

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2003.

Principal Activities 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. Details of the Company's principal subsidiary companies are set out in note 31 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results

The results of the Company and its subsidiaries for the year ended 31 December 2003 are set out in the consolidated profit and loss account on page 41.

Dividends

The directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2003.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in pages 45 and 46. The distributable reserves of the Company amounted to US\$331.4 million as at 31 December 2003.

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 86.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2003, save for the issuance of new ordinary shares of US\$0.10 each by the Company as follows:

- (a) the issuance of 346,279,885 shares of US\$0.10 each at the subscription price of HK\$2.25 (US\$0.29) per share, with an aggregate price, net of issuance costs, of approximately US\$99.0 million pursuant to the rights issue completed in December 2003; and
- (b) the issuance of 717,510 new ordinary shares of US\$0.10 each at an aggregate price of approximately US\$0.2 million pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme adopted by the Company on 16 April 1997 prior to the listing of its ordinary shares on The Stock Exchange of Hong Kong Limited (the "Pre-listing Employee Share Option Scheme").

Donations

Charitable and other donations made by the Group during the year amounted to US\$0.2 million.

Fixed Assets

A brief description of the properties owned by the Group is set out on page 87.

Details of the movements in fixed assets during the year are set out in note 12 to the accounts.

Share Capital and Convertible Bonds

Details of the movements in share capital and convertible bonds of the Company are set out in notes 22 and 23 to the accounts.

Indebtedness

Details of long-term financing facilities of the Company and its subsidiary companies at 31 December 2003 are set out in note 21 to the accounts.

Directors

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

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith, J.P.
Mr. Chong Chee Tut
Mr. William Ng Ko Seng
Mr. David Colin Sinclair Veitch
Mr. Tan Boon Seng
Mr. Lim Lay Leng

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Chong Chee Tut and Mr. Lim Lay Leng will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Biographical details of the Directors and senior management are set out on pages 21 to 25.

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.

Interests of Directors and Controlling Shareholders in Contracts of Significance

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Related Party Transactions and Balances" in note 18 to the accounts, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any of the Company's Director or controlling shareholder or its subsidiaries had a material interest, whether directly or indirectly, 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 2003 are disclosed in note 18 (a) to (c) and (e) to the accounts.
- (b) Items (a) to (c) of these related party transactions, which constitute connected transactions (the "Continuing Connected Transactions") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and are required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:
 - (i) Kien Huat Development Sdn Bhd ("KHD"), a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest, together with its related companies, have since 1997 been engaged by certain companies in the Group to construct terminal buildings and a number of jetties which serve as the administrative and technical support offices and berthing facilities for the Group's vessels (the "KHD Transactions"). Amounts charged to the Group for the KHD Transactions were approximately US\$41,000 for the year ended 31 December 2003 and shall not exceed the higher of HK\$10 million (equivalent to approximately US\$1.3 million) or 3% of the consolidated net tangible asset value of the Group as at 31 December 2003.
 - (ii) Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and is also the Chairman, President and Chief Executive and shareholder, entered into a services agreement with the Company on 14 January 2003 in relation to the provision of treasury management services, secretarial services, share registration services, information technology support services, finance and administrative services, travel services, air ticket purchasing services, other purchasing services, central reservation services, leasing of office space and risk management services by GB and its related companies (the "GB Group") to the Group as and when required by the Group from time to time (the "GB Transactions"). Amounts charged to the Group in respect of the GB Transactions totalled approximately US\$0.9 million for the year ended 31 December 2003 and shall not exceed the higher of HK\$10 million (equivalent to approximately US\$1.3 million) or 3% of the consolidated net tangible asset value of the Group as at 31 December 2003.

Connected Transactions *(continued)*

- (iii) the Company entered into a services agreement with GB on 14 January 2003 in relation to the provision of office space, administrative and information technology services and other services (such as travel services and secretarial services) by the Group to the GB Group as and when required by the GB Group from time to time (the “SC Transactions”). Amounts charged to the GB Group in respect of the SC Transactions totalled approximately US\$0.1 million for the year ended 31 December 2003 and shall not exceed the higher of HK\$10 million (equivalent to approximately US\$1.3 million) or 3% of the consolidated net tangible asset value of the Group as at 31 December 2003.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has, subject to certain conditions, granted a waiver (the “Waiver”) to the Company from strict compliance with connected transactions requirements of the Listing Rules in respect of the Continuing Connected Transactions.

