Diversity Policy" (the "Policy") concerning the nomination of Directors and diversity of Board members.

The principal duties of the Nomination Committee pursuant to its terms of reference include the following:

(a) to formulate, review and update, as appropriate, a policy for the nomination of Directors with inter alia, diversity approach (the 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;

(c) to identify and nominate candidates to the Board for its approval for appointment to the Board, having due regard to the 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 the 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.

During the year 2019, 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 Policy 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 recommended to the Board the appointment of Mr. Lim Keong Hui as Deputy Chief Executive Officer of the Company and his re-designation to Deputy Chief Executive Officer and Executive Director of the Company.

CORPORATE GOVERNANCE REPORT

11. Nomination Committee (Continued)

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 Policy (including the diversity perspectives set out therein) and succession planning for the Company, on nomination by the Nomination Committee, the Board has (a) approved the appointment of Mr. Lim Keong Hui as Deputy Chief Executive Officer of the Company and his re-designation to Deputy Chief Executive Officer and Executive Director of the Company with effect from 28 March 2019; and (b) recommended the re-appointment of Tan Sri Lim as an Executive Director of the Company and Mr. Alan Howard Smith and Mr. Justin Tan Wah Joo as INEDs of the Company (each of whom retired by rotation pursuant to Bye-law 99 of the Company's Bye-laws) at the 2019 AGM of the Company. For the proposed re-appointment of the retiring INEDs namely, Mr. Alan Howard Smith and Mr. Justin Tan Wah Joo, the Company has included in the circular to shareholders dated 26 April 2019 the reasons why the Board considered them to be independent and recommended them to be re-elected. Both Mr. Alan Howard Smith and Mr. Justin Tan Wah Joo were regarded as having satisfied the requirements of the independence guidelines set out in Rule 3.13 of the Listing Rules as they are independent from Management and any major shareholder group of the Company and are free from any business or other relationship which might interfere with the exercise of their independent judgement. Each of the said retiring Directors (including, among the others, Mr. Alan Howard Smith, who has served the Board for more than nine years) was duly re-elected by shareholders at the 2019 AGM by passing separate resolutions.

Following re-appointment of the retiring Directors at the 2019 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 2020 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 2020 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 2020 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 2020 AGM of the Company and re-appointed Mr. Justin Tan Wah Joo as the Chairman of the Audit Committee.

A summary of 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;

11. Nomination Committee (Continued)

(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;

(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 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.

12. Audit Committee

The Board has established the Audit Committee with specific written terms of reference which clearly define the role, authority and function of the Audit Committee and its specific duties as prescribed by the CG Code. The Audit Committee comprises three members, all of them are INEDs. The Chairman of the Audit Committee is Mr. Justin Tan Wah Joo and the other members are Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose. None of the Directors who served on the Audit Committee is a former partner of the Company's existing external auditor.

There was no disagreement between the Board and the Audit Committee on the selection and re-appointment of the external auditor. The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the external auditor of the Company. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditor.

12. Audit Committee (Continued)

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;

(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;

12. Audit Committee (Continued)

(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.

During the year 2019, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2018 and for the six months ended 30 June 2019;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the risk management programme 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 36 to the consolidated financial statements;

(g) reviewed the Environmental, Social and Governance ("ESG") Report for the year ended 31 December 2018 before submission to the Board for review;

(h) reviewed semi-annually the report in respect of the implementation of the anti-money laundering programme ("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.

CORPORATE GOVERNANCE REPORT

13. Auditor's Remuneration

A remuneration of US$2.4 million was paid/payable to the Company's external auditor for the provision of audit services in 2019. During the same year, the fees paid/payable to the external auditor for non-audit related activities amounted to US$1.5 million of which US$0.3 million related to tax services fees and US$1.2 million related to advisory services fees.

14. Corporate Governance Functions

The Board is also collectively responsible for performing the corporate governance duties, with terms of reference for such duties as prescribed by the CG Code:

(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.

During the year 2019, 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 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 Disclosure Committee and authorised consequential amendments to the Disclosure of Inside Information Policy and other housekeeping changes (if any); and

(c) 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.

15. Delegation by the Board

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.

In addition, the Board has established a number of Board Committees and delegates to these Committees certain functions and responsibilities set out in their respective terms of reference, details in respect of the Remuneration Committee, the Nomination Committee and the Audit Committee are given in sections 10 to 12 of this CG Report.

16. Company Secretary

The Company Secretary assists and supports the Board in ensuring good information flow within the Board and the Board policy and procedures are followed. The Company Secretary is an employee of the Group and has general knowledge of its affairs. The selection, appointment or dismissal of the Company Secretary will be approved by the Board as appropriate at Board meeting, as and when the occasion arises.

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. All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required. While Code Provision F.1.3 of the CG Code states that the Company Secretary should report to the Board Chairman and/or the Chief Executive, the Board is of the view that the current arrangement shall be maintained for effective performance of the roles and responsibilities of the Company Secretary.

17. Risk Management and Internal Control

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. Risk management and internal control systems of the Group are assessed, on the effectiveness and compliance, from time to time by the internal audit function, i.e. the Internal Audit Department, of the Group which reports to the Audit Committee directly. In addition, a risk management framework and programme 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. The systems are designed to provide reasonable, but not absolute, assurance against material misstatements or loss.

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

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

(b) 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.

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

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

(e) 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.

(f) 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.

(g) 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.

CORPORATE GOVERNANCE REPORT

17. Risk Management and Internal Control (Continued)

(h) 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.

(i) 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.

(j) 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 2019 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.

(k) 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.

(l) 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.

17. Risk Management and Internal Control (Continued)

(m) In 2019, 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 for the year ended 31 December 2018 and for the six months period ended 30 June 2019, which cover all material controls including financial, operational and compliance controls; and (b) an annual review for the year ended 31 December 2018 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.

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.

The Board through the Audit Committee has conducted an annual review and considered the following aspects for the year ended 31 December 2019:

(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.

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.

18. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2019 as its code of conduct regarding securities transactions by the Directors. Each of the Directors has confirmed, following specific enquiry by the Company, that during the year from 1 January 2019 to 31 December 2019 (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. The Company has also extended the Model Code to be 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.

CORPORATE GOVERNANCE REPORT

19. Financial Reporting

The Directors are responsible for preparing financial statements 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 financial statements for the year ended 31 December 2019, 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 financial statements on the going concern basis. Save as disclosed in the "Significant Subsequent Events" in note 44 to the consolidated financial statements, the Board is not aware of any material uncertainties relating to any events or conditions that may cause significant doubt upon the Company's ability to continue as a going concern. The Independent Auditor's Report states the auditor's reporting responsibilities on the financial statements of the Company.

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, including annual report and interim report and other financial disclosure required by the Listing Rules.

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 detail, and are regularly provided with relevant reports and updates on the Company's business and financial information to keep the Directors abreast of the Group's affairs in order to perform their duties. An explanation of 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 stated 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.

20. Communication with Shareholders

The Board strives to encourage and maintain constant dialogue with the shareholders through various means. The Board has established a Shareholders' Communication Policy which will be reviewed regularly to ensure that appropriate steps are taken to provide effective communication with the shareholders. The Company communicates with the shareholders through the publication of notices, announcements, circulars, interim and annual reports. All such information are available on the Company's website at www.gentinghk.com.

During the year, the Chairman of the Board (who is also a member of each of the Remuneration Committee and the Nomination Committee) attended and chaired the Company's 2019 AGM pursuant to the Company's Bye-laws and he together with the Chairman and other members of the Audit Committee, Remuneration Committee and Nomination Committee as well as an Executive Director, the Senior Management and the external auditor of the Company were available to answer questions at the 2019 AGM. The Chairman of the Board and the other Executive Director had also attended the SGM by means of telephone conference, while Mr. Lam Wai Hon, Ambrose, an INED, attended the SGM in person and was elected as the Chairman of SGM by the Directors present thereat to preside over the SGM pursuant to the Company's Bye-laws, they together with Senior Management were available to answer questions (if any) of shareholders thereat. Through such opportunities, the Board sought to gain and develop a balanced understanding of the views of the shareholders.

Notice period of more than 20 clear business days for the 2019 AGM and more than 10 clear business days for the SGM had been given to the shareholders for convening respective meetings held during the year. At the 2019 AGM, separate resolutions were proposed on each substantially separate issue. An explanation on the detailed procedures for conducting a poll was properly provided to shareholders during the proceedings of the 2019 AGM and the SGM respectively.

21. Shareholders' Rights

21.1 Procedures to convene Special General Meeting

(a) Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request to convene a special general meeting 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 special general meeting 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 special general meeting will not be convened as requested.

(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 special general meeting 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 special general meeting.

21.2 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.

CORPORATE GOVERNANCE REPORT

21. Shareholders' Rights (Continued)

21.3 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 21.3(a)(i) above, must state the resolution, and, in the case of any requisition as referred to in paragraph 21.3(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 21.1(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.

22. Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. During the year 2019, the Board has reviewed and approved the Company's ESG Report for the financial year ended 31 December 2018 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.

23. Dividend Policy

In compliance with Code Provision E.1.5 of the CG Code, the Company has adopted a dividend policy effective from 1 January 2019 (the "Dividend Policy"), which serves as general guidelines for the Board in determining or recommending any dividend payments by the Company. In general, the Company aims to provide shareholders with a steady dividend return, where appropriate, after having due regard to applicable factors laid down in the Dividend Policy and listed below. The Dividend Policy, however does not constitute an assurance regarding any future dividend of the Company.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board will consider the following factors:

(a) the level of available distributable reserves;

(b) financial results and condition;

(c) future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(d) funding requirements;

(e) potential strategic opportunities;

(f) any relevant statutory, regulatory and contractual restrictions/implications; and

(g) other factors as the Board may deem relevant.

The declaration, recommendation and payment of dividends or other distribution out of distributable reserves, if any, from time to time, are determined at the sole discretion of the Board, subject to applicable laws, rules and regulations (including the approval of the shareholders of the Company if required).

Any dividend unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company in accordance with the Bye-laws of the Company.

The Board will review the Dividend Policy periodically and adopt changes as it determines necessary and appropriate to ensure that the Dividend Policy is in line with the ongoing development plans of the Company and its subsidiaries and the prevailing laws, rules and regulations, from time to time, on the subject matter.

24. Constitutional Documents

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 2019

	Note	2019 US$'000	2018 US$'000
Revenue	6	**1,560,921**	1,600,101
Operating expenses			
Operating expenses excluding depreciation and amortisation		**(1,158,751)**	(1,256,559)
Depreciation and amortisation	10	**(210,496)**	(196,489)
		(1,369,247)	(1,453,048)
Selling, general and administrative expenses			
Selling, general and administrative expenses excluding depreciation and amortisation		**(259,693)**	(271,265)
Depreciation and amortisation	10	**(28,168)**	(17,260)
		(287,861)	(288,525)
		(1,657,108)	(1,741,573)
Operating Loss		**(96,187)**	(141,472)
Share of profit of joint ventures	19	**3,018**	1,016
Share of profit of associates	20	**6,673**	12,456
Other expenses, net	7	**(11,252)**	(20,964)
Other (losses)/gains, net	8	**(15,382)**	15,505
Finance income		**5,742**	8,341
Finance costs	9	**(48,963)**	(78,691)
		(60,164)	(62,337)
Loss before taxation	10	**(156,351)**	(203,809)
Taxation	11	**(2,242)**	(9,492)
Loss for the year		**(158,593)**	(213,301)

