STAR CRUISES LIMITED

(Continued into Bermuda with limited liability ~ Registration No. 29337)

Stock code: 678

'08 ANNUAL REPORT

SCHEDULED INTERNATIONAL PORT *of* CALL

BY REGION *2009*

STAR CRUISES
The Leading Cruise Line In Asia-Pacific™

NCL
NORWEGIAN CRUISE LINE®
FREESTYLE CRUISING®

ASIA

Hong Kong
Ishigaki, Japan
Kaohsiung, Taiwan
Keelung, Taiwan
Langkawi, Malaysia
Malacca, Malaysia
Naha, Japan
Penang, Malaysia
Phuket, Thailand
Port Klang, Malaysia
Pulau Redang, Malaysia
Singapore
Tanjong Belungkor, Singapore
Yonaguni, Japan

ALASKA

Juneau, Alaska
Ketchikan, Alaska
Skagway, Alaska

NORTH AMERICA

Astoria, Oregon
Baltimore, Maryland
Bar Harbor, Maine
Boston, Massachusetts
Charlestron, South Carolina
Charlottetown, Prince Edward Island
Halifax, Nova Scotia
Los Angeles, California
Miami, Florida
New Orleans, Louisiana
New York, New York
Newport, Rhode Island
Philadelphia, Pennsylvania
Orlando* (Port Canaveral), Florida
Portland, Maine
Prince Rupert, British Columbia
Quebec City, Quebec
Saint John, Bay of Fundy, New Brunswick
San Francisco, California
Seattle, Washington
Sept-Isles, Quebec
St. John's, Newfoundland
Sydney, Nova Scotia
Vancouver, British Colombia
Victoria, British Colombia

HAWAII

Hilo, Hawaii
Honolulu, Oahu
Kahului, Maui
Kona, Hawaii
Lahaina, Maui
Nawiliwili, Kauai

CARRIBEAN/BERMUDA/ BAHAMAS

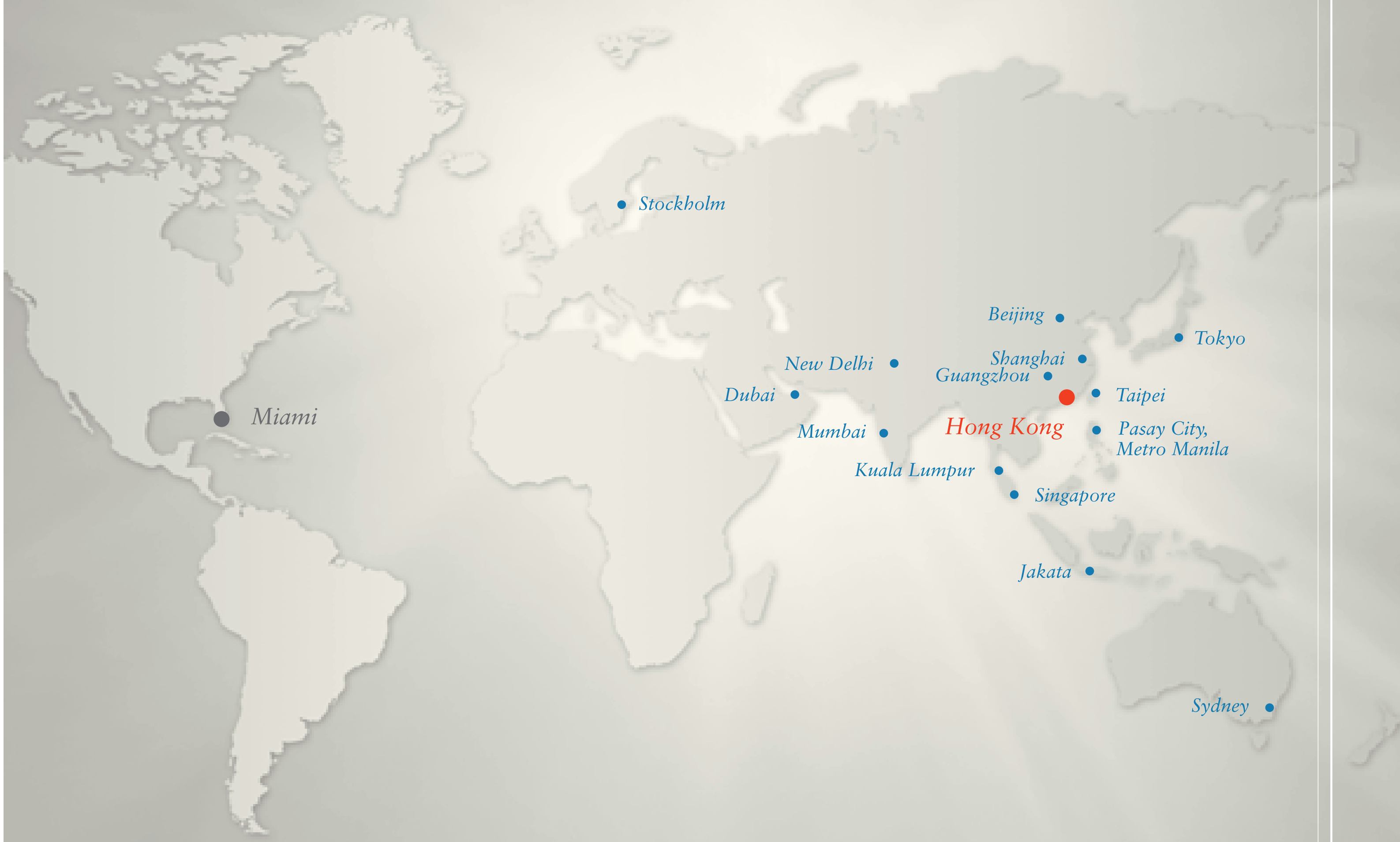
Basseterre, St. Kitts
Belize City, Belize
Bridgetown, Barbados
Castries, St. Lucia
Grand Bahama Island, Bahamas
George Town, Grand Cayman
Great Stirrup Cay, Bahamas
Hamilton, Bermuda
King's Wharf, Bermuda
Nassau, Bahamas
Oranjestad, Aruba
Philipsburg, St. Maarten
Roatan, Bay Islands, Honduras
Roseau, Dominica
Samana, Dominican Republic
Santo Tomas de Castilla, Guatemala
St. George's, Bermuda
St. John's, Antigua
St. Thomas, US Virgin Islands
Tortola, British Virgin Islands
Willemstad, Curacao