The Audit Committee comprising of all Independent Non-executive Directors of the Company has reviewed the Continuing Connected Transactions and confirmed that:

1. the Continuing Connected Transactions have been:
 - (a) entered into by the Group in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or on terms that are fair and reasonable so far as the Company’s shareholders are concerned; and
 - (c) entered into in accordance with the terms of the agreements governing such transactions, which are on normal commercial terms or, where there are no such agreements, on terms that are no less favourable than terms available to or from independent third parties; and
2. the aggregate annual consideration paid/payable by the Group or received/receivable by the Group, as the case may be, under each category of the KHD Transactions, the GB Transactions and the SC Transactions has not exceeded the higher of HK\$10 million (equivalent to approximately US\$1.3 million) or 3% of the consolidated net tangible asset value of the Group as at 31 December 2003.

The auditors have issued a report to the Independent Non-executive Directors of the Company following their performance of certain specified procedures in relation to the Continuing Connected Transactions.

- (c) On 19 January 2004, the following agreements were entered into by the Group:
 - (i) the Shareholders’ Agreement, the WorldCard Merchant Agreement (the “WC Agreement”) and two addenda among certain wholly-owned subsidiaries of the Company and of Genting International PLC whereby the Group subscribed for 50% of the enlarged issued capital of WorldCard International Limited (“WCIL”) for a total subscription price of US\$500,000 and participated as a merchant in the customer loyalty programme known as “WorldCard”. WCIL together with its subsidiaries operates and administers the WorldCard Programme on an international basis (save as Malaysia); and
 - (ii) the Joint Promotion and Marketing Agreement (the “JPM Agreement”) and an addendum among certain wholly-owned subsidiaries of the Group, Resorts World Bhd (“RWB”) and a wholly-owned subsidiary of GB in relation to the implementation of joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

The Stock Exchange has, subject to certain conditions, granted a waiver to the Company from strict compliance with connected transactions requirements of the Listing Rules in respect of the continuing connected transactions pursuant to the WC Agreement and addenda, JPM Agreement and addendum as well as subsequent addenda to be entered into in relation to the WC Agreement and the JPM Agreement.

Details of the above agreements and addenda as well as the waiver conditions have been set out in the announcement issued by the Company on 19 January 2004. As required, details of the continuing connected transactions pursuant to these agreements and addenda will be given in the next and each successive annual reports of the Company if such transactions are conducted during the relevant year.

Directors' Interests in Competing Business

Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Company, is the Chairman, President and Chief Executive of Genting Berhad and Resorts World Bhd, which are both substantial shareholders of the Company and companies listed on the Malaysia Securities Exchange Berhad. He is also the Chairman of Genting International PLC, a company listed on the Luxembourg Stock Exchange. Resorts World Bhd's principal activities include the operation of a tourist resort in Malaysia known as Genting Highlands Resort, along with other land-based Malaysian resorts, through its subsidiaries. Other activities of Resorts World Bhd cover leisure and hospitality which comprises amusement, gaming, hotel and entertainment. Genting International PLC's principal activities include the provision of sales and marketing services to resort related businesses. Resorts World Bhd and Genting International PLC are subsidiaries of Genting Berhad.

The Group engages in cruise and cruise-related businesses. Resorts World Bhd, Genting International PLC and Genting Berhad, as set out above, are not engaged in cruise or cruise-related businesses. However, as the cruise industry forms a segment of the leisure industry, there may be indirect competition between the Group, Resorts World Bhd and Genting International PLC.

Tan Sri Lim Kok Thay is 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 paragraph 8.10 of the Listing Rules. The Company's management team is separate and independent from Resorts World Bhd, Genting International PLC and Genting Berhad. Coupled with the appointment of three Independent Non-executive Directors to the Board of Directors of the Company, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

Mr. William Ng Ko Seng, an Executive Director of the Company, had acted as an alternate director on the Board of Directors of Genting International PLC in the financial year under review until he resigned as an alternate director with effect from 10 March 2003. Mr. Ng was therefore also considered as having interests in the Deemed Competing Business in the financial year under review until 10 March 2003.

Interests of Directors

As at 31 December 2003, 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 Companies (the "Model Code") were as follows:

(A) Interests in the shares of the Company

	Number of ordinary shares (Notes)				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	8,068,977	4,561,589,708	1,933,119,759	4,533,231,811	4,569,658,685	86.332
Mr. Chong Chee Tut	456,205	—	—	—	456,205	0.009
Mr. William Ng Ko Seng	172,130	—	—	—	172,130	0.003
Mr. David Colin Sinclair Veitch	335,445	—	—	—	335,445	0.006

Notes:

1. Tan Sri Lim Kok Thay ("Tan Sri KT Lim") has a family interest in 4,561,589,708 ordinary shares (comprising (i) the same block of 1,904,761,862 ordinary shares directly held by Resorts World Limited ("RWL") and the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope Limited ("Golden Hope") as trustee of Golden Hope Unit Trust ("GHUT") in which his children and his wife, Puan Sri Wong Hon Yee ("Puan Sri Wong") have deemed interests and (ii) the same block of 28,357,897 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which Puan Sri Wong has a corporate interest).
2. Tan Sri KT Lim is also deemed to have a corporate interest in 1,933,119,759 ordinary shares (comprising (i) the same block of 1,904,761,862 ordinary shares directly held by RWL by virtue of his interest in a chain of corporations holding RWL (details of the percentage interests in such corporations are set out in the section headed "Interests of Substantial Shareholders") and (ii) the same block of 28,357,897 ordinary shares directly held by Goldsfine in which each of Tan Sri KT Lim and Puan Sri Wong holds 50% of its issued share capital).