	Note	**2019 US$'000**	2018 US$'000
Loss for the year		**(158,593)**	(213,301)
Other comprehensive (loss)/income:			
Items that have been or may be reclassified to consolidated statement of comprehensive income:			
Foreign currency translation differences		**(16,205)**	(120,293)
Fair value loss on derivative financial instruments		**(24,726)**	(25,284)
Hedging gains reclassified to profit or loss		**(121)**	–
Share of other comprehensive (loss)/income of an associate		**(1,937)**	471
Release of reserves upon disposal of a subsidiary	41	**1,507**	–
		(41,482)	(145,106)
Items that will not be reclassified subsequently to consolidated statement of comprehensive income:			
Remeasurements of retirement benefit obligations		**510**	(79)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	21	**1,480**	(756)
Other comprehensive loss for the year		**(39,492)**	(145,941)
Total comprehensive loss for the year		**(198,085)**	(359,242)
Loss attributable to:			
Equity owners of the Company		**(151,461)**	(210,875)
Non-controlling interests		**(7,132)**	(2,426)
		(158,593)	(213,301)
Total comprehensive loss attributable to:			
Equity owners of the Company		**(190,953)**	(356,816)
Non-controlling interests		**(7,132)**	(2,426)
		(198,085)	(359,242)
Loss per share attributable to equity owners of the Company			
– Basic (US cents)	12	**(1.79)**	(2.49)
– Diluted (US cents)	12	**(1.79)**	(2.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,574,212**	4,703,825
Right-of-use assets	16	**211,806**	–
Land use rights	17	**–**	3,499
Intangible assets	18	**265,010**	272,375
Interests in joint ventures	19	**5,784**	3,498
Interests in associates	20	**524,950**	503,853
Deferred tax assets	31	**2,677**	2,983
Financial assets at fair value through other comprehensive income ("FVOCI")	21	**10,334**	8,854
Other assets and receivables	24	**110,245**	17,560
		6,705,018	5,516,447
CURRENT ASSETS			
Completed properties for sale		**38,681**	40,550
Inventories	22	**46,142**	38,211
Trade receivables	23	**57,765**	33,261
Prepaid expenses and other receivables	24	**139,272**	116,524
Contract assets		**647**	1,320
Contract costs	25	**14,128**	13,224
Amounts due from related companies		**6,616**	1,224
Restricted cash	26	**374,131**	105,831
Cash and cash equivalents	27	**595,124**	904,131
		1,272,506	1,254,276
TOTAL ASSETS		**7,977,524**	6,770,723

	Note	2019 US$'000	2018 US$'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		**107,147**	109,353
Foreign currency translation adjustments		**(155,048)**	(140,350)
Financial assets at FVOCI reserve		**739**	(741)
Cash flow hedge reserve		**(14,971)**	(25,284)
Other reserve		**432,457**	–
Retained earnings		**2,107,350**	2,255,830
		4,304,380	4,025,514
Non-controlling interests		**40,708**	33,541
TOTAL EQUITY		**4,345,088**	4,059,055
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	29	**2,523,074**	1,684,086
Deferred tax liabilities	31	**22,525**	23,789
Provisions, accruals and other liabilities	33	**1,822**	586
Retirement benefit obligations	37	**8,139**	8,964
Contract liabilities	34	**42,648**	29,514
Lease liabilities	35	**31,685**	–
Derivative financial instruments	30	**684**	8,540
		2,630,577	1,755,479
CURRENT LIABILITIES			
Trade payables	32	**156,670**	117,942
Current income tax liabilities		**10,328**	8,362
Provisions, accruals and other liabilities	33	**249,266**	249,655
Contract liabilities	34	**341,409**	259,452
Lease liabilities	35	**13,417**	–
Current portion of loans and borrowings	29	**216,341**	303,973
Derivative financial instruments	30	**14,287**	16,744
Amounts due to related companies		**141**	61
		1,001,859	956,189
TOTAL LIABILITIES		**3,632,436**	2,711,668
TOTAL EQUITY AND LIABILITIES		**7,977,524**	6,770,723

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 2019

	Note	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES			
Cash generated from operations	(a)	**212,351**	115,435
Interest received		**4,801**	8,732
Income tax paid		**(4,395)**	(10,064)
Net cash inflow from operating activities		**212,757**	114,103
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	43	**(10,606)**	–
Purchase of property, plant and equipment		**(1,231,438)**	(776,609)
Purchase of intangible assets		**(250)**	(121,272)
Proceeds from grants in relation to acquisition of property, plant and equipment		**4,889**	13,650
Proceeds from sale of property, plant and equipment		**579**	242
Proceeds from disposal of a subsidiary, net of cash disposed of	41	**212**	–
Cash received from lease receivables (including interest)		**1,898**	–
Increase in restricted cash		**(280,525)**	–
Proceeds from disposal of financial assets at fair value through profit or loss ("FVPL")		**–**	702,340
Dividends received		**2,015**	2,692
Net cash outflow from investing activities		**(1,513,226)**	(178,957)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	(b)	**1,023,030**	408,208
Repayments of loans and borrowings	(b)	**(255,775)**	(320,302)
Proceeds from loans from non-controlling shareholders of a subsidiary	(b)	**–**	5,108
Interest paid	(b)	**(103,349)**	(79,349)
Payment of loan arrangement fees		**(103,257)**	(2,185)
Payment for lease liabilities (including interest)		**(15,286)**	–
Proceeds from partial disposal of interests in subsidiaries, net of transaction costs	42	**446,756**	–
Dividends paid		**–**	(169,650)
Net cash inflow/(outflow) from financing activities		**992,119**	(158,170)
Effect of exchange rate changes on cash and cash equivalents		**(657)**	(20,547)
Net decrease in cash and cash equivalents		**(309,007)**	(243,571)
Cash and cash equivalents at beginning of year		**904,131**	1,147,702
Cash and cash equivalents at end of year	27	**595,124**	904,131

Notes to Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES		
Loss before taxation	**(156,351)**	(203,809)
Depreciation and amortisation		
– relating to operating function	**210,496**	196,489
– relating to selling, general and administrative function	**28,168**	17,260
	238,664	213,749
Finance costs	**48,963**	78,691
Finance income	**(5,742)**	(8,341)
Share of profit of joint ventures	**(3,018)**	(1,016)
Share of profit of associates	**(6,673)**	(12,456)
Gain on disposal of financial assets at FVPL	**–**	(34,395)
Fair value loss on financial assets at FVPL	**–**	18,890
Loss on disposal of a subsidiary	**1,762**	–
Write off and loss on disposal of property, plant and equipment	**3,364**	16,299
Impairment loss on property, plant and equipment	**15,796**	–
Reversal of impairment loss on other receivables	**(2,176)**	–
Provision for retirement benefit obligations	**518**	603
	135,107	68,215
Decrease/(Increase) in:		
Trade receivables	**(24,198)**	29,332
Inventories	**(7,798)**	(944)
Contract assets	**1,479**	(1,320)
Contract costs	**(904)**	(2,656)
Restricted cash	**12,230**	21,615
Completed properties for sale	**1,448**	4,498
Other assets, prepaid expenses and other receivables	**(35,946)**	(2,590)
Increase/(Decrease) in:		
Trade payables	**38,549**	15,579
Provisions, accruals and other liabilities	**4,112**	11,193
Amounts due to related companies	**(5,289)**	(833)
Contract liabilities	**95,311**	(26,091)
Retirement benefit obligations	**(1,750)**	(563)
Cash generated from operations	**212,351**	115,435

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Notes to Consolidated Statement of Cash Flows (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Loans and borrowings US$'000	Lease liabilities US$'000	Interest accrued (included in provisions, accruals and other liabilities) US$'000	Total liabilities from financing activities US$'000
At 1 January 2019 (as previously stated)	1,988,059	–	18,993	2,007,052
Adjustment on adoption of HKFRS 16 (note 3)	–	45,546	–	45,546
At 1 January 2019 (as restated)	1,988,059	45,546	18,993	2,052,598
Cash flows from financing activities:				
– Proceeds from loans and borrowings	1,023,030	–	–	1,023,030
– Repayments of loans and borrowings	(255,775)	–	–	(255,775)
– Interest paid	–	–	(103,349)	(103,349)
– Payment for lease liabilities (including interest)	–	(15,286)	–	(15,286)
Currency translation differences	3,522	282	–	3,804
Other non-cash movements	(19,421)	15,450	104,064	100,093
Disposal of a subsidiary (note 41)	–	(890)	–	(890)
At 31 December 2019	2,739,415	45,102	19,708	2,804,225

	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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$'000	Financial assets at FVOCI reserve US$'000	Cash flow hedge reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019 (as previously stated)	848,249	41,634	936,823	109,353	(140,350)	(741)	(25,284)	-	2,255,830	4,025,514	33,541	4,059,055
Adjustments on adoption of HKFRS 16 (note 3)	-	-	-	-	-	-	-	-	2,202	2,202	-	2,202
At 1 January 2019 (as restated)	848,249	41,634	936,823	109,353	(140,350)	(741)	(25,284)	-	2,258,032	4,027,716	33,541	4,061,257
Comprehensive income/(loss):												
Loss for the year	-	-	-	-	-	-	-	-	(151,461)	(151,461)	(7,132)	(158,593)
Other comprehensive income/(loss) for the year:												
Foreign currency translation differences	-	-	-	-	(16,205)	-	-	-	-	(16,205)	-	(16,205)
Fair value loss on derivative financial instruments	-	-	-	-	-	-	(24,726)	-	-	(24,726)	-	(24,726)
Hedging gains reclassified to profit or loss	-	-	-	-	-	-	(121)	-	-	(121)	-	(121)
Share of other comprehensive loss of an associate	-	-	-	(1,937)	-	-	-	-	-	(1,937)	-	(1,937)
Release of reserves upon disposal of a subsidiary	-	-	-	-	1,507	-	-	-	-	1,507	-	1,507
Remeasurements of retirement benefit obligations	-	-	-	-	-	-	-	-	510	510	-	510
Fair value gain on financial assets at FVOCI	-	-	-	-	-	1,480	-	-	-	1,480	-	1,480
Total comprehensive income/(loss)	-	-	-	(1,937)	(14,698)	1,480	(24,847)	-	(150,951)	(190,953)	(7,132)	(198,085)
Cash flow hedges reclassified to property, plant and equipment	-	-	-	-	-	-	35,160	-	-	35,160	-	35,160
Transactions with equity owners:												
Lapse of share options	-	-	-	(269)	-	-	-	-	269	-	-	-
Transactions with non-controlling interests (note 42)	-	-	-	-	-	-	-	432,457	-	432,457	14,299	446,756
Total transactions with equity owners	-	-	-	(269)	-	-	-	432,457	269	432,457	14,299	446,756
At 31 December 2019	848,249	41,634	936,823	107,147	(155,048)	739	(14,971)	432,457	2,107,350	4,304,380	40,708	4,345,088

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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$'000	Financial assets at FVOCI reserve US$'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)	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
Remeasurements of retirement benefit obligations	–	–	–	–	–	–	–	(79)	(79)	–	(79)
Fair value loss on financial assets at FVOCI	–	–	–	–	–	(756)	–	–	(756)	–	(756)
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

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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"), 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 2019

From 1 January 2019, the Group has adopted the following revised HKFRS and interpretations ("HK (IFRIC)"), which are relevant to its operations.

(i) HKFRS 16, "Leases" (effective from 1 January 2019). It results 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, a right-of-use asset and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The effects of the adoption of HKFRS 16 are set out in note 3.

(ii) Annual Improvement to HKFRSs 2015 – 2017 Cycle – Amendments to Hong Kong Accounting Standard ("HKAS") 23 "Borrowing Costs" (effective from 1 January 2019). The improvement clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

(iii) 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. The interpretation does not have a material impact on the Group's consolidated financial statements.

(iv) 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. The amendments do not have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Basis of preparation (Continued)

Standards and interpretations to existing standard effective in 2019 (Continued)

(v) Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" (effective from 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. The amendments do not have a material impact on the Group's consolidated financial statements.

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

Certain amended HKFRS/HKAS have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group.

(i) Amendments to HKFRS 3 "Definition of a Business" (effective from 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.

(ii) HKAS 1 and HKAS 8 (Amendments) "Definition of Material" (effective from 1 January 2020). The amendments clarify the definition of "material" and its application by aligning the wording of the definition of "material" across all HKFRS Standards and the Conceptual Framework and making minor improvements to that wording, incorporating supporting requirements in HKAS 1 into the definition to give them more prominence and clarify their applicability, and clarifying the explanation accompanying the definition of material.

(iii) 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.

(iv) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform" (effective from 1 January 2020). The amendments provide certain reliefs which relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of comprehensive income. The amendments shall be applied retrospectively.

