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Genting Hong Kong Limited

(Continued into Bermuda with limited liability)

(Stock Code: 678)

ANNOUNCEMENT
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors of Genting Hong Kong Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Revenue	3	226,226	729,163
Operating expenses			
Operating expenses excluding depreciation and amortisation		(371,238)	(527,245)
Depreciation and amortisation		(103,947)	(101,143)
		(475,185)	(628,388)
Selling, general and administrative expenses			
Selling, general and administrative expenses excluding depreciation and amortisation		(59,120)	(125,059)
Depreciation and amortisation		(15,130)	(14,016)
		(74,250)	(139,075)
		(549,435)	(767,463)
Operating Loss		(323,209)	(38,300)
Share of (loss)/profit of joint ventures		(80)	2,909
Share of (loss)/profit of associates		(37,357)	6,211
Other expenses, net	4	(10,844)	(4,398)
Other (losses)/gains, net	5	(349,174)	2,176
Finance income		2,011	2,331
Finance costs	6	(40,153)	(22,373)
		(435,597)	(13,144)
Loss before taxation	7	(758,806)	(51,444)
Taxation	8	16,208	(5,058)
Loss for the period		(742,598)	(56,502)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Loss for the period		(742,598)	(56,502)
Other comprehensive (loss)/income:			
Items that have been or may be reclassified to condensed consolidated statement of comprehensive income:			
Foreign currency translation differences		(2,313)	15,509
Fair value loss on derivative financial instruments		(9,845)	(2,224)
Hedging gains reclassified to profit or loss		443	-
Share of other comprehensive income of an associate		53	172
		(11,662)	13,457
Item that will not be reclassified subsequently to condensed consolidated statement of comprehensive income:			
Fair value gain on financial assets at fair value through other comprehensive income		69	163
Other comprehensive (loss)/income for the period		(11,593)	13,620
Total comprehensive loss for the period		(754,191)	(42,882)
Loss attributable to:			
Equity owners of the Company		(687,056)	(55,162)
Non-controlling interests		(55,542)	(1,340)
		(742,598)	(56,502)
Total comprehensive loss attributable to:			
Equity owners of the Company		(698,703)	(41,542)
Non-controlling interests		(55,488)	(1,340)
		(754,191)	(42,882)
Loss per share attributable to equity owners of the Company	9		
- Basic (US cents)		(8.10)	(0.65)
- Diluted (US cents)		(8.10)	(0.65)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 US$'000 unaudited	As at 31 December 2019 US$'000 audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,761,694	5,574,212
Right-of-use assets		207,360	211,806
Intangible assets		114,384	265,010
Interests in joint ventures		4,291	5,784
Interests in associates		494,318	524,950
Deferred tax assets		4,430	2,677
Financial assets at fair value through other comprehensive income ("FVOCI")		10,403	10,334
Other assets and receivables		114,850	110,245
		6,711,730	6,705,018
CURRENT ASSETS			
Completed properties for sale		38,085	38,681
Inventories		60,290	46,142
Trade receivables	10	46,240	57,765
Prepaid expenses and other receivables		120,839	139,272
Contract assets		1,695	647
Contract costs		5,437	14,128
Amounts due from related companies		6,640	6,616
Restricted cash		374,390	374,131
Cash and cash equivalents		397,523	595,124
		1,051,139	1,272,506
TOTAL ASSETS		7,762,869	7,977,524

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30 June 2020 US$'000 unaudited	As at 31 December 2019 US$'000 audited
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital		848,249	848,249
Reserves:			
Share premium		41,634	41,634
Contributed surplus		936,823	936,823
Additional paid-in capital		107,051	107,147
Foreign currency translation adjustments		(157,415)	(155,048)
Financial assets at FVOCI reserve		808	739
Cash flow hedge reserve		(9,002)	(14,971)
Other reserve		437,074	432,457
Retained earnings		1,420,443	2,107,350
		3,625,665	4,304,380
Non-controlling interests		24,639	40,708
TOTAL EQUITY		3,650,304	4,345,088
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings		3,060,789	2,523,074
Deferred tax liabilities		10,997	22,525
Provisions, accruals and other liabilities		892	1,822
Retirement benefit obligations		8,656	8,139
Contract liabilities		56,850	42,648
Lease liabilities		27,009	31,685
Derivative financial instruments		3,428	684
		3,168,621	2,630,577
CURRENT LIABILITIES			
Trade payables	11	246,858	156,670
Current income tax liabilities		9,588	10,328
Provisions, accruals and other liabilities		186,361	249,266
Contract liabilities		281,497	341,409
Lease liabilities		13,538	13,417
Current portion of loans and borrowings	12	200,426	216,341
Derivative financial instruments		5,574	14,287
Amounts due to related companies		102	141
		943,944	1,001,859
TOTAL LIABILITIES		4,112,565	3,632,436
TOTAL EQUITY AND LIABILITIES		7,762,869	7,977,524