Interests of Directors *(continued)*

(A) Interests in the shares of the Company *(continued)*

3. Tan Sri KT Lim as a beneficiary of various discretionary trusts, has a deemed interest in 4,533,231,811 ordinary shares (comprising the same block of 1,904,761,862 ordinary shares directly held by RWL and the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT). He is also deemed to have interest in the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT in his capacity as founder of a discretionary trust.
4. Out of the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
5. There is no duplication in arriving at the total interest.
6. All the above interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective Directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Share options are granted to the Directors under The Star Cruises Employees Share Option Scheme adopted by the Company on 16 April 1997 prior to the listing of its ordinary shares on the Stock Exchange (the “Pre-listing Employee Share Option Scheme”) and 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”).

As at 31 December 2003, the Directors had personal interests in the following underlying shares of the Company held through share options granted under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme:

	Number of underlying ordinary shares	Percentage of issued ordinary shares
Tan Sri Lim Kok Thay	19,516,800	0.369
Mr. Chong Chee Tut	1,937,653	0.037
Mr. William Ng Ko Seng	1,509,503	0.029
Mr. David Colin Sinclair Veitch	3,659,400	0.069

Further details of share options granted to the Directors under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme are set out in the section headed “Share Options” below and note 29 to the accounts.

These interests in share options represent long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the respective Directors set out in this subsection (B) need to be aggregated with their interests in the shares of the Company set out in subsection (A) above to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Interests in subsidiaries of the Company

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

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

- (a) as at 31 December 2003, 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 or its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures in the Company or any other body corporate.

Share Options

Details of the Company's Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme are set out in note 29 to the accounts. Share options are granted to certain Directors of the Company and employees of the Group under the said schemes. Adjustments to the exercise price and the number of shares to be issued upon exercise of the share options (the "Rights Issue Adjustments") were effected on 10 December 2003 (the date when the Rights Issue of the Company became unconditional) in the manner as set out in the prospectus of the Company dated 12 November 2003. Details of the movement in the share options granted under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme during the year and outstanding as at 31 December 2003 are as follows:

(A) Pre-listing Employee Share Option Scheme

(1) Movement during the period from 1 January 2003 to 9 December 2003, the date immediately before the Rights Issue Adjustments became effective

	Number of options outstanding at 1/1/2003	Number of shares acquired upon exercise of options during the period from 1/1/2003 to 9/12/2003	Number of options lapsed during the period from 1/1/2003 to 9/12/2003	Number of options cancelled during the period from 1/1/2003 to 9/12/2003	Number of options outstanding at 9/12/2003	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	2,280,000	(570,000) ¹	—	—	1,710,000	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	4,132,500	—	—	—	4,132,500	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	1,567,500	—	—	—	1,567,500	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	1,140,000	—	—	—	1,140,000	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	4,132,500	—	—	—	4,132,500	16/11/2000	US\$0.2686	24/3/2002 - 23/3/2009
	1,567,500	—	—	—	1,567,500	16/11/2000	US\$0.4298	24/3/2002 - 23/3/2009
	285,000	—	—	—	285,000	16/11/2000	US\$0.2686	23/10/2003 - 22/8/2010
	15,105,000	(570,000)	—	—	14,535,000			
Mr. Chong Chee Tut (Director)	126,540	—	—	—	126,540	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	114,000	—	(42,750)	—	71,250	25/5/1998	US\$0.4298	23/6/2000 - 22/6/2007
	387,600	—	—	—	387,600	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	85,500	—	—	—	85,500	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	547,200	—	—	—	547,200	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	22,800	—	—	—	22,800	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
	1,283,640	—	(42,750)	—	1,240,890			
Mr. William Ng Ko Seng (Director)	156,750	—	(28,500)	—	128,250	25/5/1998	US\$0.2686	21/8/2000 - 20/8/2005
	28,500	—	—	—	28,500	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	114,000	—	—	—	114,000	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	433,200	—	—	—	433,200	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	22,800	—	—	—	22,800	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
	755,250	—	(28,500)	—	726,750			
Mr. David Colin Sinclair Veitch (Director)	1,140,000	—	—	—	1,140,000	7/1/2000	US\$0.4298	7/1/2003 - 6/1/2010