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)

(v) Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" (effective from 1 January 2022). The HKAS 1 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period. The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with HKAS 32 "Financial Instruments: Presentation". Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

The Group plans to apply the amendments when they become effective. The Group has already commenced assessments of the related impacts of amended standards to the Group and it is not yet in a position to state whether the amendments 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

Subsidiaries are all entities (including structured entities) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Consolidation (Continued)

(ii) 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 ("OCI") is recognised in OCI. 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.

(iii) 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 OCI is recognised in OCI. 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.

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

(b) Consolidation (Continued)

(iv) Change in ownership interests

Transactions with non-controlling interests that do not result in 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 value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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 OCI 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 OCI are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Consolidation (Continued)

(v) 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 FVOCI, are included in OCI.

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 OCI.

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 OCI.

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.

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

(c) Translation of foreign currencies (Continued)

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 a 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.

The Group recognises the incremental costs directly attributable to obtaining contracts with customers, such as sales commissions, as an asset if those costs are expected to be recoverable, and records them as contract costs in the consolidated statement of financial position. The contract costs are amortised on a systematic basis that is consistent with the timing of revenue recognition of the related future cruise voyages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, revenue from third party concessionaires 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 third party concessionaries, net of the amounts remitted to the concessionaires by the Group, are recognised at a point in time when the selected goods and/or services onboard have been transferred/provided by the concessionaires to the customers. 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, 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 accounted for as a contract modification to the extent that the amount is approved, 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.

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.

(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 fair value through profit or loss ("FVPL") and financial assets at FVOCI. 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.

Divdend that clearly represents a recovery of part of the cost of an investment is recognised in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(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.

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.

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

(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.

(n) Financial assets

(i) Classification

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(n) Financial assets (Continued)

(iii) Measurement (Continued)

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 follows:

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). Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

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

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)

(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.

(q) Trade payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(r) Leases

(i) Operating leases – where the Group is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses existing third-party financing facilities for the Group and LIBOR rate as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance of the fixed lease payments or a change in assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

(r) Leases (Continued)

(i) Operating leases – where the Group is the lessee (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise small items of office furniture and equipment.

Extension options

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

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

Lease income from operating leases where the Group is a lessor is recognised in income over the lease term on a straight-line basis. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting HKFRS 16.

Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(iii) Accounting policies applied until 31 December 2018

Operating leases – where the Group is the lessee

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(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 7 years to 10 years.

(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 10 years to 20 years.

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

(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 improvements 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 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 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.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in the consolidated statement of financial position. See accounting policy on right-of-use assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(t) Property, plant and equipment (Continued)

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.

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. 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.

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.

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

(v) Retirement benefit costs (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(z) Impairment of non-financial assets

At the end of each reporting period, 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 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.

(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.

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.

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

(dd) Derivative financial instruments and hedging activities

Derivatives (including forward foreign exchange contracts and interest rate swap contracts) 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.

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). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(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

HKFRS 16

As explained in note 2 above, the Group adopted HKFRS 16 that is effective for the financial year beginning on 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.1%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	US$'000
Operating lease commitments disclosed as at 31 December 2018	46,830
Discounting effect using the lessee's incremental borrowing rate at the date of initial application	(5,484)
Add: reclassification of finance lease liabilities recognised as at 31 December 2018	968
Less: short-term leases recognised on a straight-line basis as expense	(2,044)
Less: low-value leases recognised on a straight-line basis as expense	(125)
Less: contracts reassessed as service agreements	(5,300)
Add: adjustments as a result of a different treatment of extension options	11,844
Less: contracts commenced after 1 January 2019 but entered into on or before 31 December 2018	(1,143)
Lease liabilities recognised as at 1 January 2019	45,546
Of which are:	
Current lease liabilities	10,639
Non-current lease liabilities	34,907
	45,546

3. Changes in Accounting Policies (Continued)

HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets as at 1 January 2019 relate to the following types of assets:

	US$'000
Leasehold land and buildings	208,299
Equipment and others	11,116
	219,415

The impact on the Group's financial position by the application of HKFRS 16 as at 1 January 2019 and the consolidated statement of comprehensive income for the year ended 31 December 2019 is as follows:

	As at 1 January 2019		
	As previously stated US$'000	**Adjustments under HKFRS 16 US$'000**	**Restated US$'000**
Consolidated statement of financial position (extract)			
NON-CURRENT ASSETS			
Property, plant and equipment	**4,703,825**	**(176,744)**	**4,527,081**
Right-of-use assets	**–**	**219,415**	**219,415**
Land use rights	**3,499**	**(3,499)**	**–**
Lease receivables (included in other assets and receivables)	**–**	**9,268**	**9,268**
CURRENT ASSETS			
Lease receivables (included in prepaid expenses and other receivables)	**–**	**1,408**	**1,408**
Prepayments (included in prepaid expenses and other receivables)	**97,908**	**(2,444)**	**95,464**
CURRENT LIABILITIES			
Provisions, accruals and other liabilities	**249,655**	**(968)**	**248,687**
Lease liabilities	**–**	**10,639**	**10,639**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**23,789**	**624**	**24,413**
Lease liabilities	**–**	**34,907**	**34,907**
EQUITY			
Retained earnings	**2,255,830**	**2,202**	**2,258,032**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in Accounting Policies (Continued)

HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

The impact on the Group's financial position by the application of HKFRS 16 as at 1 January 2019 and the consolidated statement of comprehensive income for the year ended 31 December 2019 is as follows: (Continued)

	Year ended 31 December 2019		
	Results without the adoption of HKFRS 16 US$'000	Effects of the adoption of HKFRS 16 US$'000	Results as reported US$'000
Consolidated statement of comprehensive income (extract)			
Revenue	1,562,691	(1,770)	1,560,921
Operating expenses			
– Operating expenses excluding depreciation and amortisation	(1,165,336)	6,585	(1,158,751)
– Depreciation and amortisation	(208,666)	(1,830)	(210,496)
Selling, general and administrative expenses			
– Selling, general and administrative expenses excluding depreciation and amortisation	(268,394)	8,701	(259,693)
– Depreciation and amortisation	(17,856)	(10,312)	(28,168)
Finance income	5,401	341	5,742
Finance costs	(46,593)	(2,370)	(48,963)
Taxation	(1,999)	(243)	(2,242)
Loss for the year	(157,695)	(898)	(158,593)

(a) Impact on segment disclosures and loss per share

Segment EBITDA for the year ended 31 December 2019, segment assets and segment liabilities as at 31 December 2019 increased as a result of the change in accounting policy as follows:

	Segment EBITDA US$'000	Segment assets US$'000	Segment liabilities US$'000
Cruise and cruise-related activities	6,791	15,698	19,055
Shipyard	4,047	8,519	8,690
Non-cruise activities	2,678	23,331	17,420
	13,516	47,548	45,165

There was no material impact on loss per share for the year ended 31 December 2019 as a result of the adoption of HKFRS 16.

3. Changes in Accounting Policies (Continued)

HKFRS 16 (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

(b) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as short-term leases as at 1 January 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

(ii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices, hotels, warehouses, equipment and leasehold land. Lease contracts are made for fixed periods of 1 to 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Up to 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance of the fixed lease payments or a change in assessment to purchase the underlying asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise small items of office furniture and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and interest rate swap contracts to limit its exposures to fluctuations in foreign currency exchange rates and interest rates on bank borrowings respectively.

(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, Australian Dollar and New Taiwan dollar. 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 2019, if Euro, Chinese Renminbi, Singapore dollar, Malaysian Ringgit, Australian dollar and New Taiwan dollar had weakened/strengthened by 2% (2018: Euro, Chinese Renminbi, Singapore dollar, Malaysian Ringgit and Indian Rupee had weakened/strengthened by 2%) 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, Australian Dollar and New Taiwan dollar denominated trade receivables, trade payables and cash and cash equivalents would be as follows:

	2019 US$'000	2018 US$'000
Foreign exchange losses/gains	**7,457**	9,398

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 forward foreign exchange 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 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 38(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 loss rates. 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 2019, the weighted average expected credit loss rate of trade receivables was assessed to be 3% (2018: 3%).

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 2019 reconcile to the opening loss allowances as follows:

	2019 US$'000	2018 US$'000
At 1 January	**65,432**	196,659
Increase in loss allowance recognised in consolidated statement of comprehensive income during the year	**1,037**	6,885
Unused amount reversed to consolidated statement of comprehensive income	**(4,134)**	(5,371)
Write off against receivables	**(47,132)**	(132,626)
Currency translation differences	**42**	(115)
At 31 December	**15,245**	65,432

Of the above impairment losses, US$6,356,000 (2018: US$6,793,000) relate to receivables arising from contracts with customers.

As at 31 December 2019 and 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.

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 uses 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 2019 and 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, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash (2019: US$595.1 million and 2018: US$904.1 million) and committed credit lines available (2019: US$36.7 million and 2018: US$236.6 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
2019				
Non-derivative financial liabilities				
Loans and borrowings	**338,069**	**724,959**	**1,332,018**	**1,023,860**
Trade payables	**156,670**	**–**	**–**	**–**
Lease liabilities	**15,015**	**14,574**	**17,400**	**1,842**
Accruals and other liabilities	**233,752**	**2,553**	**–**	**–**
Amounts due to related companies	**141**	**–**	**–**	**–**
Derivative financial liabilities				
Inflow arising from derivative financial instruments	**(350,994)**	**(1,332)**	**(1,406)**	**–**
Outflow arising from derivative financial instruments	**366,337**	**1,651**	**1,792**	**–**
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	–	–

For the maturity analysis of guarantees, please refer to note 38(iv) for details.

(v) Interest rate risk

Majority of the Group's indebtedness and its related interest expenses are denominated in US dollar and 71% of them are based upon floating rates of interest after taking into account the effect of hedging from the interest rate swap contracts entered into. The Group continuously evaluates its debt portfolio 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.

As at 31 December 2019 and 2018, 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.

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(v) Interest rate risk (Continued)

For the year ended 31 December 2019, if the interest rates on variable-rate borrowings had been higher or lower by 100 basis points (2018: 100 basis points), loss before taxation would have increased or decreased by the amounts shown below:

	2019 US$'000	2018 US$'000
Increase/decrease in loss before taxation	**20,103**	12,590

(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 2019 was as follows:

	2019 US$'000	2018 US$'000
Total borrowings (note 29)	**2,739,415**	1,988,059
Less: Cash and cash equivalents (note 27)	**(595,124)**	(904,131)
Net debt	**2,144,291**	1,083,928
Total equity	**4,345,088**	4,059,055
Gearing ratio	**49.3%**	26.7%

The Group was in compliance with financial debt covenants imposed by the financial institutions for the years ended 31 December 2019 and 2018.

(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
2019				
Financial assets				
Financial assets at FVOCI	–	–	10,334	10,334
Financial liabilities				
Derivatives financial instruments	–	14,971	–	14,971

	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

There have been no transfers between the levels of the fair value hierarchy during the years ended 31 December 2019 and 2018.

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:

- 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
- The fair value of interest rate swaps is determined using the estimated future cash flows based on observable yield curves, 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. 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
			2019	2018	
Financial assets at FVOCI	Adjusted net asset value	Average market unit rate (US$/sq.m.)	**4,531**	3,268	Note (i)
		Capitalisation rate	**3%**	3%	Note (i)
		Market rent growth rate	**5%**	4%	Note (i)
		Discount rate	**8%**	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.

The following table presents the changes in the fair value of financial assets at FVOCI for the year ended 31 December 2019:

	2019 US$'000	2018 US$'000
At 1 January	**8,854**	9,610
Gain/(Loss) recognised in other comprehensive income	**1,480**	(756)
At 31 December	**10,334**	8,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (Continued)

(c) Fair value estimation (Continued)

Loans and borrowings

The carrying amount and fair value of the loans and borrowings (including the current portion) are as follows:

	2019 US$'000	2018 US$'000
Carrying amount	**2,739,415**	1,988,059
Fair value	**2,892,830**	2,092,899

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, lease liabilities and accrued liabilities approximate their carrying amounts.