SOUTH AMERICA

Arica, Chile
Buenos Aires, Argentina
Lima* (Callao), Peru
Coquimbo, Chile
Iquique, Chile
Manta, Ecuador
Montevideo, Uruguay
Puerto Chacabuco, Chile
Puerto Madryn, Argentina
Puerto Montt, Chile
Punta Arenas, Chile
Ushuaia, Argentina
Santiago* (Valparaiso), Chile

PANAMA CANAL & MEXICO

Acapulco, Mexico
Cabo San Lucas, Mexico
Cartagena, Colombia
Costa Maya, Mexico



Cozumel, Mexico
Huatulco, Mexico
La Baie, Quebec
Mazatlan, Mexico
La Paz* (Pichilingue), Mexico
Puerto Quetzal, Guatemala
Puerto Vallarta, Mexico
Puntarenas, Costa Rica
Topolobampo, Mexico
Trujillo* (Salaverry), Peru

ANTARCTICA

Stanley, Falkland Islands

EUROPE/BLACK SEA

Ajaccio, Corsica
Amsterdam, Netherlands
Barcelona, Spain
Belfast, Northern Ireland
Seville* (Cadiz), Spain
Cagliari, Italy
Cannes, France
Constanta, Romania
Rome* (Civitavecchia), Italy
Cobh, Ireland
London* (Dover), England
Dublin, Ireland
Dubrovnik, Croatia
Falmouth, England
Gibraltar, United Kingdom
Greenock, Scotland
Guernsey, Channel Islands
Invergordon, Scotland
Iraklion, Greece
Istanbul, Turkey
Ephesus* (Izmir), Turkey
Funchal, Maderia
Olympia* (Katakolon), Greece
Las Palmas, Gran Canaria
Paris* (Le Havre), France
Lerwick, Shetland Islands
Lisbon, Portugal
Florence/Pisa* (Livorno), Italy
Grandad* (Malaga), Spain
Messina, Italy
Mykonos, Greece
Nafplion, Greece
Naples, Italy
Odessa, Ukraine
Olbia, Italy
Palma, Majorca, Spain
Athens* (Piraeus), Greece
Ponta Delgada, Azores
Reykjavik, Iceland
Rhodes, Greece
Rotterdam, Netherlands
Santorini, Greece
South Queensferry, Scotland
Southampton, England
St. Petersburg, Russia
Tallinn, Estonia
Valletta, Malta
Varna, Bulgaria
Venice, Italy
Vigo, Spain
Nice* (Villefranche), France
Berlin* (Warnemunde), Germany
Yalta, Ukraine
Brussels/Brugge* (Zeebrugge), Belgium

SCANDINAVIA & RUSSIA

Aalesund, Norway
Bergen, Norway
Copenhagen, Denmark
Geiranger, Norway
Hellesylt, Norway
Helsinki, Finland
Honningsvaag, Norway
Kristiansund, Norway
Oslo, Norway
Stavanger, Norway
Stockholm, Sweden
Trondheim, Norway

AFRICA

Agadir, Morocco
Alexandria, Egypt
Casablanca, Morocco

Notes:
* Ship will berth at port in parenthesis.
** Ports of call are correct at time of print and are subject to change.

- *Star Cruises Corporate Headquarters*
- *Norwegian Cruise Line Headquarters*
- *Worldwide Offices and Representative*

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

CONTENTS

CORPORATE INFORMATION

Board of Directors
Tan Sri LIM Kok Thay
Chairman and Chief Executive Officer

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

Mr. CHONG Chee Tut
Executive Director and Chief Operating Officer

Mr. William NG Ko Seng
Executive Director

Mr. TAN Boon Seng
Independent Non-executive Director

Mr. LIM Lay Leng
Independent Non-executive Director

Mr. HEAH Sieu Lay
Independent Non-executive Director

President
Mr. David CHUA Ming Huat

Secretary
Ms. Louisa TAM Suet Lin

Assistant Secretary
Appleby Services (Bermuda) Ltd.

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

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

Bermuda Principal Registrar
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM08, Bermuda
Tel: (441) 2951111
Fax: (441) 2956759

Hong Kong Branch Registrar
Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong SAR
Tel: (852) 28628628
Fax: (852) 28650990/25296087

Transfer Agent
M & C Services Private Limited
138 Robinson Road #17-00,
The Corporate Office,
Singapore 068906
Tel: (65) 62280507
Fax: (65) 62251452

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

Internet Homepage
www.starcruises.com

Investor Relations
Enquiries may be directed to:

Ms. Sandy SI Hop Yee
Senior Vice President - Finance
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809
E-mail: sandysi@starcruises.com

Ms. Louisa TAM Suet Lin
Company Secretary
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809
E-mail: louisatam@starcruises.com

CHAIRMAN's STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I would like to present the Annual Report for the Star Cruises Group of Companies (the "Group") for the year ended 31 December 2008.

A BRIEF REVIEW

CRUISE OPERATIONS

Anyone who watched the stock market knows 2008 was a year of highs and lows. From the overwhelming global financial crisis to American presidential election, the unprecedented Beijing Olympics to heartbreaking Sichuan earthquake and much more makes for one eventful year.

In such a challenging economic situation, we reacted by a number of tactical redeployments that will see our vessels call on different ports and destinations in Asia.

A significant highlight was the introduction of SuperStar Virgo, the largest and most extravagant Asian cruise ship, to Hong Kong in April. We are pleased to note that the redeployment coupled with intensified marketing efforts in China and India have seen niche segments like the meetings and incentives market grow with large incentive groups cruising on SuperStar Virgo.

During her deployment to Hong Kong, SuperStar Virgo attracted 2,000 Indian tourists in just one month. Additionally, a group of 4,000 top achievers from a leading Chinese corporation flew to Hong Kong to cruise on SuperStar Virgo in October, which is the largest incentive group Star Cruises has ever received in our history. It not only demonstrated the appeal of SuperStar Virgo as a meetings and incentives destination but also marked our contribution to enhancing Hong Kong's positioning as an international cruise hub.

The redeployment of SuperStar Virgo to Hong Kong was part of a shift which saw SuperStar Aquarius leaving Hong Kong for Singapore, while SuperStar Libra was deployed to Taiwan, and then to Singapore, in November 2008.