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2020	2019
	US$'000 unaudited	US$'000 unaudited
OPERATING ACTIVITIES		
Cash (used in)/generated from operations	(253,035)	106,960
Interest received	1,658	2,202
Income tax paid	(1,065)	(2,735)
Net cash (outflow)/inflow from operating activities	(252,442)	106,427
INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	-	(10,606)
Purchase of property, plant and equipment	(444,254)	(562,602)
Proceeds from sale of property, plant and equipment	1,560	232
Cash received from lease receivables (including interest)	1,242	1,359
Dividends received	1,387	1,290
Net cash outflow from investing activities	(440,065)	(570,327)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	1,042,005	400,000
Repayments of loans and borrowings	(559,147)	(109,862)
Payment of loan arrangement fees	(14,018)	(7,884)
Refund of loan arrangement fees	11,472	-
Interest paid	(55,271)	(42,388)
Payment for lease liabilities (including interest)	(7,057)	(6,879)
Proceeds from partial disposal of interests in subsidiaries, net of transaction costs	4,617	-
Capital contribution from non-controlling interest	39,419	-
Net cash inflow from financing activities	462,020	232,987
Effect of exchange rate changes on cash and cash equivalents	7,087	21,075
Net decrease in cash and cash equivalents	(223,400)	(209,838)
Cash and cash equivalents at 1 January	595,124	904,131
Cash and cash equivalents at 30 June	371,724	694,293
Analysis of cash and cash equivalents in the condensed consolidated statement of cash flows		
Cash and cash equivalents in the condensed consolidated statement of financial position	397,523	694,293
Bank overdrafts included in current portion of loans and borrowings	(25,799)	-
	371,724	694,293

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

This unaudited condensed consolidated interim financial information has been approved for issue by the Board of Directors on 28 August 2020.

2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively referred to as the "Group") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the unaudited condensed consolidated interim financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The unaudited condensed consolidated interim financial information is 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. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the financial year ended 31 December 2019.

The Group's operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire financial year. This unaudited condensed consolidated interim financial information should be read where relevant, in conjunction with the annual financial statements of the Group for the financial year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the financial year ended 31 December 2019, except for the following amendments to HKFRSs the Group has adopted that are first effective for the current accounting period of 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. The amendments do not have a material impact on the Group's condensed consolidated interim financial information.

(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. The amendments do not have a material impact on the Group's condensed consolidated interim financial information.

(iii) 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. The amendments do not have a material impact on the Group's condensed consolidated interim financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective except for the following amendments to HKFRS, which are relevant to its operations.

(i) Amendments to HKFRS 16 "COVID-19 - Related Rent Concessions" (effective from 1 June 2020). The amendment provides lessees with exemption from assessing whether COVID-19 related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19 related rent concession as if they were not lease modifications. In applying the amendments for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19 related rent concession is a lease modification. All of the COVID-19 related rent concessions amounted to US$0.6 million has been credited to the condensed consolidated statement of comprehensive income.

Apart from the impact mentioned above and certain presentational changes, the adoption of these revised HKFRSs has no significant impact on the Group's condensed consolidated interim financial information. Where necessary, comparative information has been reclassified and expanded from previously reported condensed consolidated interim financial information to take into account any presentational changes made in the annual financial statements or in this condensed consolidated interim financial information.

2.1 Going concern

During the six months ended 30 June 2020, the Group reported a net loss of US$742.6 million and had net operating cash outflows of US$252.4 million as the Group's operations were adversely affected by the effects of COVID-19 that caused the Group to cancel many sailings and temporarily suspended almost all of its cruise operations since February 2020 and shipyard operations since March 2020. As at 30 June 2020, the Group's cash and cash equivalents amounted to US$397.5 million and Group had total loans and borrowings of US$3,261.2 million, of which US$200.4 million are scheduled to be repayable within twelve months from 30 June 2020.