(d) Financial instruments by category

Financial assets	2019 US$'000	2018 US$'000
Financial assets at amortised cost		
Trade receivables	**57,765**	33,261
Deposits and other receivables	**42,286**	18,122
Amounts due from related companies	**6,616**	1,224
Restricted cash	**374,131**	105,831
Cash and cash equivalents	**595,124**	904,131
	1,075,922	1,062,569
Financial assets at FVOCI	**10,334**	8,854
	1,086,256	1,071,423

Financial liabilities	2019 US$'000	2018 US$'000
Financial liabilities at amortised cost		
Trade payables	**156,670**	117,942
Accruals and other liabilities	**235,757**	234,082
Lease liabilities	**45,102**	–
Amounts due to related companies	**141**	61
Loans and borrowings	**2,739,415**	1,988,059
	3,177,085	2,340,144
Derivative financial instruments used for hedging	**14,971**	25,284
	3,192,056	2,365,428

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 end of the reporting period 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.

(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 the 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 on board and other goods and services at the end of the reporting period. The Group reassess the measurement basis used for calculating the fair value of customer loyalty award credits for redemption of cabin on board 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Critical Accounting Estimates and Judgements (Continued)

(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 18.

(g) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

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, revenue from third party concessionaires, 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 hotels, travel agent, aviation (including AirCruises and air-related services), entertainment and sales of residential property units, 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.

6. Revenue and Segment Information (Continued)

The segment information of the Group is as follows:

For the year ended 31 December 2019	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	1,037,184	–	15,457		1,052,641
Onboard revenue	346,506	–	–		346,506
Revenue from shipyard	–	1,029,166	–		1,029,166
Other revenue	–	–	51,898		51,898
Reportable segment revenue	1,383,690	1,029,166	67,355		2,480,211
Less: Inter-segment revenue[2]	–	(906,844)	(12,446)		(919,290)
Total revenue from external customers[3]	1,383,690	122,322	54,909		1,560,921
Segment EBITDA	189,829	(43,009)	(23,456)	19,113	142,477
Less: Depreciation and amortisation	(190,219)	(44,106)	(37,373)	33,034	(238,664)
Segment results	(390)	(87,115)	(60,829)	52,147	(96,187)
Share of profit of joint ventures					3,018
Share of profit of associates					6,673
Other expenses, net					(11,252)
Other losses, net					(15,382)
Finance income					5,742
Finance costs					(48,963)
Loss before taxation					(156,351)
Taxation					(2,242)
Loss for the year					(158,593)
Other segment information:					
Impairment loss on property, plant and equipment	11,242	–	4,554		15,796

(1) Consistent with the internal reporting to the chief operating decision maker, included in the passenger ticket revenue of US$1,037.2 million (2018: US$987.7 million) were revenue contributed by onboard activities of US$177.2 million (2018: US$178.3 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 2019, revenue of the Group amounted to US$1,560.9 million, of which revenue from contracts with customers totalled US$1,343.0 million.

Revenue from contracts with customers is recognised as follows:

For the year ended 31 December 2019	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	99,943	16,883	27,203	144,029
Over time	1,071,838	104,471	22,696	1,199,005
	1,171,781	121,354	49,899	1,343,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

As at 31 December 2019	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Segment assets	5,568,414	1,045,629	1,360,804	7,974,847
Deferred tax assets				2,677
Total assets				7,977,524
Segment liabilities	578,145	225,880	56,143	860,168
Loans and borrowings (including current portion)	2,696,886	42,529	–	2,739,415
	3,275,031	268,409	56,143	3,599,583
Current income tax liabilities				10,328
Deferred tax liabilities				22,525
Total liabilities				3,632,436
Capital expenditure:				
Property, plant and equipment	1,164,794	100,343	73,290	1,338,427
Property, plant and equipment arising from acquisition of a subsidiary	–	488	–	488
Intangible assets	–	3,315	250	3,565
Intangible assets arising from acquisition of a subsidiary	–	3,688	–	3,688
	1,164,794	107,834	73,540	1,346,168

6. Revenue and Segment Information (Continued)

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[2]	–	(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)

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	39,914	803,826
Intangible assets	–	128,228	335	128,563
	633,580	258,560	40,249	932,389

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.

	2019 US$'000	2018 US$'000
Asia Pacific (note (a))	**1,021,185**	1,060,350
America	**244,931**	311,281
Europe	**264,817**	197,340
Others	**29,988**	31,130
	1,560,921	1,600,101

6. Revenue and Segment Information (Continued)

Geographical information (Continued)

Non-current assets, other than financial instruments and deferred tax assets

	2019 US$'000	2018 US$'000
Asia Pacific (note (a))	**3,164,606**	3,129,340
Europe	**2,691,762**	1,516,305
Unallocated (note (b))	**822,200**	856,719
	6,678,568	5,502,364

Notes:

(a) Asia Pacific mainly includes Australia, Cambodia, Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, Indonesia, Japan, the Philippines, Malaysia, New Zealand, 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

	2019 US$'000	2018 US$'000
Write off and loss on disposal of property, plant and equipment	**(3,364)**	(16,299)
Loss on foreign exchange	**(10,090)**	(9,869)
Other income, net	**2,202**	5,204
	(11,252)	(20,964)

8. Other (Losses)/Gains, Net

	2019 US$'000	2018 US$'000
Reversal of impairment loss on other receivables	**2,176**	–
Impairment loss on property, plant and equipment (note)	**(15,796)**	–
Gain on disposal of financial assets at FVPL	**–**	34,395
Fair value loss on financial assets at FVPL	**–**	(18,890)
Loss on disposal of a subsidiary (note 41)	**(1,762)**	–
	(15,382)	15,505

Note:

The Group performed a review of the carrying value of certain of its property, plant and equipment. Accordingly, for the year ended 31 December 2019, the Group wrote down the carrying value of five cruise ships, a yacht and an aircraft by US$15.8 million, being excess of the carrying value over the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Finance Costs

	2019 US$'000	2018 US$'000
Commitment fees and amortisation of bank loans arrangement fees	**19,238**	21,849
Interests on bank loans and others	**101,277**	81,981
Fair value gains on interest rate swaps designated as cash flow hedges – transfer from other comprehensive income (note 30)	**(121)**	–
Interest expense on lease liabilities	**2,370**	–
	122,764	103,830
Interest capitalised for qualifying assets	**(73,801)**	(25,139)
Finance costs expensed	**48,963**	78,691

10. Loss Before Taxation

Loss before taxation is stated after charging/(crediting) the following:

	2019 US$'000	2018 US$'000
Depreciation and amortisation is analysed into:	**238,664**	213,749
– relating to operating function	**210,496**	196,489
– relating to selling, general and administrative function	**28,168**	17,260
Commission, incentives, transportation and other related costs (including amortisation of incremental costs for obtaining contracts of US$96,741,000 (2018: US$95,200,000))	**178,024**	178,711
Onboard costs	**120,017**	99,291
Staff costs excluding directors' remuneration (note 13)	**449,760**	523,190
Food and supplies	**80,758**	77,033
Fuel costs	**124,834**	131,012
Cost of completed properties sold	**1,453**	4,545
Operating leases	**–**	17,159
Short-term and low-value lease expenses	**3,480**	–
Auditors' remuneration:		
– audit services	**2,443**	2,075
– non-audit services	**1,522**	470
Advertising expenses	**87,692**	83,738
(Reversal of provision)/Provision of loss allowance for trade receivables, net	**(3,097)**	1,514

11. Taxation

	2019 US$'000	2018 US$'000
Overseas taxation		
– Current taxation	**3,722**	7,805
– Deferred taxation (note 31)	**(2,598)**	2,850
	1,124	10,655
Under/(Over) provision in respect of prior years		
– Current taxation	**1,118**	(1,163)
	2,242	9,492

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.

	2019 US$'000	2018 US$'000
Loss before taxation	**(156,351)**	(203,809)
Tax calculated at domestic tax rates applicable to profit in the respective jurisdictions	**(52,413)**	(37,038)
Tax effects of:		
– Income not subject to taxation	**(2,395)**	(654)
– Expenses not deductible for taxation purposes	**25,554**	32,697
– Utilisation of previously unrecognised tax losses and deductible temporary differences	**(2,376)**	(3,388)
– Deductible temporary differences not recognised	**34,656**	18,625
– Others	**(1,902)**	413
Under/(Over) provision in respect of prior years	**1,118**	(1,163)
Total tax expense	**2,242**	9,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Loss Per Share

Loss per share is computed as follows:

	2019	2018
BASIC		
Loss attributable to equity owners of the Company for the year (US$'000)	**(151,461)**	(210,875)
Weighted average outstanding ordinary shares, in thousands	**8,482,490**	8,482,490
Basic loss per share for the year in US cents	**(1.79)**	(2.49)
DILUTED		
Loss attributable to equity owners of the Company for the year (US$'000)	**(151,461)**	(210,875)
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	**(1.79)**	(2.49)

* The calculation of diluted loss per share for the years ended 31 December 2019 and 2018 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.

	2019 US$'000	2018 US$'000
Wages and salaries	**400,450**	475,668
Termination benefits	**299**	761
Social security costs	**40,265**	34,896
Post-employment benefits		
– defined contribution plan	**8,360**	11,386
– defined benefit plan	**386**	479
	449,760	523,190

Total staff costs include payroll and related staff expenses of US$321.3 million (2018: US$385.6 million) relating to operating function.

During the year, the Group has capitalised staff costs amounting to US$224.5 million (2018: US$190.1 million) on property, plant and equipment and intangible assets.

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 2019 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
2019						
Tan Sri Lim Kok Thay	**50**	**1,791**	**75**	**11**	**2**	**1,929**
Mr. Alan Howard Smith	**74**	**–**	**–**	**–**	**–**	**74**
Mr. Lam Wai Hon, Ambrose	**70**	**–**	**–**	**–**	**–**	**70**
Mr. Lim Keong Hui	**50**	**399**	**16**	**16**	**2**	**483**
Mr. Justin Tan Wah Joo	**64**	**–**	**–**	**–**	**–**	**64**
	308	**2,190**	**91**	**27**	**4**	**2,620**

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

Note:

(a) Other benefits include housing allowances, other allowances and benefits in kind.

(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 36 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Emoluments of Directors and Senior Management (Continued)

(iii) Five highest paid individuals

Details of the emoluments of the five highest paid individuals in the Group are as follows:

	2019 US$'000	2018 US$'000
Fees	**50**	50
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	**5,880**	5,925
Contributions to provident fund	**6**	5
	5,936	5,980
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	
	2019	2018
HK$5,000,001 – HK$5,500,000	**–**	1
HK$6,000,001 – HK$6,500,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1
HK$7,500,001 – HK$8,000,000	**2**	–
HK$8,000,001 – HK$8,500,000	**–**	1
HK$9,500,001 – HK$10,000,000	**1**	1
HK$15,000,001 – HK$15,500,000	**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$'000	Freehold land, jetties, docks, buildings and improvements US$'000	Equipment, yachts and motor vehicles US$'000	Construction in progress US$'000	Aircrafts US$'000	Total US$'000
Cost						
At 1 January 2019 (as previously stated)	3,848,562	620,783	588,320	878,988	346,991	6,283,644
Reclassified to right-of-use assets on adoption of HKFRS 16 (note 16)	–	(287,179)	(1,530)	–	–	(288,709)
At 1 January 2019 (as restated)	3,848,562	333,604	586,790	878,988	346,991	5,994,935
Currency translation differences	–	(11,790)	(431)	(16,258)	–	(28,479)
Additions	33,296	44,344	52,483	1,208,079	225	1,338,427
Acquisition of a subsidiary (note 43)	–	205	283	–	–	488
Disposal of a subsidiary (note 41)	–	(346)	(269)	–	–	(615)
Write off/disposals	(8,368)	(252)	(26,580)	(795)	–	(35,995)
Reclassification	173	126,717	39,920	(166,810)	–	–
At 31 December 2019	3,873,663	492,482	652,196	1,903,204	347,216	7,268,761
Accumulated depreciation and impairment						
At 1 January 2019 (as previously stated)	(1,070,033)	(178,883)	(264,450)	–	(66,453)	(1,579,819)
Reclassified to right-of-use assets on adoption of HKFRS 16 (note 16)	–	111,955	10	–	–	111,965
At 1 January 2019 (as restated)	(1,070,033)	(66,928)	(264,440)	–	(66,453)	(1,467,854)
Currency translation differences	–	(50)	(156)	–	–	(206)
Disposal of a subsidiary (note 41)	–	245	192	–	–	437
Charge for the year	(123,653)	(28,547)	(66,299)	–	(21,038)	(239,537)
Write off/disposals	7,152	88	21,167	–	–	28,407
Impairment	(11,242)	–	(3,450)	–	(1,104)	(15,796)
At 31 December 2019	(1,197,776)	(95,192)	(312,986)	–	(88,595)	(1,694,549)
Net book value						
At 31 December 2019	2,675,887	397,290	339,210	1,903,204	258,621	5,574,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Property, Plant and Equipment (Continued)

	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 18)	–	–	–	(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

15. Property, Plant and Equipment (Continued)

At 31 December 2019, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$4.0 billion (2018: US$3.0 billion).