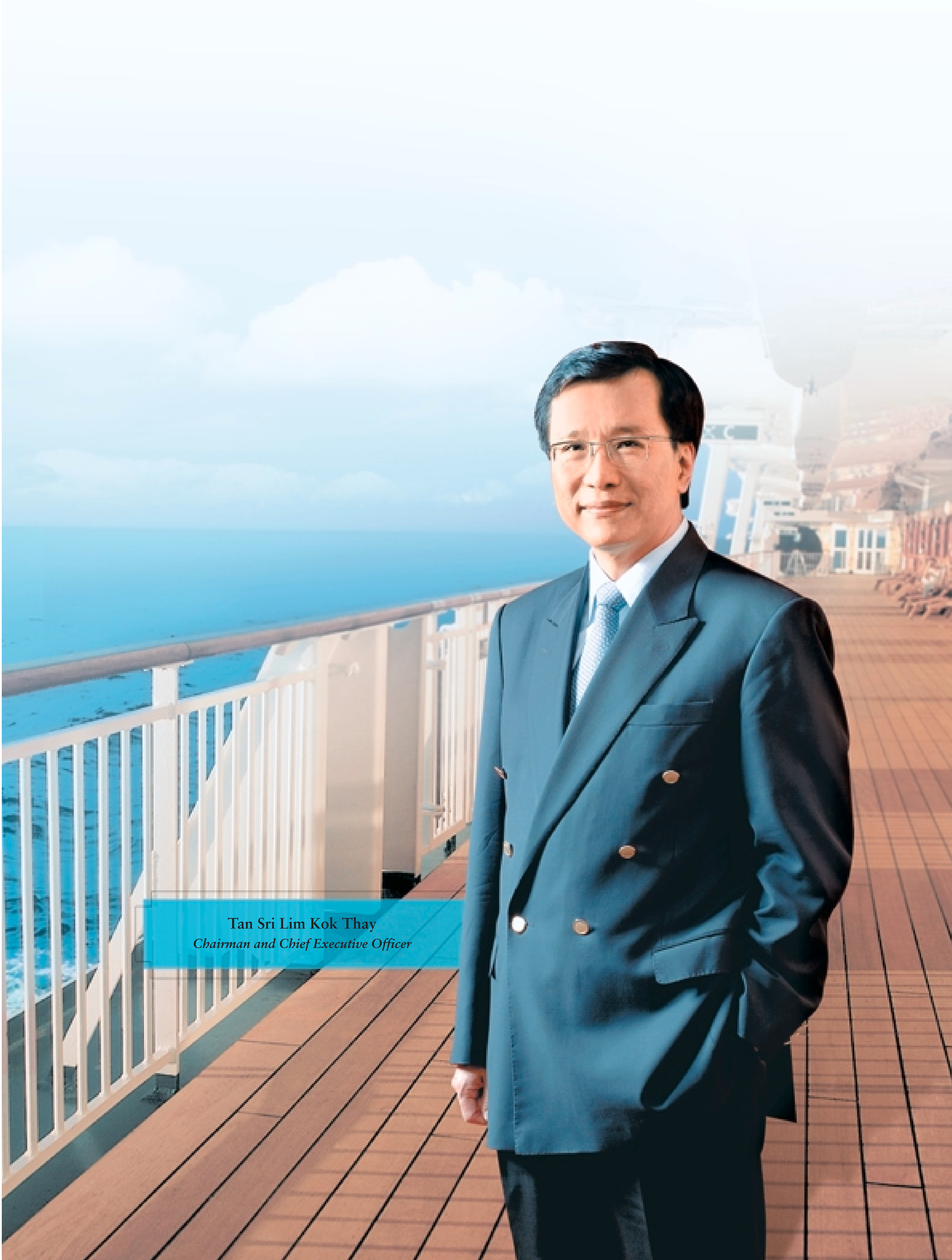
This seasonal repositioning helps to bring new elements to our customers in different regions, and further advancing the appeal of cruising. Itineraries are arranged in direct correlation to the splendor and flavor of each of the different ships, which aim to bring continuous exhilaration and surprise to our repeat and new guests.

In our US operations, a fleet-wide initiative called Freestyle 2.0 featuring significant product and hardware upgrades has been in place since the middle of May. The Freestyle 2.0 program further enhanced the onboard experience like dining, accommodation, wide range of activities for guests of all ages and additional recognition, service and amenities for balcony, suite and villa guests.

Moreover, we are also excited to launch the construction of NCL's third generation of Freestyle Cruising ship. The new 153,000-gross ton, 4,200-passenger Norwegian Epic, the company's largest and most innovative Freestyle Cruising ship to date is currently under construction at STX Europe in St. Nazaire, France, the contemporary, balcony-rich, 19-deck ship will be 1,068 feet long, 133 feet wide, with a draft of 28.5 feet when completed in May 2010.

The addition of Norwegian Epic to NCL's fleet is just another step in the ongoing modernization of NCL's fleet. NCL does live up to its byline, "Welcome to the youngest fleet on the planet". This is just the latest step as NCL has added 10 new ships since 1999.

To further strengthen the Group's capital structure, the Group completed the sale of one ship, Norwegian Majesty. The ship was chartered back from the new owner until her delivery date in December 2009.



Tan Sri Lim Kok Thay

Chairman and Chief Executive Officer


STAR CRUISES

CORPORATE HIGHLIGHTS

It has been a truly honorable year for us to be inducted into the TTG Travel Awards Hall of Fame in celebration of our fifteenth year of operation. This recognition is an acknowledgement of our visionary endeavor to the exploration and development of the cruise industry in Asia.

With the innovative concept of Freestyle Cruising, warm Asian hospitality and high safety standards, Star Cruises is well recognized by the travel industry and has achieved an array of international awards in 2008. The accolades continued with Star Cruises winning "Best Cruise Operator" at TTG China Travel Awards and Travel Weekly (Asia) Industry Awards, "Best Brands in Leisure and Hospitality" in Malaysia, "Best Cruise Tourism Product", "International Tourism Product of the year" and "Best Overall Performance presentation Hospitality" at India International Travel Mart.

I am pleased to report to the shareholders that the US$1 billion cash injection into NCL by Apollo Management, L.P. and its affiliates has been completed in January 2008. The infusion strengthened NCL's capital structure and enabled the company to make significant improvements in a number of key areas.

