

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2004.

## 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 32 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 2004 are set out in the consolidated profit and loss account on page 39.

## Dividends

The Directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2004.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in pages 44 and 45. The distributable reserves of the Company amounted to US\$274.2 million as at 31 December 2004.

## 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 2004, save for the issuance of 66,480 new ordinary shares of US\$0.10 each at an aggregate price of US\$17,857 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\$0.4 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 23 and 24 to the accounts.

## Indebtedness

Details of long-term financing facilities of the Company and its subsidiary companies at 31 December 2004 are set out in note 22 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. David Colin Sinclair Veitch and Mr. Alan Howard Smith, J.P. 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

Mr. David Colin Sinclair Veitch has a three year "evergreen" service contract with the Group which commenced from 24 January 2000, to be perpetually renewed until terminated by either party in accordance with terms thereof.

Save for Mr. Veitch, 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 19 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 2004 are disclosed in note 19 (a) to (d) and (f) to the accounts.
- (b) Items (a) to (d) 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"), are as follows:
  - (1) 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. KHD also involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities ("KHD Transactions"). Amounts charged to the Group for the KHD Transactions were approximately US\$12,000 for the year ended 31 December 2004.
  - (2) 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 ("GB Group") to the Group as and when required by the Group from time to time ("GB Transactions"). Amounts charged to the Group in respect of the GB Transactions were approximately US\$711,000 for the year ended 31 December 2004.

## Connected Transactions *(continued)*

- (3) 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 (“SC Transactions”). Amounts charged to the GB Group in respect of the SC Transactions were approximately US\$66,000 for the year ended 31 December 2004.
- (4) On 19 January 2004, the following agreements were entered into by the Group:
  - (i) the Shareholders’ Agreement, the WorldCard Merchant Agreement and two addenda among certain wholly-owned subsidiaries of the Company and of Genting International PLC (“GIPLC”) 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 related companies operates and administers the WorldCard Programme on an international basis (save as Malaysia).
  - (ii) the Joint Promotion and Marketing 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.

GIPLC and RWB are companies listed on the Luxembourg Stock Exchange and Bursa Malaysia Securities Berhad respectively and are both subsidiaries of GB. Tan Sri Lim Kok Thay is also the Chairman of GIPLC and the Chairman, President and Chief Executive of RWB.

In October 2004, the Group entered into a supplemental agreement with a related company of WCIL whereby the Group was allowed to participate in the WorldCard programme in Malaysia.

For the year ended 31 December 2004, amounts charged to/(from) the GB Group in respect of the abovementioned card services as well as joint promotion and marketing programmes were approximately US\$571,000 and US\$387,000 respectively.

Subject to certain conditions, The Stock Exchange of Hong Kong Limited granted waivers (the “Waivers”) for an indefinite period to the Company from strict compliance with the connected transactions requirements of the Listing Rules in force prior to 31 March 2004 in respect of the Continuing Connected Transactions.

Upon the commencement of certain new Listing Rules effective 31 March 2004, the Waivers lapsed automatically and compliance with the new Listing Rules is required. For the year ended 31 December 2004, the aggregate annual consideration under each category of the Continuing Connected Transactions is less than 0.1% of the applicable percentage ratios (as defined in the new Listing Rules). Accordingly, the Continuing Connected Transactions are exempt from reporting, announcement and independent shareholders’ approval requirements under Rule 14A.33 of the new Listing Rules.

## 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 Bursa Malaysia Securities 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 services which comprise 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.

## Directors' Interests in Competing Business *(continued)*

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.