Share Options (continued)

(A) Pre-listing Employee Share Option Scheme (continued)

(1) Movement during the period from 1 January 2003 to 9 December 2003, the date immediately before the Rights Issue Adjustments became effective (continued)

	Number of options outstanding at 1/1/2003	Number of shares acquired upon exercise of options during the period from 1/1/2003 to 9/12/2003	Number of options lapsed during the period from 1/1/2003 to 9/12/2003	Number of options cancelled during the period from 1/1/2003 to 9/12/2003	Number of options outstanding at 9/12/2003	Date granted	Exercise price per share	Exercisable Period
All other employees	4,192,350	(97,750) ²	(110,300)	—	3,984,300	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	58,140	—	—	—	58,140	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	228,000	—	(85,500)	—	142,500	25/5/1998	US\$0.2686	11/3/2000 - 10/3/2007
	213,750	—	—	(213,750)	—	25/5/1998	US\$0.2686	6/1/2000 - 5/1/2007
	786,600	—	(188,100)	—	598,500	25/5/1998	US\$0.4298	23/6/2000 - 22/6/2007
	5,896,650	—	(2,254,350)	(387,600)	3,254,700	25/5/1998	US\$0.4298	6/1/2000 - 5/1/2007
	18,619,026	(10,260) ³	—	(1,857,575)	16,751,191	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	10,593,759	—	—	(994,420)	9,599,339	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	8,550	—	—	—	8,550	24/3/1999	US\$0.4298	24/3/2003 - 23/3/2005
	222,870	—	—	—	222,870	24/3/1999	US\$0.4298	24/3/2003 - 23/3/2004
	1,400,661	—	—	(123,633)	1,277,028	30/6/1999	US\$0.2686	30/6/2002 - 29/6/2009
	2,900,274	—	—	(210,387)	2,689,887	30/6/1999	US\$0.4298	30/6/2002 - 29/6/2009
	17,100	—	—	—	17,100	30/6/1999	US\$0.4298	30/6/2003 - 29/6/2004
	2,680,026	—	—	(228,000)	2,452,026	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	3,595,389	—	—	(354,540)	3,240,849	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
	<u>51,413,145</u>	<u>(108,010)</u>	<u>(2,638,250)</u>	<u>(4,369,905)</u>	<u>44,296,980</u>			
Grand Total	<u>69,697,035</u>	<u>(678,010)</u>	<u>(2,709,500)</u>	<u>(4,369,905)</u>	<u>61,939,620</u>			

Notes:

1. Exercise date was 12 August 2003. At the date before the options were exercised, the market closing value per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.200.
2. Exercise date was 20 August 2003. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.275.
3. Exercise date was 15 October 2003. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.525.

HK\$: Hong Kong dollars, the lawful currency of Hong Kong.

Share Options (continued)

(A) Pre-listing Employee Share Option Scheme (continued)

(2) Movement during the period from 10 December 2003 (the date when the Rights Issue Adjustments became effective) to 31 December 2003