During the year ended 31 December 2019, the Group has capitalised borrowing costs amounting to US$70.5 million (2018: US$17.8 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.17% (2018: 5.55%) per annum.

During the year ended 31 December 2019, the Group has capitalised depreciation and amortisation amounted to US$35.3 million (2018: US$19.4 million) in construction in progress.

During the year ended 31 December 2019, the amount of government grants recognised in relation to the acquisition of property, plant and equipment was US$4.9 million (2018: US$18.7 million). There are no unfulfilled conditions or other contingencies attached to these grants.

For the year ended 31 December 2019, 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 level that generates independent cash flows. Details are as follows:

(i) The recoverable amounts of all cruise ships with indicator 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.

(ii) 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 18.

(iii) In respect of non-cruise activities, the recoverable amounts of one of the Group's aircraft is determined based on discounted cash flows calculations. The discounted cash flows 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 indicator 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. The recoverable amount of the Group's yacht is determined based on the comparable market price and the measurement of fair value is classified as level 2 in the fair value hierarchy.

As a result of the impairment reviews, the recoverable amounts of five cruise ships, an aircraft and a yacht are lower than the respective carrying values of these CGUs. Accordingly, impairment losses of approximately US$11.2 million, US$1.1 million and US$3.5 million for the cruise ships, aircraft and yacht respectively are recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Right-of-Use Assets

The movements in the recognised right-of-use assets during the year are as follows:

	Leasehold land and buildings US$'000	Equipment and others US$'000	Total US$'000
Cost			
At 1 January 2019	–	–	–
Adjustments on adoption of HKFRS 16 (note 3):			
– reclassified from property, plant and equipment (note 15)	288,709	–	288,709
– reclassified from land use rights (note 17)	4,206	–	4,206
– recognition of right-of-use assets	28,056	11,116	39,172
	320,971	11,116	332,087
Currency translation differences	25	(94)	(69)
Additions	1,435	10,285	11,720
Disposal of a subsidiary (note 41)	(989)	–	(989)
At 31 December 2019	321,442	21,307	342,749
Accumulated depreciation and impairment			
At 1 January 2019	–	–	–
Adjustments on adoption of HKFRS 16 (note 3):			
– reclassified from property, plant and equipment (note 15)	(111,965)	–	(111,965)
– reclassified from land use rights (note 17)	(707)	–	(707)
	(112,672)	–	(112,672)
Currency translation differences	(17)	(5)	(22)
Charge for the year	(13,667)	(4,691)	(18,358)
Disposal of a subsidiary (note 41)	109	–	109
At 31 December 2019	(126,247)	(4,696)	(130,943)
Net book value			
At 31 December 2019	195,195	16,611	211,806

17. Land Use Rights

The Group's interest in land use rights represent prepaid operating lease payments which are analysed as follows:

	2019 US$'000	2018 US$'000
Outside Hong Kong:		
Medium leasehold (less than 50 years but not less than 10 years)	–	3,499

	2019 US$'000	2018 US$'000
At 1 January (as previously stated)	3,499	3,813
Reclassified to right-of-use assets on adoption of HKFRS 16 (note 16)	(3,499)	–
At 1 January (as restated)	–	3,813
Amortisation of prepaid operating lease payments for the year	–	(110)
Currency translation differences	–	(204)
At 31 December	–	3,499

18. 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 2019	**56,911**	**40,492**	**191,560**	**1,764**	**290,727**
Additions	**–**	**250**	**3,315**	**–**	**3,565**
Acquisition of a subsidiary (note 43)	**6,339**	**1,274**	**–**	**2,414**	**10,027**
Disposal of a subsidiary (note 41)	**(10,945)**	**–**	**–**	**(1,752)**	**(12,697)**
Currency translation differences	**(779)**	**74**	**(3,482)**	**(63)**	**(4,250)**
At 31 December 2019	**51,526**	**42,090**	**191,393**	**2,363**	**287,372**
Accumulated amortisation and impairment					
At 1 January 2019	**(10,945)**	**(6,357)**	**–**	**(1,050)**	**(18,352)**
Amortisation charge for the year	**–**	**(1,591)**	**(14,116)**	**(406)**	**(16,113)**
Disposal of a subsidiary (note 41)	**10,945**	**–**	**–**	**1,231**	**12,176**
Currency translation differences	**–**	**(60)**	**(19)**	**6**	**(73)**
At 31 December 2019	**–**	**(8,008)**	**(14,135)**	**(219)**	**(22,362)**
Net book value					
At 31 December 2019	**51,526**	**34,082**	**177,258**	**2,144**	**265,010**
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	–	–	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

During the year, the Group has capitalised borrowing costs amounting to US$3.3 million (2018: US$7.3 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.17% (2018: 5.55%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Intangible Assets (Continued)

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:

	2019 US$'000	2018 US$'000
Crystal Cruises	**10,356**	10,356
Lloyd Werft	**1,555**	1,585
Zouk	**1,606**	1,608
MV Werften	**38,009**	32,417
	51,526	45,966

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 2.2% to 2.5% (2018: 3.4% to 4.2%) whereas the cash flows beyond the five-year period are extrapolated with an estimated terminal growth rate of 2.00% (2018: 1.91%) which does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used of approximately 7.25% (2018: 8.00%) is pre-tax and reflects the specific risks related to the relevant business.

The recoverable amount of Crystal Cruises CGU is higher than the carrying amount. Accordingly, no impairment loss was considered necessary.

The recoverable amount of MV Werften is determined based on income approach, calculated based on a nine-year discounted cash flows projection of the Group's long term shipbuilding programme, by taking into account the Group's committed investments within the capabilities of the yards and a reasonable shipbuilder's contract margin established on a negotiated basis. The average EBITDA margin is 8.0% (2018: 5.3%) during the projection period. The discount rate used of approximately 4.99% (2018: 7.46%) 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 was considered necessary.

Any reasonably possible change in any of these key assumptions would not result in an impairment of the goodwill.

(b) The tradenames mainly arose from the acquisition of equity shares of Crystal Cruises and the business of Zouk. Included within the carrying amount of tradenames, US$28.7 million (2018: US$29.6 million) relates to Crystal Cruises for which the remaining useful life is 35.4 years (2018: 36.4 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 7 years to 10 years from the date of completion.

19. Interests in Joint Ventures

The Group's interests in joint ventures are as follows:

	2019 US$'000	2018 US$'000
At 1 January	**3,498**	3,555
Share of profit of joint ventures	**3,018**	1,016
Dividends	**(725)**	(1,059)
Currency translation differences	**(7)**	(14)
At 31 December	**5,784**	3,498

As at 31 December 2019 and 2018, there are no material joint ventures that have significant impact towards the financial position of the Group.

20. Interests in Associates

The Group's interests in associates are as follows:

	2019 US$'000	2018 US$'000
At 1 January	**503,853**	534,597
Acquisition of a subsidiary (note 43)	**88**	–
Share of profit of associates	**6,673**	12,456
Share of other comprehensive income of an associate	**(1,937)**	471
Dividends	**(1,290)**	(750)
Currency translation differences	**17,563**	(42,921)
At 31 December	**524,950**	503,853

Travellers International Hotel Group, Inc. ("Travellers"), in the opinion of the directors, is a material associate to the Group as at 31 December 2019. 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 2019 and 2018 is as follows:

			% of ownership interest			
Name	**Country of incorporation**	**Principal country of operations**	**2019**	2018	**Nature of relationship**	**Measurement method**
Travellers	Republic of the Philippines	Republic of the Philippines	**49.04**	44.90	Note	Equity method

Note:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Interests in Associates (Continued)

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	
	2019 US$'000	2018 US$'000
Current		
Cash and cash equivalents	**232,397**	192,753
Other current assets (excluding cash and cash equivalents)	**162,147**	137,282
Total current assets	**394,544**	330,035
Loans and borrowings	**(383,663)**	(120,650)
Other current liabilities (including trade payables)	**(285,291)**	(207,923)
Total current liabilities	**(668,954)**	(328,573)
Non-current		
Assets	**1,952,709**	1,708,584
Loans and borrowings	**(796,821)**	(739,443)
Other liabilities	**(114,387)**	(103,485)
Total non-current liabilities	**(911,208)**	(842,928)
Net assets	**767,091**	867,118

Summarised statement of comprehensive income

	Travellers	
	2019 US$'000	2018 US$'000
Revenue	**553,811**	399,490
Depreciation and amortisation	**(60,555)**	(43,497)
Interest income	**3,628**	2,847
Interest expense	**(40,719)**	(5,807)
Profit before taxation	**20,197**	30,775
Taxation	**(1,803)**	(2,815)
Profit for the year	**18,394**	27,960
Other comprehensive (loss)/income	**(3,909)**	1,049
Total comprehensive income	**14,485**	29,009
Dividends received from the associate during the year	**1,290**	–

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.

20. Interests in Associates (Continued)

Summarised financial information of an associate (Continued)

Reconciliation of summarised financial information to the Group's interests in the associate

	Travellers	
	2019 US$'000	2018 US$'000
Net assets as at 1 January	**867,118**	887,287
Profit for the year	**18,394**	27,960
Other comprehensive (loss)/income	**(3,909)**	1,049
Dividend declaration	**(3,592)**	–
Acquisition of treasury shares during the year	**(140,362)**	–
Currency translation differences	**29,441**	(49,178)
Net assets as at 31 December	**767,090**	867,118
Interest in an associate @ 49.04% (2018: 44.90%)	**376,181**	389,336
Carrying amount as at 31 December	**513,858**	493,250
Fair value adjustment from acquisition	**(120,128)**	(122,294)
Notional goodwill (note)	**(32,771)**	–
Translation differences on the consolidation level	**15,222**	18,380
Share of net assets of the associate	**376,181**	389,336

Note:

During the year, Travellers completed a voluntary delisting of its shares from the Main Board of The Philippine Stock Exchange, Inc. and had acquired shares from the minority shareholders. As a result, the Group's equity interest in Travellers had increased from 44.90% to 49.04% and a notional goodwill was recorded, arising from the difference between the deemed consideration and the change in the Group's share of net assets after the voluntary delisting of Travellers.

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.

	2019 US$'000	2018 US$'000
Carrying amount in the consolidated financial statements	**11,092**	10,603
Share of profit for the year	**401**	1,970
Share of total comprehensive income for the year	**401**	1,970

21. Financial Assets at Fair Value Through Other Comprehensive Income

	2019 US$'000	2018 US$'000
Unlisted equity securities investments at fair value through other comprehensive income:		
At 1 January	**8,854**	9,610
Fair value gain/(loss) recognised in other comprehensive income	**1,480**	(756)
At 31 December	**10,334**	8,854

Financial assets at FVOCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Inventories

	2019 US$'000	2018 US$'000
Food and beverages	**11,161**	13,192
Supplies and consumables	**16,466**	15,478
Retail inventories	**4,033**	7,158
Raw materials	**14,482**	2,383
	46,142	38,211

23. Trade Receivables

	2019 US$'000	2018 US$'000
Trade receivables	**73,010**	98,693
Less: Loss allowance	**(15,245)**	(65,432)
	57,765	33,261

The ageing analysis of trade receivables after loss allowance by invoice date is as follows:

	2019 US$'000	2018 US$'000
Current to 30 days	**43,366**	27,017
31 days to 60 days	**11,726**	1,067
61 days to 120 days	**1,114**	3,226
121 days to 180 days	**594**	1,154
181 days to 360 days	**29**	657
Over 360 days	**936**	140
	57,765	33,261

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.