## Interests of Directors

As at 31 December 2004, 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 of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

### (A) Interests in the shares of the Company

	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	4,599,245,708	1,952,619,759	4,570,887,811	4,607,314,685	87.042
		(1)	(2)	(3 and 4)	(5)	
Mr. Chong Chee Tut	456,205	—	—	—	456,205	0.009
Mr. William Ng Ko Seng	228,229	—	—	—	228,229	0.004
Mr. David Colin Sinclair Veitch	335,445	—	—	—	335,445	0.006

Notes:

- Tan Sri Lim Kok Thay ("Tan Sri KT Lim") has a family interest in 4,599,245,708 ordinary shares (comprising (i) the same block of 1,908,561,862 ordinary shares directly held by Resorts World Limited ("RWL"), the same block of 15,700,000 ordinary shares directly held by Genting Overseas Holdings Limited ("GOHL") and the same block of 2,646,625,949 ordinary shares directly or indirectly held by Golden Hope Limited ("Golden Hope") as trustee of Golden Hope Unit Trust ("GHUT") in which his child has deemed interests and (ii) the same block of 28,357,897 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which his wife, Puan Sri Wong Hon Yee ("Puan Sri Wong") has a corporate interest).
- Tan Sri KT Lim is also deemed to have a corporate interest in 1,952,619,759 ordinary shares (comprising (i) the same block of 1,908,561,862 ordinary shares directly held by RWL and the same block of 15,700,000 ordinary shares directly held by GOHL by virtue of his interests in a chain of corporations holding RWL and GOHL (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).
- Tan Sri KT Lim as founder and a beneficiary of two discretionary trusts, has a deemed interest in 4,570,887,811 ordinary shares (comprising the same block of 1,908,561,862 ordinary shares directly held by RWL, the same block of 15,700,000 ordinary shares directly held by GOHL and the same block of 2,646,625,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT).
- Out of the same block of 2,646,625,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
- There is no duplication in arriving at the total interest.
- 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 in order 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.

## Interests of Directors *(continued)*

### (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 2004, 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	16,467,300	0.311
Mr. Chong Chee Tut	1,858,975	0.035
Mr. William Ng Ko Seng	1,433,265	0.027
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 30 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 in order 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 the shares of WorldCard International Limited, an associated corporation 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	—	1,000,000 (1)	1,000,000 (2)	1,000,000 (3)	1,000,000 (4)	100

Notes:

- Tan Sri KT Lim has a family interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by Star Cruise (C) Limited (“SCC”) and (ii) the same block of 500,000 ordinary shares directly held by Calidone Limited (“Calidone”), in both of which his child has deemed interests). As at 31 December 2004, SCC was a wholly-owned subsidiary of the Company which in turn was directly held by RWL as to 36.06% while Calidone was a wholly-owned subsidiary of Genting International PLC (a company listed on the Luxembourg Stock Exchange) which in turn was a 64.3% owned subsidiary of Genting Berhad through its wholly-owned subsidiary, namely GOHL.
- Tan Sri KT Lim is also deemed to have a corporate interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by SCC by virtue of his interest in a chain of corporations holding SCC (details of the percentage interests in such corporations are set out in Note (1) above and the section headed “Interests of Substantial Shareholders”) and (ii) the same block of 500,000 ordinary shares directly held by Calidone by virtue of his interest in a chain of corporations holding Calidone (details of the percentage interests in such corporations are set out in Note (1) above and the section headed “Interests of Substantial Shareholders”).
- Tan Sri KT Lim as founder and a beneficiary of two discretionary trusts, has a deemed interest in 1,000,000 ordinary shares (comprising the same block of 500,000 ordinary shares directly held by SCC and the same block of 500,000 ordinary shares directly held by Calidone).
- There is no duplication in arriving at the total interest.
- All the above interests represent long positions in the shares of WorldCard International Limited.