	Number of options outstanding at 9/12/2003 (the date before Rights Issue Adjustments)	Exercise price per share before Rights Issue Adjustments	Number of options outstanding as at 10/12/2003 (the date of Rights Issue Adjustments)	Exercise price per share after Rights Issue Adjustments	Number of options lapsed during the period from 10/12/2003 to 31/12/2003	Number of options cancelled during the period from 10/12/2003 to 31/12/2003	Number of options outstanding at 31/12/2003	Date granted	Exercisable Period
Tan Sri Lim Kok Thay (Director)	1,710,000	US\$0.2686	1,829,700	US\$0.2686	—	—	1,829,700	25/5/1998	21/8/1999 - 20/8/2005
	4,132,500	US\$0.2686	4,421,775	US\$0.2686	—	—	4,421,775	24/3/1999	24/3/2002 - 23/3/2009
	1,567,500	US\$0.4298	1,677,225	US\$0.4206	—	—	1,677,225	24/3/1999	24/3/2002 - 23/3/2009
	1,140,000	US\$0.2686	1,219,800	US\$0.2686	—	—	1,219,800	23/10/2000	23/10/2003 - 22/8/2010
	4,132,500	US\$0.2686	4,421,775	US\$0.2686	—	—	4,421,775	16/11/2000	24/3/2002 - 23/3/2009
	1,567,500	US\$0.4298	1,677,225	US\$0.4206	—	—	1,677,225	16/11/2000	24/3/2002 - 23/3/2009
	285,000	US\$0.2686	304,950	US\$0.2686	—	—	304,950	16/11/2000	23/10/2003 - 22/8/2010
	14,535,000		15,552,450		—	—	15,552,450		
Mr. Chong Chee Tut (Director)	126,540	US\$0.2686	135,398	US\$0.2686	—	—	135,398	25/5/1998	20/12/2000 - 19/12/2005
	71,250	US\$0.4298	76,238	US\$0.4206	—	—	76,238	25/5/1998	23/6/2000 - 22/6/2007
	387,600	US\$0.2686	414,732	US\$0.2686	—	—	414,732	24/3/1999	24/3/2002 - 23/3/2009
	85,500	US\$0.4298	91,485	US\$0.4206	—	—	91,485	24/3/1999	24/3/2002 - 23/3/2009
	547,200	US\$0.2686	585,504	US\$0.2686	—	—	585,504	23/10/2000	23/10/2003 - 22/8/2010
	22,800	US\$0.4298	24,396	US\$0.4206	—	—	24,396	23/10/2000	23/10/2003 - 22/8/2010
	1,240,890		1,327,753		—	—	1,327,753		
Mr. William Ng Ko Seng (Director)	128,250	US\$0.2686	137,228	US\$0.2686	—	—	137,228	25/5/1998	21/8/2000 - 20/8/2005
	28,500	US\$0.2686	30,495	US\$0.2686	—	—	30,495	24/3/1999	24/3/2002 - 23/3/2009
	114,000	US\$0.4298	121,980	US\$0.4206	—	—	121,980	24/3/1999	24/3/2002 - 23/3/2009
	433,200	US\$0.2686	463,524	US\$0.2686	—	—	463,524	23/10/2000	23/10/2003 - 22/8/2010
	22,800	US\$0.4298	24,396	US\$0.4206	—	—	24,396	23/10/2000	23/10/2003 - 22/8/2010
	726,750		777,623		—	—	777,623		
Mr. David Colin Sinclair Veitch (Director)	1,140,000	US\$0.4298	1,219,800	US\$0.4206	—	—	1,219,800	7/1/2000	7/1/2003 - 6/1/2010

Share Options (continued)

(A) Pre-listing Employee Share Option Scheme (continued)

(2) Movement during the period from 10 December 2003 (the date when the Rights Issue Adjustments became effective) to 31 December 2003 (continued)

	Number of options outstanding at 9/12/2003 (the date before Rights Issue Adjustments)	Exercise price per share before Rights Issue Adjustments	Number of options outstanding as at 10/12/2003 (the date of Rights Issue Adjustments)	Exercise price per share after Rights Issue Adjustments	Number of options lapsed during the period from 10/12/2003 to 31/12/2003	Number of options cancelled during the period from 10/12/2003 to 31/12/2003	Number of options outstanding at 31/12/2003	Date granted	Exercisable Period
All other employees	3,984,300	US\$0.2686	4,263,204	US\$0.2686	—	—	4,263,204	25/5/1998	21/8/1999 - 20/8/2005
	58,140	US\$0.2686	62,210	US\$0.2686	—	—	62,210	25/5/1998	20/12/2000 - 9/12/2005
	142,500	US\$0.2686	152,475	US\$0.2686	—	—	152,475	25/5/1998	11/3/2000 - 10/3/2007
	598,500	US\$0.4298	640,395	US\$0.4206	—	—	640,395	25/5/1998	23/6/2000 - 22/6/2007
	3,254,700	US\$0.4298	3,482,554	US\$0.4206	—	—	3,482,554	25/5/1998	6/1/2000 - 5/1/2007
	16,751,191	US\$0.2686	17,923,870	US\$0.2686	—	—	17,923,870	24/3/1999	24/3/2002 - 23/3/2009
	9,599,339	US\$0.4298	10,271,378	US\$0.4206	—	—	10,271,378	24/3/1999	24/3/2002 - 23/3/2009
	8,550	US\$0.4298	9,149	US\$0.4206	—	—	9,149	24/3/1999	24/3/2003 - 23/3/2005
	222,870	US\$0.4298	238,473	US\$0.4206	—	—	238,473	24/3/1999	24/3/2003 - 23/3/2004
	1,277,028	US\$0.2686	1,366,444	US\$0.2686	—	—	1,366,444	30/6/1999	30/6/2002 - 29/6/2009
	2,689,887	US\$0.4298	2,878,199	US\$0.4206	—	—	2,878,199	30/6/1999	30/6/2002 - 29/6/2009
	17,100	US\$0.4298	18,297	US\$0.4206	—	—	18,297	30/6/1999	30/6/2003 - 29/6/2004
	2,452,026	US\$0.2686	2,623,668	US\$0.2686	—	—	2,623,668	23/10/2000	23/10/2003 - 22/8/2010
	3,240,849	US\$0.4298	3,467,738	US\$0.4206	—	(24,396)	3,443,342	23/10/2000	23/10/2003 - 22/8/2010
	<u>44,296,980</u>		<u>47,398,054</u>		<u>—</u>	<u>(24,396)</u>	<u>47,373,658</u>		
Grand Total	<u>61,939,620</u>		<u>66,275,680</u>		<u>—</u>	<u>(24,396)</u>	<u>66,251,284</u>		