Credit terms generally range from payment in advance to 45 days credit (2018: 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.

As at 31 December 2018, receivables amounting to US$5.5 million were secured by the underlying pledged securities and bore interest ranging from 5.1% to 10.1% per annum. No receivables are secured by pledged securities as at 31 December 2019.

23. Trade Receivables (Continued)

The carrying amounts of the Group's trade receivables after loss allowance are denominated in the following currencies:

	2019 US$'000	2018 US$'000
Hong Kong dollar	**18,933**	8,901
US dollar	**6,117**	3,798
Singapore dollar	**13,801**	6,388
Malaysian Ringgit	**367**	2,919
Chinese Renminbi	**1,491**	148
Euro	**15,838**	5,797
Indian Rupee	**93**	1,389
Other currencies	**1,125**	3,921
	57,765	33,261

24. Other Assets, Prepaid Expenses and Other Receivables

	2019 US$'000	2018 US$'000
Other debtors	**20,746**	7,290
Lease receivables	**9,810**	–
Deposits	**11,365**	8,280
Indirect taxes recoverable	**30,466**	18,054
Prepayments	**176,765**	97,908
Amount due from an associate	**365**	2,552
	249,517	134,084
Less: Non-current portion	**(110,245)**	(17,560)
Current portion	**139,272**	116,524

Prepaid loan arrangement fees of US$67.9 million (2018: US$2.8 million) are included in the non-current portion of prepayments and will be reclassified to loans and borrowings when the facility is drawn down.

25. Contract Costs

	2019 US$'000	2018 US$'000
Costs of obtaining contracts related to future cruise voyages	**14,128**	13,224

26. Restricted Cash

Restricted cash of the Group pledged to the banks includes US$76.3 million (2018: US$88.3 million) for the issuance of irrevocable standby letter of credit in favour of third parties and US$280.7 million (2018: nil) reserved for the construction of new cruise ships as stipulated by a loan facility granted to the Group. Restricted cash is presented within either "operating activities" as part of changes in working capital or "investing activities" depending on the nature in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Cash and Cash Equivalents

Deposits, cash and bank balances consist of the following:

	2019 US$'000	2018 US$'000
Deposits with banks	**41,619**	365,104
Cash and bank balances	**553,505**	539,027
	595,124	904,131

As at 31 December 2019, the cash and cash equivalents disclosed above and in the consolidated statement of cash flows include approximately US$16.8 million which are kept in trust with an appointed law firm for the purpose of incorporation of two subsidiaries during the year. Subsequent to the end of the reporting period, the amount has been returned to the Group.

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	2019 US$'000	2018 US$'000
Deposits, cash and bank balances	**595,124**	904,131

Cash and cash equivalents are denominated in the following currencies:

	2019 US$'000	2018 US$'000
US dollar	**87,877**	275,496
Singapore dollar	**46,224**	85,842
Hong Kong dollar	**46,913**	90,351
Malaysian Ringgit	**9,620**	11,799
Chinese Renminbi	**68,941**	89,176
Euro	**287,100**	326,909
Indian Rupee	**3,465**	5,396
New Taiwan dollar	**19,445**	6,640
Other currencies	**25,539**	12,522
	595,124	904,131

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 2019 and 31 December 2019	**10,000**	**1**	**19,999,990,000**	**1,999,999**
At 1 January 2018 and 31 December 2018	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 2019 and 31 December 2019	**8,482,490,202**	**848,249**
At 1 January 2018 and 31 December 2018	8,482,490,202	848,249

29. Loans and Borrowings

Loans and borrowings consist of the following:

	2019 US$'000	2018 US$'000
US$500 million secured term loan and revolving credit facility	**337,954**	197,173
US$300 million secured term loan and revolving credit facility	**295,965**	–
US$300 million secured term loan	**154,707**	186,450
US$664 million secured term loan	**472,262**	521,797
US$689 million secured term loan	**542,873**	593,912
US$192 million secured term loan	**148,617**	169,861
US$200 million revolving credit facility	**199,249**	198,348
US$150 million revolving credit facility	**149,476**	100,000
EUR1,358 million secured term loan	**395,783**	–
EUR4 million secured term loan	**2,281**	2,754
EUR17 million secured term loan	**15,309**	17,764
EUR26 million secured term loan	**24,939**	–
Total liabilities	**2,739,415**	1,988,059
Less: Current portion	**(216,341)**	(303,973)
Non-current portion	**2,523,074**	1,684,086

The carrying amounts of the loans and borrowings are denominated in the following currencies:

	2019 US$'000	2018 US$'000
US dollar	**2,301,103**	1,967,541
Euro	**438,312**	20,518
	2,739,415	1,988,059

As at 31 December 2019, the outstanding balances of loans and borrowings denominated in Euro was approximately EUR418.9 million (2018: EUR18.4 million).

As at 31 December 2019, approximately 29% of the Group's loans and borrowings was fixed rated (2018: 39%) and 71% was variable rated (2018: 61%) after taking into account the effect of hedging from the interest rate swap contracts entered into.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Loans and Borrowings (Continued)

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:

	2019 US$'000	2018 US$'000
Within one year	**216,341**	303,973
In the second year	**608,430**	206,166
In the third to fifth years	**1,084,258**	780,639
After the fifth year	**830,386**	697,281
	2,739,415	1,988,059

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:

	2019 US$'000	2018 US$'000
6 months or less	**1,945,644**	1,221,532

The secured loans and borrowings were secured by legal charges over assets including fixed and floating charges of US$4.0 billion (2018: US$3.0 billion).

The weighted average interest rates per annum at the date of consolidated statement of financial position were as follows:

	2019	2018
Bank borrowings in US dollar	**4.2%**	3.9%
Bank borrowings in Euro	**0.9%**	1.1%

30. Derivative Financial Instruments

	2019 US$'000	2018 US$'000
Liabilities		
Forward foreign exchange contracts – cash flow hedges	**14,024**	25,284
Interest rate swap contracts – cash flow hedges	**947**	–
	14,971	25,284
Analysed as:		
Current	**14,287**	16,744
Non-current	**684**	8,540
	14,971	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.

30. Derivative Financial Instruments (Continued)

(a) Forward foreign exchange contracts

The Group entered into forward contracts to buy Euro dollar at a fixed exchange rate. As at 31 December 2019, the notional amount of these contracts was US$273.0 million (2018: US$619.9 million) and the estimated fair value loss of these forward contracts was approximately US$14.0 million (2018: 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.

(b) Interest rate swap contracts

The Group entered into interest rate swap contracts to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain USD bank borrowings with aggregate principal of US$100.0 million from floating rates to fixed rates. The interest rate swap contracts with aggregate notional amount of US$100.0 million (2018: nil) have monthly interest payments at fixed interest rates ranging from 1.86% to 1.91% per annum plus margin and monthly floating interest receipts at USD 1-month LIBOR plus margin for the periods up to April 2023.

The interest rate swap contracts and the corresponding bank borrowings have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Group considers that the interest rate swap contracts are highly effective hedging instruments. Interest rate swap contracts are designated and qualified as cash flow hedges from floating interest rates to fixed interest rates. The estimated fair value loss of these interest rate swap contracts was approximately US$0.9 million (2018: nil). The Group did not hold any such derivative financial instruments as at 31 December 2018.

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 2019 and 2018.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	2019 US$'000	2018 US$'000
Derivative financial instruments – forward foreign exchange contracts		
Carrying amount (liability)	**14,024**	25,284
Notional amount	**273,046**	619,947
Maturity date	**January 2020 to November 2020**	January 2019 to November 2020
Hedge ratio*	**1:1**	1:1
Weighted average hedged rate for the year (including forward points)	**US$1.19: EUR 1**	US$1.22: EUR 1
Derivative financial instruments – Interest rate swap contracts		
Carrying amount (liability)	**947**	N/A
Notional amount	**100,000**	N/A
Maturity date	**January 2020 to April 2023**	N/A
Hedge ratio	**1:1**	N/A
Change in fair value of outstanding hedging instruments since 1 January	**(947)**	N/A
Change in value of hedged item used to determine hedge effectiveness	**947**	N/A
Weighted average hedged rate for the year	**1.86% to 1.91%**	N/A

* The forward foreign exchange 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.

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30. Derivative Financial Instruments (Continued)

	2019 US$'000	2018 US$'000
Cash flow hedge reserve		
At 1 January	**(25,284)**	–
Change in fair value of hedging instruments recognised in other comprehensive income during the year	**(24,726)**	(25,284)
Reclassified to construction-in-progress – not included in other comprehensive income	**35,160**	–
Reclassified from other comprehensive income to profit or loss – included in finance costs (note 9)	**(121)**	–
At 31 December	**(14,971)**	(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:

	2019 US$'000	2018 US$'000
Deferred tax assets	**2,677**	2,983
Deferred tax liabilities	**(22,525)**	(23,789)
	(19,848)	(20,806)

The movements in deferred tax assets and liabilities during the year are as follows:

	2019				
	Undistributed profit of an associate US$'000	Property, plant and equipment US$'000	Tax losses US$'000	Other temporary differences US$'000	Total US$'000
Deferred tax assets/(liabilities)					
At 1 January (as previously stated)	(15,418)	(8,371)	1,484	1,499	(20,806)
Adjustments on adoption of HKFRS 16 (note 3)	–	–	–	(624)	(624)
At 1 January (as restated)	(15,418)	(8,371)	1,484	875	(21,430)
Currency translation differences	114	84	51	(81)	168
Acquisition of a subsidiary (note 43)	–	–	–	(1,184)	(1,184)
Deferred taxation (charged)/credited to consolidated statement of comprehensive income	5,857	(39,747)	36,470	18	2,598
At 31 December	(9,447)	(48,034)	38,005	(372)	(19,848)

31. Deferred Tax (Continued)

	2018				
	Undistributed profit of an associate US$'000	Property, plant and equipment US$'000	Tax losses US$'000	Other temporary differences US$'000	Total US$'000
Deferred tax assets/(liabilities)					
At 1 January	(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)

As at 31 December 2019, the unused tax losses for which no deferred tax asset was recognised in the consolidated statement of financial position were approximately US$885 million (2018: US$799 million), of which US$43 million (2018: US$37 million) will expire in one to twenty years (2018: one to twenty years).

32. Trade Payables

The ageing analysis of trade payables based on invoice date is as follows:

	2019 US$'000	2018 US$'000
Current to 60 days	**135,165**	99,392
61 days to 120 days	**8,540**	6,785
121 days to 180 days	**2,856**	452
Over 180 days	**10,109**	11,313
	156,670	117,942

Credit terms granted to the Group generally vary from no credit to 45 days credit (2018: no credit to 45 days credit).

The carrying amounts of trade payables are denominated in the following currencies:

	2019 US$'000	2018 US$'000
US dollar	**40,048**	39,322
Hong Kong dollar	**10,827**	10,505
Malaysian Ringgit	**2,346**	2,151
Euro	**94,798**	59,884
Other currencies	**8,651**	6,080
	156,670	117,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Provisions, Accruals and Other Liabilities

Provisions, accruals and other liabilities consist of the following:

	2019 US$'000	2018 US$'000
Payroll, taxes and related benefits	**48,912**	66,906
Accruals for obligations under customer loyalty programmes	**5,204**	3,176
Interest accrued	**19,708**	18,993
Port charges accrued	**12,314**	14,644
Accruals for repairs and maintenance	**2,885**	3,538
Accrued expenses	**110,783**	107,463
Loans from non-controlling shareholders of a subsidiary	**12,662**	12,662
Others	**38,620**	22,859
	251,088	250,241
Less: Non-current portion	**(1,822)**	(586)
Current portion	**249,266**	249,655

34. Contract Liabilities

	2019 US$'000	2018 US$'000
Amounts received in advance for future cruise voyages (note (a))	**308,710**	241,290
Amounts received in advance for sales of properties and related services	**607**	1,243
Amounts received in advance for other non-cruise activities	**1,927**	1,050
Amounts related to construction contracts of shipyard (note (b))	**56,580**	31,676
Arising from customer loyalty programmes	**16,233**	13,707
	384,057	288,966
Less: Non-current portion	**(42,648)**	(29,514)
Current portion	**341,409**	259,452

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 during the year and increase in the number of cruise ships in 2020.