2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

2.1 Going concern (Continued)

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 30 June 2020, the Group had capital commitments of approximately US$1.3 billion with majority is in relation to the construction of cruise ships. In view of the suspended construction activities, majority of the commitment will be delayed.

The directors of the Company (the "Directors") have reviewed the Group's cash flow forecast, which covers a period of twelve months from 30 June 2020. The Directors are of the opinion that, taking into account the following plans and measures in place, there is a reasonable prospect that the Group will have sufficient working capital and cash flows to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2020:

(i) The Group's ongoing focus on optimising its capital and debt structure and liquidity position by controlling its capital expenditure. The Directors intend to defer or cancel certain capital commitments of the Group, incur capital expenditures only when they are non-cancellable and enter into new capital commitments only when funding is available and secured.

(ii) The shipyard operations are currently suspended due to the COVID-19 outbreak. The Directors expected that the shipyard operations would resume in October 2020. The Group is in the process of applying for a long-term funding from the Economic Stabilisation Fund ("WSF") from the German Federal Government. The WSF was set up for the objective of reducing the damage caused to the German economy by COVID-19 and stabilising companies whose existence is of significant importance for the economy in Germany or for the labor market. The Directors are confident that the conditions for the WSF application can be met by September 2020 to support the approval of the fund application for draw down with effect from October 2020.

   Funds from the WSF will be used to finance the working capital requirements of the shipyards and on-going construction of the Group's new cruise ships. Upon completion of the Group's new cruise ships, the Group will be able to draw down project financing from the lenders.

(iii) The Group has deferred the construction of the Global II cruise ship and has suspended the construction of the Endeavor II cruise ship as the outlook of the cruise industry has been affected by the COVID-19 outbreak. The Directors are in the process of deferring the materials supply contracts for Global II and cancelling the materials supply contracts for Endeavor II cruise ships which had been committed. The Directors are confident that capital commitment which would be due and payable within the next twelve months from 30 June 2020 can be reduced.

(iv) The cruise operations are currently suspended due to the COVID-19 outbreak. However, the Group has seen positive developments on its business operations as the Group's booking for future cruises starting from FY2021 are gradually improving, following the recent progressive uplifting of travel restrictions and the stabilisation of COVID-19 cases in many countries. The Group continues to evaluate alternative deployment plans for cruise ships to countries where restrictions have been lifted or relaxed. The Directors expected that the cruise operations will be resumed from January 2021. In managing the Group's cash flows, the Group has also significantly reduced the onboard crew, imposed a company-wide recruitment freeze and restricted all non-essential expenses, in particular, staff travel to avoid the risk of infection, apart from encouraging its employees to take voluntary unpaid leave. The Directors are confident that there will be improvement in the operating cash flows of the Group following the resumption of cruise operations.

2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

2.1 Going concern (Continued)

(v) The Directors are also in the process of seeking additional equity or debt funding from private investors and have received indicative letters from the investors, expressing interest to invest in one of the Group's cruise brands. The Directors are in discussion with the investors on the terms and conditions of the funding and consider that there is a reasonable prospect that the Group will be able to obtain the funding within the next twelve months from 30 June 2020.

(vi) Prior to 30 June 2020, the Group successfully obtained loan deferment of US$85 million from certain lenders and is in the process of negotiating for further loan deferment of US$97 million with the remaining lenders.

(vii) The Group has engaged PJT Partners and Linklaters to work with financial partners to agree and implement a consensual solvent restructuring solution and an "Ad Hoc Group" of bankers had been formed to work with PJT Partners.

In the opinion of the Directors, in light of the above plans and measures, there is a reasonable prospect that the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2020 on the basis of their successful implementation of the plans and measures taken above. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated interim financial information on a going concern basis.