## Interests of Directors *(continued)*

### (D) 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:

- as at 31 December 2004, 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
- at no time during the year was the Company, its subsidiaries or its associated companies 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 30 to the accounts. Share Options are granted to certain Directors of the Company and employees of the Group under the said schemes. 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 2004 are as follows:

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

	Number of options outstanding at 1/1/2004	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2004	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	1,829,700	—	(609,900)	—	1,219,800	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	4,421,775	—	(884,355)	—	3,537,420	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	1,677,225	—	(335,445)	—	1,341,780	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	1,219,800	—	—	—	1,219,800	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	4,421,775	—	(884,355)	—	3,537,420	16/11/2000	US\$0.2686	24/3/2002 - 23/3/2009
	1,677,225	—	(335,445)	—	1,341,780	16/11/2000	US\$0.4206	24/3/2002 - 23/3/2009
	304,950	—	—	—	304,950	16/11/2000	US\$0.2686	23/10/2003 - 22/8/2010
<b>15,552,450</b>	<b>—</b>	<b>(3,049,500)</b>	<b>—</b>	<b>12,502,950</b>				
Mr. Chong Chee Tut (Director)	135,398	—	(45,133)	—	90,265	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	76,238	—	(15,248)	—	60,990	25/5/1998	US\$0.4206	23/6/2000 - 22/6/2007
	414,732	—	—	—	414,732	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	91,485	—	(18,297)	—	73,188	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	585,504	—	—	—	585,504	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	24,396	—	—	—	24,396	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
<b>1,327,753</b>	<b>—</b>	<b>(78,678)</b>	<b>—</b>	<b>1,249,075</b>				
Mr. William Ng Ko Seng (Director)	137,228	—	(45,743)	—	91,485	25/5/1998	US\$0.2686	21/8/2000 - 20/8/2005
	30,495	(6,099) <sup>1</sup>	—	—	24,396	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	121,980	—	(24,396)	—	97,584	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	463,524	—	—	—	463,524	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	24,396	—	—	—	24,396	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
<b>777,623</b>	<b>(6,099)</b>	<b>(70,139)</b>	<b>—</b>	<b>701,385</b>				
Mr. David Colin Sinclair Veitch (Director)	<b>1,219,800</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,219,800</b>	7/1/2000	US\$0.4206	7/1/2003 - 6/1/2010

Share Options (continued)

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

	Number of options outstanding at 1/1/2004	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2004	Date granted	Exercise price per share	Exercisable Period
All other employees	4,263,204	—	(988,041)	(18,297)	3,256,866	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	62,210	—	(20,737)	—	41,473	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	152,475	(30,495) <sup>2</sup>	—	—	121,980	25/5/1998	US\$0.2686	11/3/2000 - 10/3/2007
	640,395	—	(128,079)	—	512,316	25/5/1998	US\$0.4206	23/6/2000 - 22/6/2007
	3,482,554	—	(719,707)	(295,802)	2,467,045	25/5/1998	US\$0.4206	6/1/2000 - 5/1/2007
	17,923,870	(29,886) <sup>3</sup>	(3,194,498)	(1,621,060)	13,078,426	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	10,271,378	—	(2,017,852)	(922,538)	7,330,988	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	9,149	—	—	—	9,149	24/3/1999	US\$0.4206	24/3/2003 - 23/3/2005
	238,473	—	(238,473)	—	—	24/3/1999	US\$0.4206	24/3/2003 - 23/3/2004
	1,366,444	—	(256,794)	(215,418)	894,232	30/6/1999	US\$0.2686	30/6/2002 - 29/6/2009
	2,878,199	—	(551,977)	(547,570)	1,778,652	30/6/1999	US\$0.4206	30/6/2002 - 29/6/2009
	18,297	—	(18,297)	—	—	30/6/1999	US\$0.4206	30/6/2003 - 29/6/2004
	2,623,668	—	—	(311,049)	2,312,619	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	3,443,342	—	—	(368,382)	3,074,960	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
	<u>47,373,658</u>	<u>(60,381)</u>	<u>(8,134,455)</u>	<u>(4,300,116)</u>	<u>34,878,706</u>			
<b>Grand Total</b>	<u><b>66,251,284</b></u>	<u><b>(66,480)</b></u>	<u><b>(11,332,772)</b></u>	<u><b>(4,300,116)</b></u>	<u><b>50,551,916</b></u>			

Notes:

1. Exercise date was 13 March 2004. 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\$2.250.
2. Exercise date was 5 March 2004. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.300.
3. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.282.