The Group has partnered with Alliance Global Group, Inc. ("AGI"), through their joint venture company, Travellers International Hotel Group, Inc., to develop and operate hotel, casino and entertainment complex at Newport City and Manila Bay in the Philippines. The Newport Entertainment and Commercial Centre is currently under construction and envisioned to be a 24-hour entertainment city within a live-work-play community. It will include a 6-star Maxims Hotel, a 5-star Marriot Hotel, a 1,000 room budget hotel, a 47,560 square meter retail space housing luxury brand fashion and accessories outlets, 4 high-end cinemas, a 1,030 seat performing art theatre and a 22,950 square meter gaming center. This centre is scheduled to open in stages starting in 4th quarter of 2009.

In light of the fleet reduction and new projects under development in the Philippines, the Group has thoroughly reviewed its operational needs and has undergone staff right-sizing, as well as leveraging all of its resources in order to obtain a revitalized competitive edge. Additionally, the Group will focus more on strategic sales and marketing by applying state-of-the-art information technology to better understand and serve our customers. This will enable us to keep abreast of the changing times and customers' needs as well as to continue to excel in and lead the industry.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend my heartfelt appreciation to the management, staff, officers and crew for their dedicated commitment and ongoing efforts to continually seek new ways to improve and enhance our products and services for our guests.

I would also wish to express my sincere thanks to the various local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and cooperation throughout the year and am deeply appreciative of the tremendous support from the central and local governments in the jurisdictions where we operate.

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer
9 April 2009

FLEET PROFILE

THE GROUP'S vessels operating under the brand of Star Cruises and Norwegian Cruise Line call at over 200 destinations in Asia-Pacific, Alaska, Antarctica, Bermuda, Caribbean, Hawaii, North and South Amercia, Europe and the Mediterranean.

SuperStar Aquarius

STAR CRUISES

The Leading Cruise Line In Asia-Pacific

Star Cruises

SuperStar Virgo

Star Cruises currently operates five ships in Asia-Pacific namely SuperStar Virgo, SuperStar Aquarius, SuperStar Libra, Star Pisces and MegaStar Aries.

Star Pisces

SuperStar Libra

*SuperStar Gemini has been delivered to her new owner in January 2009.

MegaStar Aries

Norwegian Sky

Norwegian Jewel

Norwegian Star

Norwegian Spirit

Norwegian Dawn

Norwegian Jade

Pride of America

* Norwegian Majesty was chartered back from its new owner until her delivery date in December 2009.

Ships currently in operation under NCL include Norwegian Gem, Norwegian Jewel, Norwegian Pearl, Norwegian Sun, Norwegian Dawn, Norwegian Star, Norwegian Spirit, Norwegian Majesty, Norwegian Jade, Norwegian Sky and Pride of America.

* Pride of Hawaii joined NCL fleet in February 2008 and renamed as Norwegian Jade.

* Pride of Aloha joined NCL fleet in July 2008 and renamed as Norwegian Sky.

Norwegian Sun

Norwegian Pearl

Norwegian Gem

Norwegian Majesty

NCL
NORWEGIAN CRUISE LINE®
FREESTYLE CRUISING®

Norwegian Cruise Line

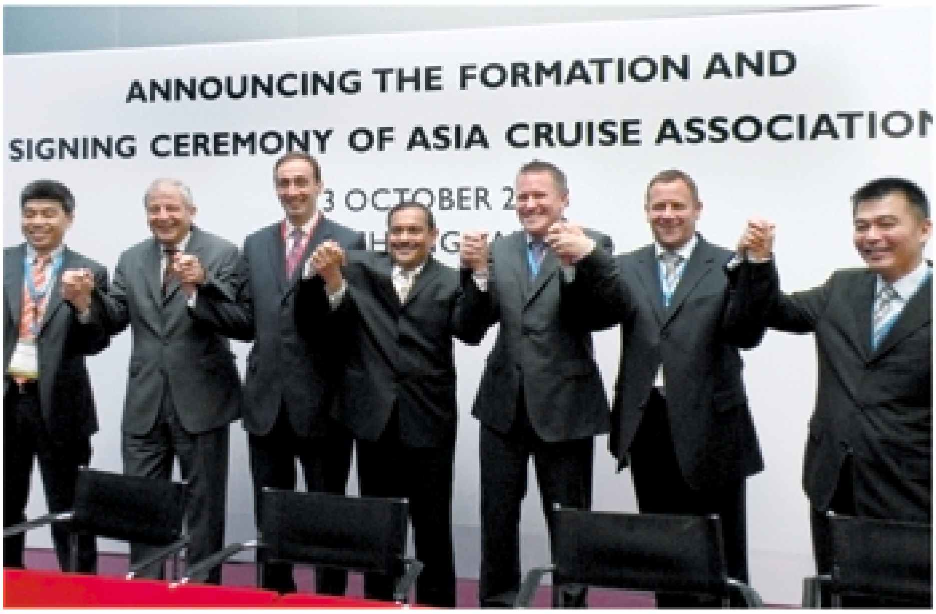
GLOBAL HIGHLIGHTS

"Travel Hall of Fame"

Being the winner of the "Best Cruise Operator in Asia-Pacific" award for ten times, Star Cruises was honorably inducted into the TTG Travel Awards Hall of Fame in 2008.

Star Cruises was honored to be the winner of "The Best Brand In Leisure & Hospitality" by The Brand Laureate Awards 2007-2008.

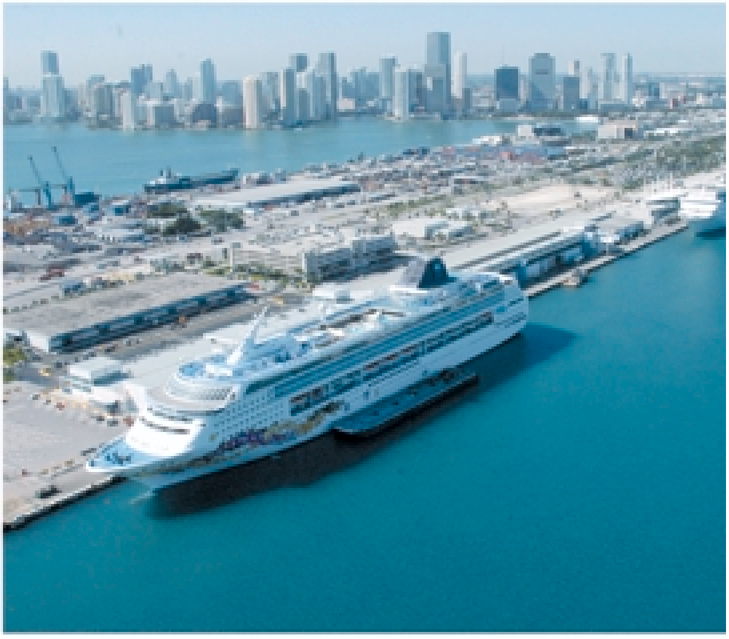
Mr. Chong Chee Tut, Executive Director and Chief Operating Officer of Star Cruises, photographed with the trophy.