3. 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, 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 loss of joint ventures and associates, other income/gains or expenses/losses.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information of the Group is as follows:

unaudited Six months ended 30 June 2020	Cruise and cruise-related activities[1]	Shipyard	Non-cruise activities	Inter-segment elimination/ adjustments[2]	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Passenger ticket revenue	116,288	-	3,999		120,287
Onboard revenue	26,376	-	-		26,376
Revenue from shipyard	-	411,663	-		411,663
Other revenue	-	-	18,316		18,316
Reportable segment revenue	142,664	411,663	22,315		576,642
Less: Inter-segment revenue[2]	-	(347,588)	(2,828)		(350,416)
Total revenue from external customers[3]	142,664	64,075	19,487		226,226
Segment EBITDA	(155,042)	(152,347)	(12,845)	116,102	(204,132)
Less: Depreciation and amortisation	(90,388)	(27,808)	(19,142)	18,261	(119,077)
Segment results	(245,430)	(180,155)	(31,987)	134,363	(323,209)
Share of loss of joint ventures					(80)
Share of loss of associates					(37,357)
Other expenses, net					(10,844)
Other losses, net					(349,174)
Finance income					2,011
Finance costs					(40,153)
Loss before taxation					(758,806)
Taxation					16,208
Loss for the period					(742,598)
Other segment information:					
Impairment loss on:					
- Property, plant and equipment	122,757	15,267	47,319		185,343
- Intangible assets	-	134,428	2,603		137,031
- Other assets	12,927	-	-		12,927

(1) Consistent with the internal reporting to the chief operating decision maker, included in the passenger ticket revenue of US$116.3 million (six months ended 30 June 2019: US$487.1 million) were revenue contributed by onboard activities of US$18.9 million (six months ended 30 June 2019: US$88.8 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 six months ended 30 June 2020, revenue of the Group amounted to US$226.2 million, of which revenue from contracts with customers totalled US$207.3 million.

Revenue from contracts with customers is recognised as follows:

unaudited Six months ended 30 June 2020	Cruise and cruise-related activities	Shipyard	Non-cruise activities	Total
	US$'000	US$'000	US$'000	US$'000
Timing of revenue recognition for revenue from contracts with customers:				
At a point in time	12,930	2,636	6,777	22,343
Over time	117,582	60,922	6,447	184,951
	130,512	63,558	13,224	207,294

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information of the Group is as follows: (Continued)

unaudited As at 30 June 2020	Cruise and cruise-related activities US$'000	Shipyard US$'000	Non-cruise activities US$'000	Total US$'000
Segment assets	5,584,724	883,100	1,290,615	7,758,439
Deferred tax assets				4,430
Total assets				7,762,869
Segment liabilities	481,208	294,489	55,068	830,765
Loans and borrowings (including current portion)	3,221,728	39,487	-	3,261,215
	3,702,936	333,976	55,068	4,091,980
Current income tax liabilities				9,588
Deferred tax liabilities				10,997
Total liabilities				4,112,565
Capital expenditure:				
Property, plant and equipment	447,936	21,138	24,775	493,849

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

unaudited Six months ended 30 June 2019	Cruise and cruise-related activities[1]	Shipyard	Non-cruise activities	Inter-segment elimination/ adjustments[2]	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Passenger ticket revenue	487,104	-	5,093		492,197
Onboard revenue	165,260	-	-		165,260
Revenue from shipyard	-	465,960	-		465,960
Other revenue	-	-	23,441		23,441
Reportable segment revenue	652,364	465,960	28,534		1,146,858
Less: Inter-segment revenue[2]	-	(411,491)	(6,204)		(417,695)
Total revenue from external customers[3]	652,364	54,469	22,330		729,163
Segment EBITDA	82,296	27,934	(9,498)	(23,873)	76,859
Less: Depreciation and amortisation	(95,660)	(18,651)	(17,954)	17,106	(115,159)
Segment results	(13,364)	9,283	(27,452)	(6,767)	(38,300)
Share of profit of joint ventures					2,909
Share of profit of associates					6,211
Other expenses, net					(4,398)
Other gains, net					2,176
Finance income					2,331
Finance costs					(22,373)
Loss before taxation					(51,444)
Taxation					(5,058)
Loss for the period					(56,502)

[3] During the six months ended 30 June 2019, revenue of the Group amounted to US$729.2 million, of which revenue from contracts with customers totalled US$627.2 million.