(b) 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. Increase in contract liabilities was due to less contract revenue recognised during the year compared to more progress billings 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 which relates to brought-forward contract liabilities:

	2019 US$'000	2018 US$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**241,740**	271,416

34. Contract Liabilities (Continued)

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 US$'000
As at 31 December 2019			
Contracts related to future cruise voyages	**443,500**	**167,169**	**610,669**
Contracts related to sales of properties and related services	**607**	**–**	**607**
Contracts related to other non-cruise activities	**1,927**	**–**	**1,927**
Construction contracts of shipyard	**94,748**	**203,171**	**297,919**
Customer loyalty programmes	**16,233**	**–**	**16,233**
	557,015	**370,340**	**927,355**

	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 US$'000
As at 31 December 2018			
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

35. Lease Liabilities

	2019 US$'000	2018 US$'000
Lease liabilities	**45,102**	–
Less: Non-current portion	**(31,685)**	–
Current portion	**13,417**	–

The maturity analysis of the lease liabilities at the reporting date is disclosed in note 4(a)(iv).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. 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 2019 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 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 ("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. ("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 owned by 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). RWI is an indirect subsidiary of GENT.

Each of RW Tech Labs Sdn Bhd ("RWT") and FreeStyle Gaming Pte Ltd ("FSGPL") is a wholly-owned subsidiary of RWI.

Each of Orient Peace Limited ("OPL"), Worldwide Leisure Limited ("WLL") and Resorts World Miami LLC ("RW Miami") is a wholly-owned subsidiary of GENM.

36. 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 2019 are set out below:

Item	Details of transactions	2019 US$'000	2018 US$'000
(a)	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	**2,252**	2,407
	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	**779**	955
	Service fee expenses in respect of secretarial, share registration, investor and related ancillary services charged by		
	• GMC	**–**	9
(b)	Service fee income in respect of provision of air ticket purchasing services to		
	• GENS and its subsidiaries	**63**	135
	Service fee income in respect of provision of tourism consultancy services to		
	• GENM and its subsidiaries	**26**	28
(c)	Lease payments for the lease of an apartment charged by		
	• Rich Hope	**266**	263
(d)	Lease payments for the lease of an office premises charged by		
	• Ambadell	**44**	48
(e)	Service fee expenses in respect of the provision of administrative, accounting and other support services charged by		
	• Ambadell	**28**	30
(f)	Service fee income in respect of provision of travel agency and other related services to		
	• ZJK and its subsidiaries	**23**	14
	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**	17
(g)	Receivables in respect of joint promotion and marketing programmes for promoting the business of GENM and its subsidiaries		
	• GENM and its subsidiaries	**137**	332
	Payables in respect of joint promotion and marketing programmes for promoting the business of the Group		
	• GENM and its subsidiaries	**7**	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. 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 2019 are set out below: (Continued)

Item	Details of transactions	2019 US$'000	2018 US$'000
(h)	Call centre services income from		
	• RWS	–	1,620
(i)	Lease payments for the lease of an office premises charged by		
	• Travellers	298	252
(j)	Service fee income in respect of provision of various services to		
	• Travellers	2	354
(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	–	–
(l)	Consultancy services expenses charged by		
	• IRMS	177	693
(m)	Consideration for participating in customer loyalty programme "Genting Rewards Alliance"		
	• to RWT	41	33
	• from RWT	24	8
(n)	Purchase of electronic equipment and devices for electronic games and related services from		
	• FSGPL	291	194
(o)	Management fee income earned from		
	• GENM	366	286
	License fee income earned from		
	• GENM	115	51
(p)	Service fee income in respect of the provision of technical, crewing and non-technical services for inspection and shipment of a vessel to		
	• OPL	991	–
(q)	Amount receivable in respect of the provision of entertainment services onboard of a vessel to		
	• WLL	734	–
(r)	Pursuant to the sale and purchase agreement dated 17 December 2019 between the Group and RW Miami, consideration received/receivable for the disposal of building improvements		
	• RW Miami	5,576	–

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.

36. Significant Related Party Transactions and Balances (Continued)

Key management compensation

The key management compensations are analysed as follows:

	2019 US$'000	2018 US$'000
Salaries and other short-term employee benefits	**8,175**	9,484
Post-employment benefits	**13**	27
	8,188	9,511

The emoluments of the members of senior management (excluding directors) fall within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,001 – HK$5,000,000	**4**	3
HK$5,000,001 – HK$8,000,000	**3**	2
HK$8,000,001 – HK$10,000,000	**1**	2

37. 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 2019 and 2018. The actuarial valuation indicates that the Group's obligations under the Crystal Pension Plan was 91% (2018: 85%) covered by the plan assets held by the trustees at 31 December 2019.

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 2019 and 2018. There is no plan asset covering the Group's obligations.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2019 US$'000	2018 US$'000
Present value of funded obligations	**30,762**	28,025
Fair value of plan assets	**(22,623)**	(19,061)
Liability in the consolidated statement of financial position	**8,139**	8,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Retirement Benefit Obligations (Continued)

The movements in the net defined benefit obligations are as follows:

	Present value of obligation US$'000	Fair value of plan assets US$'000	Total US$'000
At 1 January 2019	**28,025**	**(19,061)**	**8,964**
Current service cost	**165**	**–**	**165**
Interest expense/(income)	**987**	**(766)**	**221**
Administrative expenses	**–**	**132**	**132**
Total amount recognised in profit or loss	**1,152**	**(634)**	**518**
Remeasurements:			
– Experience adjustments	**140**	**–**	**140**
– Losses arising from changes in financial assumptions	**3,775**	**–**	**3,775**
– Gains on plan assets	**–**	**(3,405)**	**(3,405)**
Total amount recognised in other comprehensive income	**3,915**	**(3,405)**	**510**
Currency translation differences	**(103)**	**–**	**(103)**
Contributions:			
– Employers	**–**	**(500)**	**(500)**
Benefit payments	**(2,227)**	**977**	**(1,250)**
At 31 December 2019	**30,762**	**(22,623)**	**8,139**

	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
Total amount recognised in profit or loss	1,216	(613)	603
Remeasurements:			
– Experience adjustments	155	–	155
– Gains arising from changes in financial assumptions	(1,870)	–	(1,870)
– Losses on plan assets	–	1,794	1,794
Total amount recognised in other comprehensive income	(1,715)	1,794	79
Currency translation differences	(264)	–	(264)
Contributions:			
– Employers	–	(500)	(500)
Benefit payments	(1,018)	955	(63)
At 31 December 2018	28,025	(19,061)	8,964

37. Retirement Benefit Obligations (Continued)

The defined benefit obligation and plan assets are composed by country as follows:

	US US$'000	Germany US$'000	Total US$'000
2019			
Present value of obligation	**24,997**	**5,765**	**30,762**
Fair value of plan assets	**(22,623)**	**–**	**(22,623)**
Total	**2,374**	**5,765**	**8,139**

	US US$'000	Germany US$'000	Total US$'000
2018			
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

As at 31 December 2019, the present value of the defined benefit obligation comprised approximately US$7.7 million (2018: US$7.5 million) relating to active employees, US$9.1 million (2018: US$7.6 million) relating to deferred members and US$14.0 million (2018: US$12.9 million) relating to members in retirement.

The significant actuarial assumptions were as follows:

	2019	
	US	Germany
Discount rate	**3.2% (2018: 4.1%)**	**0.9% (2018: 1.9%)**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2019 Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.25%**	**Decrease by 3.6% (2018: Decrease by 3.4%)**	**Increase by 3.5% (2018: Increase by 3.6%)**

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

37. Retirement Benefit Obligations (Continued)

The major categories of plan assets are as follows:

	2019 US$'000	2018 US$'000
Investment funds:		
– Large US Equity	**5,924**	4,644
– Small/Mid US Equity	**1,490**	1,153
– International Equity	**1,704**	1,374
– Fixed Income	**13,505**	11,890
Total	**22,623**	19,061

38. Commitments and Contingencies

(i) Capital expenditure

	2019 US$'000	2018 US$'000
Contracted but not provided for		
– Cruise ships and related costs	**1,220,906**	1,425,987
– Property, plant and equipment	**95,617**	88,883
	1,316,523	1,514,870
Authorised but not contracted for	**9,203**	64,193

(ii) Non-cancellable operating leases

From 1 January 2019, the Group recognised right-of-use assets for the leases of offices occupied by the Group, except for short-term and low-value assets, see note 3 for further information. Minimum lease payments under non-cancellable operating leases for short-term and low-value assets are as follows:

	2019 US$'000	2018 US$'000
Within one year	**24**	17,690
In the second to fifth year inclusive	**8**	25,584
After the fifth year	**–**	3,556
	32	46,830

38. 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 2019, these guarantees provided by the Group are approximately US$17.0 million (2018: US$25.6 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 consolidated financial statements for the guarantees.

The guarantees of US$17.0 million are expected to mature over the next year.

39. 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

39. 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 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.

39. 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:

	2019		2018	
	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	**3.7800**	**6,010**	2.6453	16,701
Lapsed	**3.7800**	**(722)**	2.0075	(10,691)
At 31 December	**3.7800**	**5,288**	3.7800	6,010

A summary of the share options outstanding are as follows:

	2019		
	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	**5,288**	**0.9**	**5,288**

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Principal Subsidiaries

The following is a list of principal subsidiaries of the Company as at 31 December 2019:

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 (%)
Subsidiary 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	Isle of Man	Bareboat chartering	25,000,002 ordinary shares of US$1.00 each	67.78
Genting Dream Limited	Bermuda	Bareboat chartering	100 common shares of US$1.00 each	67.78
World Dream Limited	Bermuda	Bareboat chartering	100 common shares of US$1.00 each	67.78
Dream Global One Limited	Isle of Man	Owner of a vessel under construction	2 ordinary shares of US$1.00 each	67.78
Dream Global Two Limited	Isle of Man	Owner of a vessel under construction	2 ordinary shares of US$1.00 each	67.78
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 Special Administrative Region	Cruise sales, marketing and support services and carrier of passengers	23,000,000 ordinary shares (HK$230,000,000)	100
Dream Cruises Management Limited	Hong Kong Special Administrative Region	Cruise sales, marketing and support services and carrier of passengers	1 ordinary share (HK$1)	67.78
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

40. 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)				
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
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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. Disposal of a Subsidiary

On 4 July 2019, the Group disposed its entire interest in Wider S.R.L. ("Wider") for a cash consideration of EUR500,000 (approximately US$567,000). Wider is engaged in the operation of a shipyard in Italy. Net assets of Wider at the date of disposal were as follows:

	As at the date of disposal US$'000
Assets/(Liabilities) disposed of:	
Property, plant and equipment	178
Intangible assets	521
Right-of-use assets	880
Inventories	130
Trade receivables	59
Prepaid expenses and other receivables	340
Cash and cash equivalents	355
Trade payables	(402)
Provisions, accruals and other liabilities	(318)
Lease liabilities	(890)
Current income tax liabilities	(31)
Total identifiable net assets	822
Release of reserves upon disposal of a subsidiary	1,507
Loss on disposal of a subsidiary	(1,762)
Disposal consideration	567
Net cash inflow/(outflow) from disposal:	
Cash consideration received	567
Cash and cash equivalents disposed of	(355)
Net inflow of cash and cash equivalents in respect of the disposal	212

42. Transactions with Non-Controlling Interests

On 6 August 2019, the Group entered into a share purchase agreement to dispose up to 35% of its interests in Dream Cruises Holding Limited ("Dream Cruises"). The initial closing of the disposal was completed on 31 October 2019, in which the Group disposed approximately 32.22% of its interests in Dream Cruises at a cash consideration of approximately US$453,651,000. Immediately prior to the disposal, the carrying amount of the 32.22% interests in Dream Cruises was approximately US$14,299,000. The expenses incurred for this transaction with non-controlling interests were approximately US$6,895,000. The effect attributable to the Group during the year is summarised as follows:

	2019 US$'000
Consideration received, net of transaction expenses	446,756
Carrying amount of 32.22% interests in Dream Cruises disposed of	(14,299)
Excess recognised in other reserve within equity	432,457

There were no transactions with non-controlling interests during the year ended 31 December 2018.