Star Cruises Group signed MOU of formation of Asia Cruise Association on 23 October, 2008 at the SeaTrade All Asia Cruise Convention 2008 in Shanghai. Mr. Michael Goh (right), Senior Vice President, Sales of Star Cruises, attended the MOU signing ceremony.

SuperStar Aquarius was invited to participate in the The NorthStar VI Exercise, which was the first large scale simulated sea mishap onboard. SuperStar Aquarius, together with Maritime and Port Authority and Singapore Civil Defence Force undertook a joint rescue drill to test the command, control and coordination of 13 multi-agencies as well as the integrated response to managing major sea disasters.

The 10-year berthing represents the first long-term agreement between the Port of Miami and NCL since NCL began operating from the Port as the first Caribbean cruise line 42 years ago. The agreement gives NCL priority access to two large-ship berths.



Pride of Aloha joined NCL's foreign flag fleet as Norwegian Sky and returned to Miami in July 2008 to begin sailing year round three and four-day Bahamas cruises.

GLOBAL HIGHLIGHTS

SuperStar Virgo Redeployed to Hong Kong for 6 months

From left to right: Mr. David Chua, President of Star Cruises; Mr. Alan Smith, Deputy Chairman of Star Cruises; Mr. Frederick Ma, JP, former Secretary for Commerce and Economic Development, Hong Kong SAR; Mr. Anthony Lau, Executive Director of Hong Kong Tourism Board; Mr. Yany Kwan, CEO of Treasure Island Entertainment Complex Limited.

Mr. Alan Smith (left), Deputy Chairman of Star Cruises, presented the ship model of SuperStar Virgo as souvenir to officiating guest, Mr. Frederick Ma (right), JP, former Secretary for Commerce and Economic Development, Hong Kong SAR.

SuperStar Virgo Inaugural Cruise to Xiamen on 10 April, 2008

Souvenirs exchange between Ms. Huang Ling (left), Deputy Mayor of Xiamen, and Mr. William Ng (right), Executive Director of Star Cruises.

SuperStar Virgo Inaugural Cruise to Sanya on 14 April, 2008

Ms. Du Li Yin (4th on left, front row), Director of Sanya Tourism Board, welcomed the guests from SuperStar Virgo to Sanya.

SuperStar Virgo Inaugural Cruise to Taiwan on 5 April, 2008

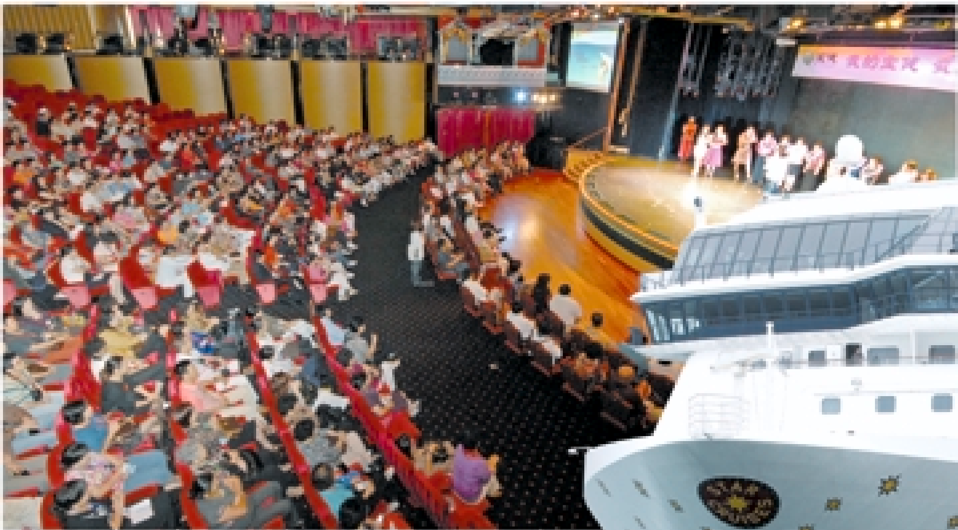
Mr. Chang Tong-rong (5th on left), Mayor of Keelung City, and Mr. Steven T.Y. Kuo Su (4th on left), Deputy Director – General, Tourism Bureau, Ministry of Transportation and Commnuications, joined Star Cruises' management to officiate the inaugural ceremony.

Star Cruises received the largest incentive group in her history

A group of about 4,000 top achievers from Pro-Health (China) Co. Ltd. flew in to Hong Kong to cruise on SuperStar Virgo in October 2008.

1,000 yogis from India onboard SuperStar Virgo in June 2008

Yoga master SWAMI RAMDEVJI led yogis to practice yoga on open deck.