Revenue from contracts with customers is recognised as follows:

unaudited Six months ended 30 June 2019	Cruise and cruise-related activities	Shipyard	Non-cruise activities	Total
	US$'000	US$'000	US$'000	US$'000
Timing of revenue recognition for revenue from contracts with customers:				
At a point in time	46,438	4,463	12,080	62,981
Over time	504,760	49,493	9,943	564,196
	551,198	53,956	22,023	627,177

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

audited As at 31 December 2019	Cruise and cruise-related activities	Shipyard	Non-cruise activities	Total
	US$'000	US$'000	US$'000	US$'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

4. OTHER EXPENSES, NET

	Six months ended 30 June 2020	2019
	US$'000 unaudited	US$'000 unaudited
Loss on foreign exchange, net	(8,210)	(2,845)
Gain/(loss) on disposal of property, plant and equipment	35	(2,211)
Other (loss)/income, net	(2,669)	658
	(10,844)	(4,398)

5. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Impairment loss on:		
- Property, plant and equipment (note (a))	(185,343)	-
- Intangible assets (note (a))	(137,031)	-
- Other assets (note (a))	(12,927)	-
Loss on early repayment of bank borrowings	(13,865)	-
Loss on deemed disposal of equity interest in an associate	(8)	-
Reversal of impairment loss on other receivables	-	2,176
	(349,174)	2,176

Note:

(a) The Group's operations were adversely affected by the effects of COVID-19 that caused the Group to cancel many sailings and temporarily suspended almost all of its cruise operations since February 2020 and shipyard operations since March 2020 as well as most of its other non-cruise operations. Considered the consequential impact on the expected future operating cash flows, the Group performed a review of the carrying value of its non-current assets. Accordingly, impairment losses on the following assets were recognised during the period:

(i) US$185.3 million on cruise ships, aircraft and other property, plant and equipment;

(ii) US$137.0 million development expenditures on ship designs, tradenames and goodwill; and

(iii) US$12.9 million on other non-current assets.

6. FINANCE COSTS

	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Commitment fees and amortisation of bank loans arrangement fees	10,778	9,756
Interests on bank loans and others	61,200	46,881
Gain arising from loan modifications	(4,013)	-
Fair value losses on interest rate swaps designated as cash flow hedges – transfer from other comprehensive income	443	-
Interest expense on lease liabilities	976	1,087
	69,384	57,724
Interest capitalised for qualifying assets	(29,231)	(35,351)
Finance costs expensed	40,153	22,373

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Commission, incentives, transportation and other related costs (including amortisation of incremental costs for obtaining contracts of US$22,683,000 (six months ended 30 June 2019: US$47,187,000))	28,825	88,565
Onboard costs	11,095	51,306
Payroll and related costs included in operating expenses	120,340	156,219
Food and supplies	8,177	38,422
Fuel costs	39,004	58,374
Advertising expenses	20,473	43,682

8. TAXATION

	Six months ended 30 June 2020 US$'000 unaudited	2019 US$'000 unaudited
Overseas taxation		
- Current taxation	1,207	1,314
- Deferred taxation	(13,262)	3,512
	(12,055)	4,826
(Over)/Under provision in respect of prior years		
- Current taxation	(4,153)	232
Tax (credit)/expense	(16,208)	5,058

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.

9. LOSS PER SHARE

Loss per share is computed as follows:

	Six months ended 30 June 2020 unaudited	Six months ended 30 June 2019 unaudited
BASIC		
Loss attributable to equity owners of the Company for the period (US$'000)	(687,056)	(55,162)
Weighted average outstanding ordinary shares, in thousands	8,482,490	8,482,490
Basic loss per share for the period in US cents	(8.10)	(0.65)
DILUTED		
Loss attributable to equity owners of the Company for the period (US$'000)	(687,056)	(55,162)
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 period in US cents	(8.10)	(0.65)

* The calculation of diluted loss per share for the six months ended 30 June 2020 and 30 June 2019 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.

10. TRADE RECEIVABLES

	As at 30 June 2020 US$'000 unaudited	31 December 2019 US$'000 audited
Trade receivables	60,551	73,010
Less: Loss allowance	(14,311)	(15,245)
	46,240	57,765

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

	As at 30 June 2020 US$'000 unaudited	31 December 2019 US$'000 audited
Current to 30 days	19,288	43,366
31 days to 60 days	1,013	11,726
61 days to 120 days	1,471	1,114
121 days to 180 days	9,490	594
181 days to 360 days	12,658	29
Over 360 days	2,320	936
	46,240	57,765

Credit terms generally range from payment in advance to 45 days credit (31 December 2019: payment in advance to 45 days credit).

11. TRADE PAYABLES

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

	As at 30 June 2020 US$'000 unaudited	31 December 2019 US$'000 audited
Current to 60 days	221,208	135,165
61 days to 120 days	5,636	8,540
121 days to 180 days	1,103	2,856
Over 180 days	18,911	10,109
	246,858	156,670

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2019: no credit to 45 days credit).