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

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 become 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 of 10% 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

	Number of options outstanding at 1/1/2004	Number of options granted on 23/8/2004 <sup>1</sup>	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2004	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	3,964,350	—	—	(594,653)	—	3,369,697	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
	—	594,653	—	—	—	594,653	23/8/2004	HK\$1.7240 <sup>2</sup>	24/8/2006 - 23/8/2014
	<u>3,964,350</u>	<u>594,653</u>	<u>—</u>	<u>(594,653)</u>	<u>—</u>	<u>3,964,350</u>			
Mr. Chong Chee Tut (Director)	609,900	—	—	(91,485)	—	518,415	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
	—	91,485	—	—	—	91,485	23/8/2004	HK\$1.7240 <sup>2</sup>	24/8/2006 - 23/8/2014
	<u>609,900</u>	<u>91,485</u>	<u>—</u>	<u>(91,485)</u>	<u>—</u>	<u>609,900</u>			
Mr. William Ng Ko Seng (Director)	731,880	—	—	(109,782)	—	622,098	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
	—	109,782	—	—	—	109,782	23/8/2004	HK\$1.7240 <sup>2</sup>	24/8/2006 - 23/8/2014
	<u>731,880</u>	<u>109,782</u>	<u>—</u>	<u>(109,782)</u>	<u>—</u>	<u>731,880</u>			
Mr. David Colin Sinclair Veitch (Director)	2,439,600	—	—	(365,940)	—	2,073,660	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
	—	365,940	—	—	—	365,940	23/8/2004	HK\$1.7240 <sup>2</sup>	24/8/2006 - 23/8/2014
	<u>2,439,600</u>	<u>365,940</u>	<u>—</u>	<u>(365,940)</u>	<u>—</u>	<u>2,439,600</u>			
All other employees	91,110,115	—	—	(22,472,337)	(163,453)	68,474,325	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
	792,870	—	—	—	—	792,870	8/9/2003	HK\$2.9944	9/9/2005 - 8/9/2013
	—	12,516,065	—	—	—	12,516,065	23/8/2004	HK\$1.7240 <sup>2</sup>	24/8/2006 - 23/8/2014
	<u>91,902,985</u>	<u>12,516,065</u>	<u>—</u>	<u>(22,472,337)</u>	<u>(163,453)</u>	<u>81,783,260</u>			
<b>Grand Total</b>	<u>99,648,715</u>	<u>13,677,925</u>	<u>—</u>	<u>(23,634,197)</u>	<u>(163,453)</u>	<u>89,528,990</u>			

Notes:

1. The offer of share options made on 23 August 2004 is valid for acceptance during the period from 23 August 2004 to 31 March 2005 (as extended).
2. The closing price per share quoted on the Stock Exchange on 20 August 2004, the trading day immediately before the date on which the options were granted was HK\$1.71.

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. The Group recorded non-cash compensation expense of approximately US\$57,000 for the options granted and accepted in 2004. The remaining US\$364,000 of unearned compensation expense as at 31 December 2004 related to the options granted and accepted in 2004 will be amortised over the option period.



## Share Options *(continued)*

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

The Group used the extended binomial option 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 option pricing model with the following assumptions, the estimated fair value of the options granted on 23 August 2004 was US\$0.16 per share:

Risk-free interest rate	3.44%
Expected option life (in years)	10
Expected volatility	40.17%
Expected dividend per share	—

Other than the share options granted on 23 August 2004 under the Post-listing Employee Share Option Scheme which, upon valid acceptance, become exercisable in part or in full for a period of eight years commencing from two years after the date of offer, the outstanding share options 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. All the outstanding share options under the Post-listing Employee Share Option Scheme are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