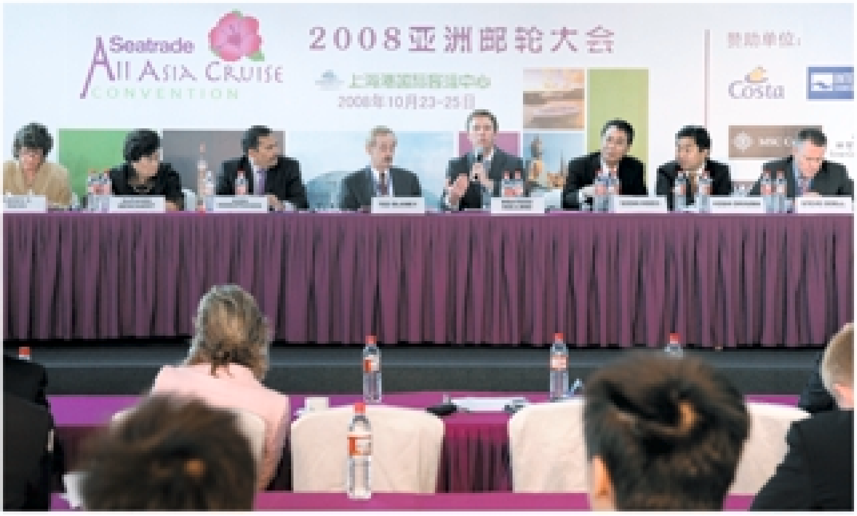


SuperStar Virgo arrival at Victoria Harbour, Hong Kong on 2 April, 2008

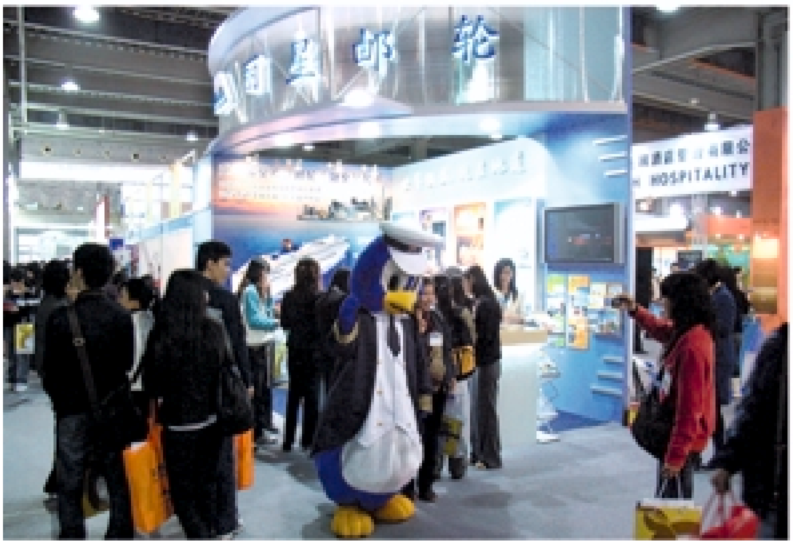
GLOBAL HIGHLIGHTS

Star Cruises participated in the first Sea Trade All Asia Cruise Convention held by Shanghai International Cruise Terminal in Shanghai in October 2008.

Mr. Braydon Holland (4th on right), Vice President, Sales of Star Cruises, delivered a product presentation at Seatrade All Asia Cruise Convention 2008.



Star Cruises' booth at the Guangzhou International Travel Fair in April 2008.

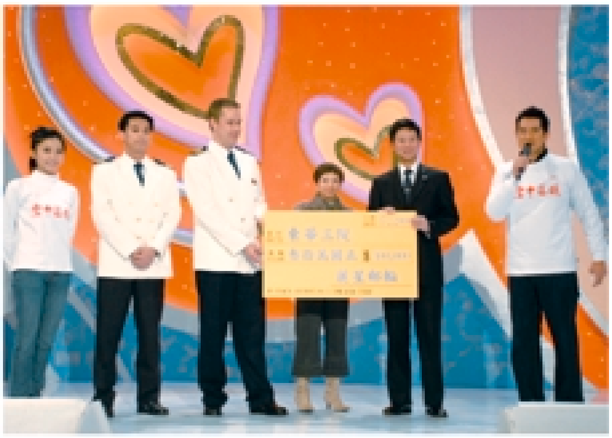


Mr. William Ng, Executive Director of Star Cruises, addressed Seatrade All Asia Cruise Convention 2008.

Star Cruises Volunteer Team (STAR Cares) was established in June 2008 with an aim towards sharing care and concern for people and groups in need. By bringing them our creative entertaining programs and a heart to serve and pamper, we can bring smiles and laughter to their lives.

STAR Cares invited over 200 elderly from 6 elderly centers of Hong Kong Christian Services Center to come onboard Star Pisces to celebrate Mother's day and Father's day on 5 June 2008.

Star Cruises donated HK$300,000 to Tung Wah Group of Hospitals to help relief snowstorm victims in China. Ms. Andrea Chan (3rd on right), Executive Vice President, Corporate Planning of Star Cruises, presented the cheque to Tung Wah Group of Hospitals.



A charity dinner was held on SuperStar Libra for children from poor families in Kaohsiung.

From left to right: Mr. Andy Lew, General Manager of Star Cruises Taiwan Office; Mr. Hsu Chuan Sheng, Chief of Social Affairs Bureau of Kaohsiung City Government; Mr. Lo Chih Ming, former Legislator.

Condé Nast Traveler

NCL was selected by Condé Nast Traveler magazine's 2008 World Savers Awards as a leader in social responsibility in five key areas: poverty alleviation, cultural and/or environmental preservation, education, wildlife conservation and health.

MANAGEMENT'S DISCUSSION *and* ANALYSIS *of* FINANCIAL CONDITION *and* RESULTS *of* OPERATIONS

General Description of the Group's Business

The Group, together with its jointly controlled entities, NCL Corporation Ltd. ("NCLC") and its subsidiaries (the "NCLC Group"), currently having a combined fleet of 16 ships cruising to over 200 destinations in the world, offering close to 30,000 lower berths, and is the third largest cruise operator in the world by lower berths. NCLC is presently building Norwegian Epic, a new third generation Freestyle Cruising ship, for delivery in 2010. The Group operates under the principal brand name of Star Cruises while the NCLC Group operates under Norwegian Cruise Line brand.

Star Cruises operates five ships offering various cruise itineraries and calls destinations primarily in the Asia Pacific region. Norwegian Cruise Line operates eleven cruise ships offering cruises in North and South America, Hawaii, Caribbean, Alaska, Europe, Mediterranean and Bermuda.

On 7 January 2008, the deemed disposal arising from subscription for new shares by Apollo Management, L.P. ("Apollo") and its affiliates in NCLC through an equity investment of US$1 billion was completed. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company. For the purpose of this annual report, the definition of the Group up to 6 January 2008 refers to the Company and its subsidiaries (which includes the NCLC Group). Upon completion of the Apollo transaction on 7 January 2008, the definition of the Group refers to the Company and its subsidiaries (with the NCLC Group being accounted for as a jointly controlled entity).

Terminology

Capacity Days represent double occupancy per cabin multiplied by the number of cruise days for the period.