The outstanding share options under the Pre-listing Employee Share Option Scheme vest over a period of 10 years following their respective original dates of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date, with the remaining options exercisable annually in equal tranches over the remaining option period, subject to further terms and conditions set out in the relevant offer letters and provisions of the Pre-listing Employee Share Option Scheme.

Share Options (continued)

(B) Post-listing Employee Share Option Scheme

(1) Movement during the period from 1 January 2003 to 9 December 2003, the date immediately before the Rights Issue Adjustments became effective

	Number of options outstanding at 1/1/2003 /new granting during the period from 1/1/2003 to 9/12/2003	Number of shares acquired upon exercise of options during the period from 1/1/2003 to 9/12/2003	Number of options lapsed during the period from 1/1/2003 to 9/12/2003	Number of options cancelled during the period from 1/1/2003 to 9/12/2003	Number of options outstanding at 9/12/2003	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	3,705,000	—	—	—	3,705,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. Chong Chee Tut (Director)	570,000	—	—	—	570,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. William Ng Ko Seng (Director)	684,000	—	—	—	684,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. David Colin Sinclair Veitch (Director)	2,280,000	—	—	—	2,280,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
All other employees	101,779,200	—	(15,926,773)	(404,700)	85,447,727	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
	741,000 ¹	—	—	—	741,000	8/9/2003	HK\$3.0465 ²	9/9/2005 - 8/9/2013
Grand Total	109,759,200	—	(15,926,773)	(404,700)	93,427,727			

Notes:

- On 8 September 2003, the Share Option Committee of the Board of Directors granted 741,000 options to an employee of the Group entitling him to subscribe for an aggregate of 741,000 shares.
- The closing price per share quoted on the Stock Exchange on 5 September 2003, the trading day immediately before the date on which the options were granted was HK\$2.60.

The Group accounts for non-cash compensation expense in respect of share options issued to directors and employees based on the excess, if any, of the quoted market price of the share at the date of grant over the exercise price of the option. The excess, if any, is treated as additional paid-in-capital and is recognised as an expense over the option periods. No compensation expense was recorded for the option granted to an employee on 8 September 2003, as the exercise price of the option was more than the quoted market price of the Company's shares on the grant date.

The Group used the extended binomial options pricing model to estimate the fair value of these options. The binomial pricing model, which is one of the commonly used models in estimating fair value of an option, requires input that are highly subjective assumptions. Such subjective assumptions include the volatility of the share price, expected dividend per share, risk-free interest rate and expected option life and accordingly, any change in the variables so adopted may materially affect the estimation of the fair value of an option. The extended binomial options pricing model, therefore, does not necessarily provide a reliable measure of the fair value of the share options.

Using the extended binomial options pricing model with the following assumptions, the estimated fair value of the options granted on 8 September 2003 was US\$0.23 per share:

Risk-free interest rate	4.57%
Expected option life (in years)	10
Expected volatility	59.21%
Expected dividend per share	—

Share Options *(continued)*

(B) Post-listing Employee Share Option Scheme *(continued)*

(2) Movement during the period from 10 December 2003 (the date when the Rights Issue Adjustments became effective) to 31 December 2003

	Number of options outstanding at 9/12/2003 (the date before Rights Issue Adjustments)	Exercise price per share before Rights Issue Adjustments	Number of options outstanding as at 10/12/2003 (the date of Rights Issue Adjustments)	Exercise price per share after Rights Issue Adjustments	Number of options lapsed during the period from 10/12/2003 to 31/12/2003	Number of options cancelled during the period from 10/12/2003 to 31/12/2003	Number of options outstanding at 31/12/2003	Date granted	Exercisable Period
Tan Sri Lim Kok Thay (Director)	3,705,000	HK\$3.0465	3,964,350	HK\$2.9944	—	—	3,964,350	19/8/2002	20/8/2004 - 19/8/2012
Mr. Chong Chee Tut (Director)	570,000	HK\$3.0465	609,900	HK\$2.9944	—	—	609,900	19/8/2002	20/8/2004 - 19/8/2012
Mr. William Ng Ko Seng (Director)	684,000	HK\$3.0465	731,880	HK\$2.9944	—	—	731,880	19/8/2002	20/8/2004 - 19/8/2012
Mr. David Colin Sinclair Veitch (Director)	2,280,000	HK\$3.0465	2,439,600	HK\$2.9944	—	—	2,439,600	19/8/2002	20/8/2004 - 19/8/2012
All other employees	85,447,727	HK\$3.0465	91,429,169	HK\$2.9944	(319,054)	—	91,110,115	19/8/2002	20/8/2004 - 19/8/2012
	741,000	HK\$3.0465	792,870	HK\$2.9944	—	—	792,870	8/9/2003	9/9/2005 - 8/9/2013
Grand Total	93,427,727		99,967,769		(319,054)	—	99,648,715		