12. CURRENT PORTION OF LOANS AND BORROWINGS

Subsequent to the end of the reporting period, the Group has received approval from certain lenders to defer the principal repayment of some of the Group's existing loans and borrowings. If taking this into account, US$18.2 million would have been reclassified from the current portion to the non-current portion of loans and borrowings, and as a result, the current portion of loans and borrowings would have been reduced to US$182.2 million from US$200.4 million as at 30 June 2020.

INTERIM DIVIDEND

The Board of Directors of the Company do not recommend the declaration of interim dividend in respect of the six months ended 30 June 2020 (30 June 2019: Nil).

BUSINESS REVIEW

The commentary below is prepared based on a comparison of the results of the Group for the six months ended 30 June 2020 ("1H2020") and six months ended 30 June 2019 ("1H2019").

The Group recorded EBITDA loss of US$204.1 million in 1H2020, compared to EBITDA of US$76.9 million in 1H2019. After depreciation and amortisation, Operating Loss was at US$323.2 million in 1H2020 compared to US$38.3 million in 1H2019.

Net loss of US$742.6 million in 1H2020, also included adjustments of US$386.6 million which primarily consisting of expenses related to non-cash impairment losses on certain intangible assets, property, plant and equipment and other assets, share of associates results and losses on refinancing of debt for Genting Dream. For the corresponding period in 2019, the net loss was US$56.5 million.

Total revenue decreased to US$226.2 million compared to US$729.2 million in 1H2019 due to the fleet-wide suspension of voyages since March this year as a result of port closure by various countries and no sail orders issued by the United States in response to pandemic-control measures.

Shipyard recorded EBITDA loss of US$36.2 million in 1H2020 as compared to EBITDA of US$4.3 million in 1H2019 was primarily due to suspension of three shipyards' operation since March 2020 after considering the restrictions in business operations and the health of our employees.

SHARE OF (LOSS)/PROFIT OF JOINT VENTURES AND ASSOCIATES

Share of loss of joint ventures and associates totalled US$37.4 million in 1H2020 compared with profit of US$9.1 million in 1H2019, which was mainly attributable by the losses of Travellers International Hotel Group, Inc. due to the restriction of its operations as a result of COVID-19 pandemic in the Philippines in 1H2020.

OTHER EXPENSES, NET

Net other expenses in 1H2020 amounted to US$10.8 million compared with US$4.4 million in 1H2019. In 1H2020, net other expenses mainly included with foreign exchange loss amounted to US$8.2 million (1H2019: US$2.8 million) resulting primarily from the appreciation of loans and borrowings denominated in foreign currencies against US dollar.

OTHER (LOSSES)/GAINS, NET

Net other losses in 1H2020 amounted to US$349.2 million mainly represented impairment loss on property, plant and equipment, intangible assets and other assets by US$185.3 million, US$137.0 million and US$12.9 million respectively. Net other gains in 1H2019 amounted to US$2.2 million represented reversal of impairment loss on other receivables.

NET FINANCE COSTS

Net finance costs (i.e. finance costs, net of finance income) in 1H2020 was US$38.1 million compared with US$20.0 million in 1H2019 due to higher interest expenses arising from higher outstanding loan balances.

LOSS FOR THE PERIOD

The Group recorded consolidated net loss of US$742.6 million in 1H2020, as compared with a consolidated net loss of US$56.5 million in 1H2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, cash and cash equivalents amounted to US$397.5 million, a decrease of US$197.6 million compared with US$595.1 million as at 31 December 2019.

The decrease in cash and cash equivalents was primarily due to cash outflows of (i) US$252.4 million from operating activities; (ii) US$444.3 million for capital expenditure of property, plant and equipment; and (iii) US$617.0 million for repayments of existing loans and borrowings and payments of interest and financing costs, net of refund. Cash outflows were partially offset by cash inflows of (i) US$1,042.0 million from the drawdown of loans and borrowings; and (ii) US$39.4 million capital contribution from non-controlling interest.

The majority of the Group's cash and cash equivalents are held in Euro, US dollar, Hong Kong dollar, Chinese Renminbi and Singapore dollar. The Group's liquidity as at 30 June 2020 was US$408.5 million (31 December 2019: US$631.8 million), comprising cash and cash equivalents and undrawn credit facilities.