Net Revenue Yield represents total revenues less commissions, transportation and other expenses, and onboard and other expenses per Capacity Day. The Group utilises Net Revenue Yield to manage its business on a day-to-day basis and believes that it is the most relevant measure of the pricing performance and is commonly used in the cruise industry to measure pricing performance.

Ship Operating Expenses represent operating expenses excluding commissions, transportation and other expenses and onboard and other expenses.

Passenger Cruise Days represent the number of passengers carried for the period, multiplied by the number of days in their respective cruises.

Occupancy Percentage, in accordance with cruise industry practice, represents the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

Overview

Total revenues

Total revenues of the Group consist of the following:

Revenues from the Group's cruise and cruise-related activities are categorised as "passenger ticket revenues" and "onboard and other revenues". Passenger ticket revenues and onboard revenues vary according to the size of the ship in operation, length of cruises operated and the markets in which the ship operates.

Passenger ticket revenues primarily consist of payments for accommodation, meals in certain restaurants on the ship, certain onboard entertainment, and include payments for service charges and air and land transportation to and from the ship, to the extent passengers purchase those items from the Group. Passenger ticket revenues are generally collected from passengers prior to their departure on the cruise.

Onboard and other revenues consist of revenues primarily from gaming, food and beverage sales, shore excursions, retail sales and spa services. The Group records onboard revenues from onboard activities the Group performs directly or that are performed by independent concessionaires, from which the Group receives a percentage of their revenues.

Total revenues (Continued)

The cruise industry in Asia Pacific is less seasonal than the North American cruise market. This lower degree of seasonality is primarily attributable to the lower degree of seasonal climate variation in certain parts of Asia Pacific, particularly the Southeast Asia. However, the Group has generally experienced a decrease in demand in December and January in the Hong Kong market attributable to unfavourable weather patterns during that time of the year. This seasonal decrease in demand is generally offset by increased demand in other markets, such as Singapore, Thailand and Malaysia, as a result of public holidays in December and January.

The cruise industry in North America is, however, seasonal based on demand for cruises. Historically, demand for cruises has been strongest during the summer months.

Demand, however, also varies by ship and itinerary.

Operating expenses

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel, food expenses, ship charter costs and other operating expenses.

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

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

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

Fuel expenses include fuel costs, the impact of fuel hedges and delivery costs.

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

Ship charter costs consist of amounts paid for chartering ships.

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

Selling, general and administrative expenses

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

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

Depreciation and amortisation expenses

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

Year ended 31 December 2008 ("Year 2008") Compared with Year ended 31 December 2007 ("Year 2007")

The audited consolidated financial statements of the Group for the Year 2007 includes the full consolidation of the results of the NCLC Group whereas the audited consolidated financial statements of the Group for the Year 2008 reflects the Group's Asia Pacific operations with the results of the NCLC Group being accounted for as a jointly controlled entity. The management's discussion and analysis of the results of the Group's operations below is prepared based on the comparison of Star Cruises (excluding the NCLC Group) results for Year 2008 and Year 2007 for better understanding of the Group's performance. The management's discussion and analysis of the NCLC Group prepared based on the NCLC Group's US GAAP financial statements have been included in this section for better appreciation of the NCLC Group's performance.

Star Cruises (excluding the NCLC Group)

Turnover

The Group's revenue for the Year 2008 was US$436.6 million, increased by 2.7% from US$425.3 million for the Year 2007. Total capacity days for the Year 2008 were 2,491,743 compared to 2,264,906 for the Year 2007. Net revenue for the Year 2008 decreased 0.8% from the Year 2007 primarily due to lower net revenue yield and occupancy level of 7.8% and 3.2 percentage points, respectively, partially offset by the increase in capacity of 10.0%. The decrease in net revenue yield was mainly as a result of lower gaming hold percentage onboard the ships. The increase in capacity in Year 2008 was primarily due to the addition of m.v. SuperStar Aquarius which commenced operations in June 2007 partially offset by the non-operation of m.v. Wasa Queen and m.v. MegaStar Taurus since October and November 2008, respectively. The occupancy was at 84.5% for the Year 2008 compared with 87.7% for the Year 2007.

Cost and expenses

Total costs and expenses before interest and other items for the Year 2008 amounted to US$552.1 million compared with US$392.7 million for the Year 2007, an increase of US$159.4 million.

Operating expenses increased by US$56.5 million to US$306.9 million for the Year 2008 from US$250.4 million for the Year 2007. Ship operating expenses was 19.3% higher compared with the Year 2007 and the ship operating expenses per capacity day was 8.4% higher compared with the Year 2007. The increase in ship operating expenses per capacity day was mainly due to higher fuel costs and the ensuing costs of operating and maintaining the ships out of service, partially offset by the lower charter hire fees incurred for certain ships. Charter hire fees was lower year-on-year due to the redelivery of m.v. Norwegian Crown and m.v. Marco Polo to their new owners in November 2007 and March 2008, respectively, partially offset by the charter hire fees for m.v. SuperStar Gemini and m.v. Norwegian Majesty. Average fuel prices in the Year 2008, net of fuel hedges, increased approximately 35% from the Year 2007. The year-over-year increase in fuel costs was US$18.9 million. Fuel costs accounted for approximately 24.7% of ship operating expenses in the Year 2008 compared with 20.9% in the Year 2007.

Selling, general and administrative ("SG&A") expenses increased by US$15.3 million to US$79.5 million for the Year 2008 from US$64.2 million for the Year 2007. SG&A expenses per capacity day for the Year 2008 were 12.5% higher compared to the Year 2007 primarily due to the consideration of US$10.0 million paid to a former director of the Company in accordance with the terms of the Non-Competition Agreement.

Depreciation and amortisation expenses decreased by US$9.7 million to US$65.8 million for the Year 2008 from US$75.5 million for the Year 2007. Depreciation and amortisation expenses per capacity day for the Year 2008 decreased 20.8% compared to the Year 2007 primarily due to the cessation of depreciation for vessels classified as non-current assets held for sale in the Year 2008 as well as the disposal of m.v. Marco Polo and m.v. SuperStar Gemini in July 2007 and October 2007, respectively.

A net impairment loss of US$99.9 million in respect of ships and equipment as well as leasehold land and buildings was recorded in the Year 2008 compared to US$2.6 million for the Year 2007.

Other income/(expense), net

Other income, net, was US$18.5 million for the Year 2008 compared to US$6.6 million for the Year 2007 mainly due to the net effect of the following items:

(a) Interest expense, net of interest income decreased by US$16.6 million to US$25.4 million for the Year 2008 compared to US$42.0 million for the Year 2007 as a result of both lower average outstanding debts and interest rates.