## Interests of Substantial Shareholders

As at 31 December 2004, 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)	—	—	1,924,261,862 (10)	1,924,261,862 (12)	1,924,261,862 (21)	36.35
Kien Huat Realty Sdn Bhd (2)	—	—	1,924,261,862 (10)	—	1,924,261,862	36.35
Genting Berhad (3)	—	—	1,924,261,862 (10)	—	1,924,261,862	36.35
Resorts World Bhd (4)	—	—	1,908,561,862 (11)	—	1,908,561,862	36.06
Sierra Springs Sdn Bhd (5)	—	—	1,908,561,862 (11)	—	1,908,561,862	36.06
Resorts World Limited (5)	1,908,561,862	—	—	—	1,908,561,862	36.06
GZ Trust Corporation (as trustee of a discretionary trust) (6)	—	—	2,646,625,949 (13)	2,646,625,949 (15,17 and 20)	2,646,625,949 (21)	50.00
Cove Investments Limited (7)	—	—	—	2,646,625,949 (18 and 20)	2,646,625,949 (21)	50.00
Golden Hope Limited (as trustee of Golden Hope Unit Trust) (8)	—	—	414,260,835 (14)	2,646,625,949 (16 and 20)	2,646,625,949 (21)	50.00
Joondalup Limited (9)	414,260,835	—	—	—	414,260,835	7.83
Puan Sri Wong Hon Yee	—	4,607,314,685 (19(a))	28,357,897 (19(b))	299,600,000 (20)	4,607,314,685 (21)	87.04

Notes:

- Parkview Management Sdn Bhd ("Parkview") is a trustee of a discretionary trust (the "Discretionary Trust 1"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family (the "Lim Family"). As at 31 December 2004, 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 1, through Aranda Tin Mines Sdn Bhd, Infomark (Malaysia) Sdn Bhd, Inforex Sdn Bhd, Dataline Sdn Bhd and Info-Text Sdn Bhd (all of which were 100% held by Parkview as trustee of the Discretionary Trust 1) controlled an aggregate of 100% of its equity interest as at 31 December 2004.
- Genting Berhad ("GB"), a company listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 41.56% of its equity interest as at 31 December 2004.
- Resorts World Bhd ("RWB"), a company listed on Bursa Malaysia of which GB controlled 56.79% of its equity interest as at 31 December 2004.
- 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 a discretionary trust (the “Discretionary Trust 2”) established for the benefit of certain members of the Lim Family. GZ as trustee of the Discretionary Trust 2 holds 99.99% of the units in Golden Hope Unit Trust (“GHUT”), a private unit trust directly and 0.01% of the units in GHUT indirectly through Cove (as defined below).
7. Cove Investments Limited (“Cove”) is wholly-owned by GZ as trustee of the Discretionary Trust 2.
8. Golden Hope Limited (“Golden Hope”) is the trustee of GHUT.
9. Joondalup Limited (“Joondalup”) is wholly-owned by Golden Hope as trustee of GHUT.
10. Each of Parkview as trustee of the Discretionary Trust 1, KHR and GB has a corporate interest in 1,924,261,862 ordinary shares (comprising the same block of 1,908,561,862 ordinary shares held directly by RWL and the same block of 15,700,000 ordinary shares held directly by Genting Overseas Holdings Limited (“GOHL”), a wholly-owned subsidiary of GB).
11. Each of RWB and Sierra Springs has a corporate interest in the same block of 1,908,561,862 ordinary shares held directly by RWL.
12. The interest in 1,924,261,862 ordinary shares is held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprises the same block of 1,908,561,862 ordinary shares held directly by RWL and the same block of 15,700,000 ordinary shares held directly by GOHL.
13. GZ as trustee of the Discretionary Trust 2 has a corporate interest in the same block of 2,646,625,949 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 414,260,835 ordinary shares are held indirectly through Joondalup).
14. Golden Hope as trustee of GHUT has a corporate interest in the same block of 414,260,835 ordinary shares held directly by Joondalup.
15. GZ in its capacity as trustee of the Discretionary Trust 2 has a deemed interest in the same block of 2,646,625,949 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 414,260,835 ordinary shares are held indirectly through Joondalup).
16. The interest in 2,646,625,949 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 414,260,835 ordinary shares are held indirectly through Joondalup).
17. GZ as trustee of the Discretionary Trust 2 is deemed to have interest in the same block of 2,646,625,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
18. Cove which holds 0.01% of the units in GHUT is deemed to have interest in the same block of 2,646,625,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
19. (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 4,607,314,685 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 2004.
20. Out of the same block of 2,646,625,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
21. There is no duplication in arriving at the total interest.
22. 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	16,467,300 (Note)	0.311