The outstanding share options granted under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from their respective dates of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the dates of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years, 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 2003, 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 share capital, as recorded in the register required to be kept under section 336 of the SFO and in accordance with information received by the Company:

(A) Interests in the shares of the Company

Name of shareholder (Notes)	Number of ordinary shares (Notes)				Total	Percentage of issued ordinary shares
	Direct/Personal interests	Family interests	Corporate interests	Other interests		
Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1)	—	—	1,904,761,862 (9)	1,904,761,862 (10)	1,904,761,862 (19)	35.99
Kien Huat Realty Sdn Bhd (2)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Genting Berhad (3)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Resorts World Bhd (4)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Sierra Springs Sdn Bhd (5)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Resorts World Limited (5)	1,904,761,862	—	—	—	1,904,761,862	35.99
GZ Trust Corporation (as trustee of various discretionary trusts) (6)	—	—	396,104,835 (11)	2,628,469,949 (12, 14 and 18)	2,628,469,949 (19)	49.66
Golden Hope Limited (as trustee of Golden Hope Unit Trust) (7)	—	—	396,104,835 (11)	2,628,469,949 (13 and 18)	2,628,469,949 (19)	49.66
Joondalup Limited (8)	396,104,835	—	—	—	396,104,835	7.48
Puan Sri Wong Hon Yee	—	4,569,658,685 (15(a))	28,357,897 (15(b))	299,600,000 (18)	4,569,658,685 (19)	86.33
Tan Sri Lim Goh Tong	—	2,633,776,949 (16(a))	—	4,533,231,811 (16(b) and 18)	4,538,538,811 (19)	85.74
Puan Sri Lee Kim Hua	5,307,000	4,533,231,811 (17(a))	—	2,628,469,949 (17(b) and 18)	4,538,538,811 (19)	85.74

Notes:

- Parkview Management Sdn Bhd ("Parkview") is a trustee of a discretionary trust (the "Discretionary Trust"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family (the "Lim Family"). As at 31 December 2003, Tan Sri Lim Kok Thay ("Tan Sri KT Lim") controlled 33.33% of the equity interest in Parkview.
- Kien Huat Realty Sdn Bhd ("KHR") is a private company of which the Discretionary Trust, through Info-Text Sdn Bhd and Dataline Sdn Bhd (both of which were 100% held by Parkview as trustee of the Discretionary Trust) controlled an aggregate of 66.06% of its equity interest as at 31 December 2003.
- Genting Berhad ("GB"), a company listed on the Malaysia Securities Exchange Berhad ("MSEB") of which KHR controlled 41.35% of its equity interest as at 31 December 2003.
- Resorts World Bhd ("RWB"), a company listed on MSEB of which GB controlled 56.79% of its equity interest as at 31 December 2003.
- Resorts World Limited ("RWL") is a wholly-owned subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") which is in turn a wholly-owned subsidiary of RWB.