As at 30 June 2020, total loans and borrowings amounted to US$3,261.2 million (31 December 2019: US$2,739.4 million) and were mainly denominated in US dollar. Taking into account the effect of hedging from the interest rate swap contracts, approximately 25% (31 December 2019: 29%) of the Group's loans and borrowings was under fixed rate and 75% (31 December 2019: 71%) was under floating rate. Loans and borrowings of US$200.4 million (31 December 2019: US$216.3 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$4.5 billion (31 December 2019: US$4.0 billion).

The Group's net debt position was US$2,863.7 million as at 30 June 2020, as compared with US$2,144.3 million as at 31 December 2019. The total equity of the Group was approximately US$3,650.3 million (31 December 2019: US$4,345.1 million). The gearing ratio as at 30 June 2020 was 78.5% (31 December 2019: 49.3%). 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 condensed consolidated statement of financial position) less cash and cash equivalents.

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

OTHER BUSINESS HIGHLIGHTS AND 2020 OUTLOOK

The Company has implemented various cost rationalization initiatives to aggressively reduce non-essential operational expenses, including minimizing all non-essential ship/shore costs, enacting pay freezes/reductions and reducing headcount to conserve cash and to minimize the monthly cash burn rate. All ships other than Explorer Dream, SuperStar Aquarius and SuperStar Gemini are being laid-up. All non-essential capital expenditures except for maintenance to safeguard the safety and security of the ships and the health and safety of the guests and employees have been suspended. The delivery of Crystal Endeavor and Global Dream, currently under construction at MV Werften shipyards has been rescheduled. The Group's debt maturity profile improved after securing a deferral of up to 12-month for some principal repayments.

Safety has always been a priority of Genting Cruise Lines. The Group has introduced various preventive measures to address the concerns of cruising arising from the risk and rapid spread of the infectious disease onboard. In April 2020, after completing stringent assessment checks covering various aspects including safe distancing practices, the ships' ventilation systems and preventive and infection control measures, the Singapore authorities approved two of Genting Cruise Lines' ships, SuperStar Aquarius and SuperStar Gemini, as temporary accommodations for foreign workers who have recovered from COVID-19. This endorsement is a further testament to the efficacy of the Group's enhanced preventive measures.

Genting Cruise Lines has also been working with DNV GL, the largest classification society in the world, to adopt their hospital "Certification in Infection Prevention (CIP) for the Marine industry (CIP-M) - which is unique in that it builds on proven hospital standards tailored to passenger cruise ships, while incorporating national requirements to enable a robust immediate and long-term response. On 7 July 2020, Dream Cruises' Explorer Dream became the first cruise ship in the world to receive the CIP-M certification. These standards include stringent health screening processes and protocols prior to embarkation and disembarkation, as well as thorough sanitization and disinfection and enhanced hygiene practices for guest cabins, various on board public areas and recreational activities, food and beverage safety and also the health of its crew members.

OTHER BUSINESS HIGHLIGHTS AND 2020 OUTLOOK (CONTINUED)

With the support from the relevant authorities in Taiwan, Dream Cruises' Explorer Dream was given the approval to operate two, three and four night "Taiwan Island-Hopping" cruises departing from Keelung to Kinmen, Penghu and Matsu islands –making Taiwan one of the earlier markets to reopen cruise travel. The market response to the Explorer Dream deployment in Taiwan is very encouraging with regulated first sailing at occupancy rate of 50% on 26 July 2020 rising progressively to 96% on the 23 to 26 August 2020 cruises. The Group was informed by the Hainan Commercial Bureau today that Dream Cruises is welcomed to commence domestic cruise operation from Sanya. The Group is also in the process of negotiation with other regional governments to start domestic cruises. These initiatives provide more visibility in the future of the Group and the leadership role of the Group to re-start cruising after COVID-19.

It is expected that the COVID-19 pandemic will continue to impact the Group's businesses, as the spread and development of the virus has created significant uncertainty over when the authorities in the relevant cruising markets will allow resumption of the cruise travel. As COVID-19 crisis continues to unravel, the Group is unable to predict with certainty the ultimate impact it would have on the Group's business, its financial condition and its short or long-term financial performance. As a result, the Group expects to report a net loss for the year ending 31 December 2020.

The COVID-19 pandemic has severely impacted the Company's financial position and results of operation. If the temporary suspension of sailings protracts, the impact on the Company's liquidity and financial position is likely to continue.