43. Business Combinations

Acquisition of a subsidiary

On 7 March 2019, the Group acquired the entire equity interest in Neptun Ship Design GmbH ("NSD") for a consideration of EUR12.0 million (approximately US$13.7 million). NSD is engaged in design, development, engineering and project management for ships.

The following table summarises the consideration paid for NSD, and the fair value of assets acquired and liabilities assumed 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	3,142
Property, plant and equipment	488
Intangible assets	3,688
Interest in an associate	88
Contract assets	791
Trade receivables	606
Prepaid expenses and other receivables	1,064
Trade payables	(59)
Provisions, accruals and other liabilities	(1,129)
Current income tax liabilities	(86)
Deferred tax liabilities	(1,184)
Total identifiable net assets	7,409
Goodwill	6,339
Purchase consideration	13,748
Outflow of cash to acquire a subsidiary, net of cash acquired	
Purchase consideration settled in cash	13,748
Less: Cash and cash equivalents in a subsidiary acquired	(3,142)
Net cash outflow on acquisition	10,606
Acquisition-related costs	95

The acquisition of NSD did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. Significant Subsequent Events

(a) In January 2020, the Group has completed the sale and leaseback of Genting Dream for a financing of US$900 million with four leasing companies. Part of the funds received was used for repayment of the outstanding balance of the existing bank loan for Genting Dream. The transaction shall be accounted for as a financing arrangement. Further details of this transaction are set out in the Company's circular dated 28 November 2019.

(b) The widespread of the COVID-19 since the beginning of 2020 is a fluid and challenging situation facing all industries. This has resulted in widespread travel advisories and temporary closure of cruise ports which have negatively impacted the Group's businesses as follows:

(i) World Dream stopped operation on 9 February 2020 due to non-approval by Hong Kong and Nansha for all cruise ships and the Company is evaluating alternative deployment;

(ii) Genting Dream stopped operation on 23 February 2020 and will recommence cruising upon approval from Singapore Government;

(iii) SuperStar Gemini stopped operation on 27 January 2020 in Xiamen due to closure of the port for cruises;

(iv) SuperStar Aquarius stopped operation on 8 February 2020 in Keelung and will resume operations when the situation improves;

(v) Star Pisces stopped operation on 5 February 2020 and will resume operations when the situation improves;

(vi) The closure of Asian ports for cruise ships and travel advisory on cruising issued by the Centers for Disease Control and Prevention and State Department have also affected Crystal Cruises; and

(vii) MV Werften with sites in Wismar, Rostock and Stralsund, Germany has suspended its shipbuilding operations for approximately four weeks commencing from 21 March 2020 after considering the restrictions in business operations and the health of its employees.

To mitigate the above negative impact, the Chairman and Chief Executive Officer, Deputy Chairman, Deputy Chief Executive Officer and Directors of the Company have waived 100% of their fees and compensation from February 2020 till the end of this year, subject to further review during the year, if appropriate. The Company also implemented voluntary reduction in salary on managers.

The Company is moving to the next phase of cost reduction by:

(i) Reduction in onboard crew by not renewing expiring contracts;

(ii) Reduction in shore headcount by not filling any vacancies or departures;

(iii) Reduction in all expenses, especially travel, to avoid possible virus infection; and

(iv) Voluntary no-pay leave.

44. Significant Subsequent Events (Continued)

HKAS 10 "Events After the Reporting Period" defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The widespread of the COVID-19 was not evident as at 31 December 2019, and it is therefore a non-adjusting event. The measurement of assets and liabilities as well as the impairment assessments as at 31 December 2019 prepared by management reflect only the conditions that existed as of that date and have not reflected the possible effects of the outbreak. The effects will be reflected in the financial results for the year 2020.

Up to the date on which the consolidated financial statements were authorised for issue, the Group is continuously assessing the impact of the COVID-19 on the performance of the Group based on the latest development. However, the Group expects that the consolidated net loss of the Group for the six months ending 30 June 2020 will be much higher than the corresponding period in 2019 due to lower revenue.

In addition, the estimated future cash flows of the Group's various CGUs which are used for the impairment tests will be updated continuously based on the development of the COVID-19 outbreak. The recoverable amount of the Group's cruise and cruise-related CGUs may be lower if the COVID-19 outbreak continues for a prolonged period.

Notwithstanding the recent negative impact on the Group's operations, management's assessment indicates that the going concern basis continues to be appropriate for the Group for the next 12 months from the reporting date and the Group will be able to comply with all bank covenants for the year 2020.

45. Statement of Financial Position and Reserve Movement of the Company

Statement of financial position of the Company as at 31 December 2019

	2019 US$'000	2018 US$'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	**39**	57
Prepaid expenses	**–**	625
Interests in subsidiaries	**1,838,317**	1,838,317
	1,838,356	1,838,999
CURRENT ASSETS		
Prepaid expenses and other receivables	**499**	598
Amounts due from subsidiaries	**5,897,360**	5,136,294
Restricted cash	**280,743**	–
Cash and cash equivalents	**1,916**	160,036
	6,180,518	5,296,928
TOTAL ASSETS	**8,018,874**	7,135,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. Statement of Financial Position and Reserve Movement of the Company (Continued)

Statement of financial position of the Company as at 31 December 2019 (Continued)

	Note	2019 US$'000	2018 US$'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)	**98,990**	99,259
Retained earnings	(a)	**2,123,623**	2,185,431
TOTAL EQUITY		**4,049,319**	4,111,396
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings		**925,734**	347,696
Derivative financial instruments		**684**	8,540
		926,418	356,236
CURRENT LIABILITIES			
Provisions, accruals and other liabilities		**9,592**	14,781
Current portion of loans and borrowings		**56,911**	147,825
Derivate financial instruments		**14,287**	16,744
Amounts due to subsidiaries		**2,962,347**	2,488,945
		3,043,137	2,668,295
TOTAL LIABILITIES		**3,969,555**	3,024,531
TOTAL EQUITY AND LIABILITIES		**8,018,874**	7,135,927

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

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

45. 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 2019	**848,249**	**41,634**	**936,823**	**99,259**	**2,185,431**	**4,111,396**
Comprehensive income:						
Loss for the year	**–**	**–**	**–**	**–**	**(62,077)**	**(62,077)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(62,077)**	**(62,077)**
Transaction with equity owners:						
Lapse of share options	**–**	**–**	**–**	**(269)**	**269**	**–**
At 31 December 2019	**848,249**	**41,634**	**936,823**	**98,990**	**2,123,623**	**4,049,319**
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

Note:

1. These reserves are non-distributable as dividends to equity owners of the Company.

46. DIVIDENDS

	2019 US$'000	2018 US$'000
(i) Dividends paid		
– Final dividend for the year ended 31 December 2018 of US$Nil (2017: US$0.01) per ordinary share	**–**	84,825
– Interim dividend for the year ended 31 December 2019 of US$Nil (2018: US$0.01) per ordinary share	**–**	84,825
	–	169,650
(ii) Dividend not recognised at the end of the year	**–**	–

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2019 (2018: Nil). No dividend for the full year 2019 was declared (2018: US$0.01 per ordinary share, totalling approximately US$84.8 million).

47. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2020.

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 70 to 161, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 judgment, 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 Matter	How our audit addressed the Key Audit Matter
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 that the 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: – the recording of ticket sales transactions in the cruise reservation system; – the reliability of voyage reports generated from the cruise reservation system; – the 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

Key Audit Matter	How our audit addressed the Key Audit Matter
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 the revenue may be overstated and/or may not be recorded accurately.	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: – the count procedures over relevant currencies and tokens; – the recording of daily net wins and losses to the operating system based on the count results; – the 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 reporting 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 of relevant currencies and tokens to the daily count results. We did not identify any material exception based on the procedures performed.
Impairment assessment of non-financial assets Refer to notes 5, 15 and 18 to the consolidated financial statements. As at 31 December 2019, the carrying amounts of the Group's property, plant and equipment and intangible assets (goodwill, tradenames and development expenditures on ship design) amounted to US$5,574.2 million (2018: US$4,703.8 million) and US$262.9 million (2018: US$271.7 million) respectively. These non-financial assets mainly comprised cruise ships and ship improvements, aircrafts, shipyard assets, cruise ships under construction, goodwill, tradenames and development expenditures on ship designs. Management considers each cruise ship and aircraft, the Lloyd Werft shipyard and the MV Werften shipyards to be separate CGUs. Goodwill of Crystal Cruises were allocated to CGUs identified at the acquisition date. Tradename of Crystal Cruises was 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.	We assessed management's determination of CGUs for the respective stand alone cash-generating units and noted that 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 cruise ships and aircrafts based on our understanding of the Group and industry knowledge, with the assistance of our internal valuation experts; and

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-financial assets (Continued) During the financial year ended 31 December 2019, 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 costs of disposal. ***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 conditions of cruise ships and aircrafts held by the Group. The selection of 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, the shipyard assets, development expenditures on ship designs 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 9 years for the impairment assessment of goodwill, tradename, shipyard assets and development expenditures on ship designs 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 EBITDA margin, annual revenue growth rates, terminal growth rates and discount rates.	• Compared the values of the cruise ships and aircrafts determined by the independent valuers to available information through market search. ***For assessments of Crystal Cruises goodwill and tradename, goodwill and development expenditures on ship designs of MV Werften and Lloyd Werft and aircraft using 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 projection 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-financial assets (Continued) Based on management's assessments described above, impairment charge of US$15.8 million was made for the Group's non-financial assets for the year ended 31 December 2019. 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 all of the information included in the 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 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 judgment 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, 27 March 2020

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Results					
Revenue	**1,560,921**	1,600,101	1,190,415	1,016,668	689,954
Operating Loss	**(96,187)**	(141,472)	(351,507)	(223,202)	(88,753)
Share of profit/(loss) of joint ventures	**3,018**	1,016	1,048	(516)	247
Share of profit of associates	**6,673**	12,456	225	32,890	36,418
Other expenses, net	**(11,252)**	(20,964)	(849)	(7,474)	(42,888)
Other (losses)/gains, net	**(15,382)**	15,505	166,050	(301,054)	2,223,778
Finance income	**5,742**	8,341	7,098	10,548	11,363
Finance costs	**(48,963)**	(78,691)	(49,373)	(6,841)	(25,959)
(Loss)/Profit before taxation	**(156,351)**	(203,809)	(227,308)	(495,649)	2,114,206
Taxation	**(2,242)**	(9,492)	(16,972)	(8,583)	(8,151)
(Loss)/Profit for the year	**(158,593)**	(213,301)	(244,280)	(504,232)	2,106,055
(Loss)/Profit attributable to:					
Equity owners of the Company	**(151,461)**	(210,875)	(242,289)	(502,325)	2,112,687
Non-controlling interests	**(7,132)**	(2,426)	(1,991)	(1,907)	(6,632)
	(158,593)	(213,301)	(244,280)	(504,232)	2,106,055
Basic (loss)/earnings per share (US cents)	**(1.79)**	(2.49)	(2.86)	(5.92)	25.50
Diluted (loss)/earnings per share (US cents)	**(1.79)**	(2.49)	(2.86)	(5.92)	25.48
Assets and Liabilities					
Total assets	**7,977,524**	6,770,723	7,145,044	6,546,695	6,508,705
Total liabilities	**(3,632,436)**	(2,711,668)	(2,565,753)	(1,723,479)	(1,008,259)
Total equity	**4,345,088**	4,059,055	4,579,291	4,823,216	5,500,446

PROPERTIES SUMMARY

As at 31 December 2019

	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	142,000 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	540,273 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. 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

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