Interests of Substantial Shareholders *(continued)*

(A) Interests in the shares of the Company *(continued)*

6. GZ Trust Corporation (“GZ”) is the trustee of various discretionary trusts (the “Various Discretionary Trusts”) established for the benefit of certain members of the Lim Family. GZ as trustee of the Various Discretionary Trusts holds 100% of the units in Golden Hope Unit Trust (“GHUT”), a private unit trust.
7. Golden Hope Limited (“Golden Hope”) is the trustee of GHUT.
8. Joondalup Limited (“Joondalup”) is wholly-owned by Golden Hope as trustee of GHUT.
9. Each of Parkview as trustee of the Discretionary Trust, KHR, GB, RWB and Sierra Springs has a corporate interest in the same block of 1,904,761,862 ordinary shares held directly by RWL.
10. The interest in 1,904,761,862 ordinary shares is held by Parkview in its capacity as trustee of the Discretionary Trust and it relates to the same block of 1,904,761,862 ordinary shares held directly by RWL.
11. Each of GZ as trustee of the Various Discretionary Trusts and Golden Hope as trustee of GHUT has a corporate interest in the same block of 396,104,835 ordinary shares held directly by Joondalup.
12. GZ in its capacity as trustee of the Various Discretionary Trusts has a deemed interest in the same block of 2,628,469,949 ordinary shares held by Golden Hope as trustee of GHUT (out of which 2,232,365,114 ordinary shares are directly held by Golden Hope as trustee of GHUT and 396,104,835 ordinary shares are held indirectly through Joondalup).
13. The interest in 2,628,469,949 ordinary shares is held by Golden Hope in its capacity as trustee of GHUT (out of which 2,232,365,114 ordinary shares are directly held by Golden Hope as trustee of GHUT and 396,104,835 ordinary shares are held indirectly through Joondalup).
14. GZ as trustee of the Various Discretionary Trusts which holds 100% of the units in GHUT is deemed to have interest in the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
15.
 - (a) Puan Sri Wong Hon Yee (“Puan Sri Wong”) as the spouse of Tan Sri KT Lim, has a family interest in the same block of 4,569,658,685 ordinary shares in which Tan Sri KT Lim has a deemed interest. These interests do not include the deemed interests of Puan Sri Wong in the underlying shares of the Company through share options held personally by Tan Sri KT Lim and need to be aggregated with such interests set out in subsection (B) below to give the total interests of Puan Sri Wong pursuant to the SFO.
 - (b) Puan Sri Wong also has a corporate interest in 28,357,897 ordinary shares held directly by Goldsfine by holding 50% of its equity interest as at 31 December 2003.
16.
 - (a) Tan Sri Lim Goh Tong (“Tan Sri GT Lim”) as the spouse of Puan Sri Lee Kim Hua (“Puan Sri Lee”), has a family interest in 2,633,776,949 ordinary shares (comprising 5,307,000 ordinary shares held personally by Puan Sri Lee and the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in which Puan Sri Lee has a deemed interest).
 - (b) Tan Sri GT Lim as founder of various discretionary trusts, has deemed interests in 4,533,231,811 ordinary shares (comprising the same block of 1,904,761,862 ordinary shares held directly by RWL and the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT).
17.
 - (a) Puan Sri Lee as the spouse of Tan Sri GT Lim, has a family interest in the same block of 4,533,231,811 ordinary shares in which Tan Sri GT Lim has a deemed interest.
 - (b) Puan Sri Lee is also deemed to have interest in the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in her capacity as founder of a discretionary trust.
18. Out of the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
19. There is no duplication in arriving at the total interest.
20. All these interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives.

Interests of Substantial Shareholders *(continued)*

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Name of shareholder	Number of underlying ordinary shares	Percentage of issued ordinary shares
Puan Sri Wong Hon Yee	19,516,800 (Note)	0.369

Note:

Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, is deemed to have a family interest in 19,516,800 underlying ordinary shares of the Company by virtue of the share options granted to Tan Sri KT Lim under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme. These interests represent long positions in the underlying shares in respect of physically settled derivatives of the Company and need to be aggregated with her interests set out in subsection (A) above to give her total interests pursuant to the SFO.

Save as disclosed above and in the sections headed “Interests of Directors” and “Share Options” above, as at 31 December 2003, 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 and in accordance with information received by the Company.

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

Information on the Group’s retirement benefit schemes is set out in note 30 to the accounts.

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 note 18 to the accounts, 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 and the aggregate amount of turnover attributable to the Group’s five largest customers was less than 30% of the Group’s turnover.

Corporate Governance

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Listing Rules (the “Code of Best Practice”), the Company has established an Audit Committee with written terms of reference with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external and internal audit and of internal controls and risk evaluation. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely, Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng. This annual report has been reviewed by the Audit Committee.

In the opinion of the Directors, the Company has complied with the Code of Best Practice throughout the year, except that the Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

Practice Note 19 to the Listing Rules

The Company is a party to five loan agreements for an aggregate amount of approximately US\$1.96 billion with terms ranging from seven to sixteen years from the dates of these agreements. These agreements require the Lim Family and/or the Lim Family through its indirect shareholding in Resorts World Bhd to retain a direct or indirect ownership interest of 51% or more in the Company during the terms of these loans.

Significant Subsequent Events

- (i) On 14 January 2004, the newbuild, Pride of America was grounded and took on water up to deck three during a heavy storm while under completion at the Lloyd Werft shipyard in Germany. The ship has been refloated and is being inspected in dry dock to determine the extent of damage and to estimate what is likely to be a substantial delay in delivery while a programme of repair and replacement is being developed.
- (ii) On 9 February 2004, the Group contracted for the sale of m.v. SuperStar Aries for delivery in early April 2004.

Auditors

The accounts 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, President and Chief Executive Officer

Hong Kong, 20 February 2004