In anticipation of an eventual cruise industry recovery with more countries progressively lifting entry bans, the Company and the Group will continue to monitor the evolution of the pandemic and adapt our business strategies cautiously. While the impact of COVID-19 has been profound and protracted, the Company engaged PJT Partners and Linklaters to work with our financial partners to agree and implement a consensual solvent restructuring solution and an "Ad Hoc Group" of bankers had been formed to work with PJT Partners.

OPERATING STATISTICS

The following table sets forth selected statistical information:

	Six months ended 30 June	
	2020	2019
Passenger Cruise Days	603,562	2,346,366
Capacity Days	848,708	2,589,109
Occupancy Percentage	71.1%	90.6%

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

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Passenger ticket revenue	116,288	487,104
Onboard revenue	26,376	165,260
Total cruise and cruise-related revenue	142,664	652,364
Less:		
Commission, incentives, transportation and other related costs	(28,704)	(88,392)
Onboard costs	(11,099)	(51,306)
Net Revenue	102,861	512,666
Gross Yield (US$)	168.1	252.0
Net Yield (US$)	121.2	198.0

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:

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Total operating expenses	475,185	628,388
Total selling, general and administrative expenses	74,250	139,075
	549,435	767,463
Less: Depreciation and amortisation	(119,077)	(115,159)
	430,358	652,304
Less: Expenses relating to shipyard and non-cruise activities	(132,654)	(82,236)
Gross Cruise Cost	297,704	570,068
Less:		
Commission, incentives, transportation and other related costs	(28,704)	(88,392)
Onboard costs	(11,099)	(51,306)
Net Cruise Cost	257,901	430,370
Less: Fuel costs	(38,208)	(57,580)
Net Cruise Cost Excluding Fuel	219,693	372,790
Gross Cruise Cost per Capacity Day (US$)	350.8	220.2
Net Cruise Cost per Capacity Day (US$)	303.9	166.2
Net Cruise Cost Excluding Fuel per Capacity Day (US$)	258.9	144.0
EBITDA for the period as reported	(204,132)	76,859

SIGNIFICANT SUBSEQUENT EVENTS

The Company has mandated certain financial institutions ("Funding Advisors") to arrange a fund raising exercise for the Group (the "Fund Raising Exercise"). The Funding Advisors delivered a report on parties interested in the Fund Raising Exercise to the Board of Directors of the Company (the "Board") on 19 August 2020. The Board has been informed that the Group and potential interested parties will require more time to assess the provision of additional funding to the Group.

As there is currently a lack of certainty as to the outcome of the Fund Raising Exercise, the Board announced that, it has, after consultation with its legal and financial advisers, concluded that it is important to preserve as much liquidity of the Group as possible and to fulfil the Board's fiduciary duties and to treat all its financial creditors fairly and equitably.

The Company has engaged PJT Partners and Linklaters to work with its financial creditors to agree and implement a consensual solvent restructuring solution, which preserves as much value as possible for lenders while restoring the Group's viability once COVID-19 has been brought under control. The Company has invited all of the Group's financial creditors to a virtual meeting held on 24 August 2020 (the "First Creditors' Meeting"). The financial creditors have been supportive and a number of the Group's long term financial creditors have agreed to join an ad hoc group to extend their support to the Group.

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 six months ended 30 June 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, during the six months ended 30 June 2020, 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 were set out in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2019 issued in April 2020.

REVIEW BY AUDIT COMMITTEE

This unaudited condensed consolidated interim financial information set out in this announcement has been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant provisions of the Corporate Governance Code. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Justin Tan Wah Joo, Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises three Executive Directors, namely Tan Sri Lim Kok Thay, Mr. Au Fook Yew (alias Mr. Colin Au) and Mr. Chan Kam Hing Chris, and three Independent Non-executive Directors, namely Mr. Alan Howard Smith, Mr. Lam Wai Hon, Ambrose and Mr. Justin Tan Wah Joo.

On behalf of the Board

TAN SRI LIM KOK THAY
Chairman and Chief Executive Officer

Hong Kong, 28 August 2020

Forward-looking statements

This announcement 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 announcement 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.

Terminology

Unless otherwise indicated in this announcement, 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/loss 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 amortization
- Passenger Cruise Days: the number of passengers carried for the period, multiplied by the number of days in their respective cruises