Note:

Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, is deemed to have a family interest in 16,467,300 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 2004, 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.

### 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 31 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 the section headed “Related Party Transactions and Balances” in note 19 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”) in force prior to 1 January 2005 which remains applicable to this annual report, the Company has established an Audit Committee with written terms of reference with reference to “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public 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.

## General Disclosure Pursuant to the Listing Rules

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

### (i) Loan Agreements of the Group

The Group is a party to twelve loan agreements for an aggregate principal amount of approximately US\$4.25 billion, of which US\$3.18 billion has been drawdown, with terms ranging from six to sixteen years from the dates of these agreements. As at 31 December 2004, the outstanding loan balances was approximately US\$2.17 billion. Five of these agreements require the Lim Family (or the Lim Family and/or the Lim Family through its indirect shareholding in Resorts World Bhd) to control (directly or indirectly) together or individually, the Company and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in the Company during the terms of these loans. The other seven agreements require the Lim Family to control (directly or indirectly) together or individually, NCL Corporation Ltd. ("NCLC"), a direct wholly-owned subsidiary of the Company, and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in NCLC during the terms of these loans. In the event that the shares of NCLC are listed on an approved stock exchange, if: (i) a third party owns or gains control of more than 33% of the voting stock of NCLC and the Lim Family ceases together or individually, to control (directly or indirectly) NCLC and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in NCLC; or (ii) without the prior written consent of the agent, NCLC ceases to be listed on an approved stock exchange (in the case the US\$800 million loan facility, in the event that the shares of NCLC are listed on an approved stock exchange, if: (i) two or more persons acting in concert or any individual person acquires (a) legally and/or beneficially and either directly or indirectly at least 33% of the issued share capital of NCLC or (b) the right or ability to control, either directly or indirectly, the affairs or composition of the majority of the board of directors (or its equivalent) of NCLC; and the Lim Family ceases to own (legally and/or beneficially and either directly or indirectly) at least 51% of the issued share capital of NCLC; or (ii) NCLC ceases to be listed on an approved stock exchange), this will constitute an event of default under the relevant loan agreements.

### (ii) Convertible Bonds of the Company

Pursuant to the Trust Deed dated 20 October 2003 constituting the US\$180 million 2% Convertible Bonds of the Company, the Convertible Bonds may be redeemed at the option of the Bondholders prior to their maturity on 20 October 2008 when any person or persons, other than Genting Berhad, Golden Hope Limited, Resorts World Bhd or any of their affiliates, acquires control of more than 50% of the voting rights of the issued share capital of the Company.

### (iii) Senior Notes of NCL Corporation Ltd.

Pursuant to the Indenture dated 15 July 2004 constituting the US\$250 million 10.625% Senior Notes of NCLC, holders of the Senior Notes have the right to require NCLC to repurchase all or a portion of the Senior Notes prior to their maturity on 15 July 2014 when any person or group of related persons, other than Tan Sri Lim Goh Tong, Golden Hope Limited as trustee of the Golden Hope Unit Trust or Genting Berhad and any affiliate or related person thereof (together the "Permitted Holders"), beneficially owns or controls more than 40% of the voting stock of NCLC if at such time the Permitted Holders beneficially own or control less of the voting stock of NCLC than such person.

## 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, 22 February 2005