(b) During the Year 2008, the Group recorded the transaction fee income received from a jointly controlled entity of US$10.0 million.

(c) During the Year 2008, the Group recognised a gain of US$80.8 million on deemed disposal of NCLC and recorded its share of loss of NCLC of US$104.1 million.

(d) A gain on disposal of a ship of US$53.1 million was recorded in the Year 2008 compared to US$2.7 million in the Year 2007.

(e) During the Year 2007, the Group recorded a gain on disposal of an associate, Resorts World at Sentosa Pte. Ltd., of US$53.7 million.

Profit/(Loss) before taxation

Loss before taxation for the Year 2008 was US$97.0 million compared to profit before taxation of US$39.3 million for the Year 2007.

Taxation

The Group incurred a taxation expense of US$3.5 million for the Year 2008 compared with US$4.0 million for the Year 2007.

Profit/(Loss) attributable to equity holders

Net loss attributable to equity holders of the Company was US$79.5 million for the Year 2008 compared with a net profit attributable to equity holders of the Company of US$35.3 million for the Year 2007.

Liquidity and capital resources

Sources and uses of funds

The majority of the Group's cash and cash equivalents are held in U.S. dollar, Singapore dollar and Hong Kong dollar. For the Year 2008, cash and cash equivalents increased to US$112.1 million from US$108.8 million as at 31 December 2007 for Star Cruises (excluding the NCLC Group). The increase of US$3.3 million in cash and cash equivalents was mainly due to the net effect of the following items:

(a) The Group's business provided US$6.7 million of net cash from operations for the Year 2008 compared to US$88.4 million for the Year 2007. The decrease of US$81.7 million was primarily due to changes of operating assets and liabilities during the Year 2008 compared with the Year 2007 and operating losses during the Year 2008.

(b) The Group's capital expenditure was approximately US$79.5 million during the Year 2008. Approximately US$51.4 million of the capital expenditure relates to the purchase of the residential properties in Macau and the remaining was vessel refurbishments, onboard assets and certain capital projects undertaken by the Group. During the Year 2008, the Group received net proceeds of approximately US$160.3 million from the disposal of a ship and US$1.3 million from an assignment of Orient Lines trade name to a third party.

(c) During the Year 2008, the Group received payment of US$196.9 million in respect of m.v. Pride of America from NCLC and reimbursed NCLC for costs incurred in connection with the shut down of NCL America ("NCLA") business, NCLA cash losses and post termination expenses of US$56.0 million under the Reimbursement and Distribution Agreement dated 17 August 2007. As at 31 December 2008, this amount was held in escrow and was subsequently paid to NCLC in January 2009. The Group also received a transaction fee of US$10 million from NCLC.

(d) During the Year 2008, the Group used approximately US$286.0 million (including transaction costs) to acquire 42.6% direct and indirect interests in Travellers International Hotel Group, Inc.

Liquidity and capital resources (Continued)

Sources and uses of funds (Continued)

(e) During the Year 2008, the Group made a net drawdown of US$118.5 million under the bank loan facilities to finance the purchase of residential properties in Macau as well as for the redemption of the remaining convertible bonds of US$65.9 million.

Gearing ratio

The gearing ratio as at 31 December 2008 was 0.17 times, a slight increase, from 0.12 times as at 31 December 2007 for Star Cruises (excluding the NCLC Group). The gearing ratio is calculated as net debt divided by total capital. Net debt of approximately US$0.41 billion (2007: US$0.36 billion) is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital of approximately US$2.34 billion (2007: US$2.92 billion) is calculated as equity plus net debt.

Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2008 are disclosed in note 35 to the consolidated financial statements.

Future commitments and funding sources

As at 31 December 2008, the Group had approximately US$0.52 billion of bank borrowings. Details of the borrowings and a schedule setting out the repayments of such borrowings are disclosed in note 27 to the consolidated financial statements. The outstanding bank borrowings are secured by legal charges over vessels and leasehold properties including fixed and floating charges over assets of the Group of US$0.9 billion.

As at 31 December 2008, the Group's liquidity was US$141.8 million consisting of US$112.1 million in cash and cash equivalents and US$29.7 million available under the Group's existing credit facilities.

In March 2009, NCLC amended certain terms of substantially all of its debt agreements, which include the extension of the maturity periods, deferral of principal amortisation and accelerated principal payments if NCLC reaches certain liquidity thresholds and certain other additional covenants. In connection with the amendments, the Group and Apollo and its affiliates have subscribed for their proportionate share of the ordinary shares NCLC for an aggregate subscription price of US$100 million in April 2009. The Group paid for its share of subscription price of US$50 million on 6 April 2009, funded by an unsecured and interest bearing short-term shareholder's loan of US$50 million which was accepted on 1 April 2009.

On 31 March 2009, the Group entered into an agreement with a financial institution for a facility of up to US$25 million to finance a certain portion of land premium and as working capital of a subsidiary.

Prospects

The collaborative arrangements with Alliance Global Group, Inc. on the development and operation of hotel and casino complexes in the Philippines is a key strategic move made by the Group in transforming into a land-based leisure and entertainment operator. Capitalising on the success of the existing cruise business, the Group is on target in offering the customers leisure varieties across the region and thus enhancing customer satisfaction.

With the worsening global economic situation, the Group has taken various steps in consolidating its resources and improving efficiency to maintain its competitive edge, including seeking opportunities to divest the non-core assets as well as organisational rationalisation, and will continue to work on improving the quality of earnings to further enhance shareholders' value.

NCLC Group

The commentary below is prepared based on NCLC Group's US GAAP financial statements.

Net revenue increased 2.9% in 2008 compared to 2007 primarily due to a 6.9% increase in net revenue yield partially offset by a 3.7% decrease in capacity days. The increase in net revenue yield in 2008 was primarily the result of higher passenger ticket pricing and onboard and other revenues. The decrease in capacity days was the result of the departure of m.v. Norwegian Wind (renamed to m.v. SuperStar Aquarius), m.v. Norwegian Crown, m.v. Marco Polo and m.v. Norwegian Dream which left the fleet upon expiration of the relevant charter agreements in April 2007, November 2007, March 2008 and November 2008, respectively, as well as the re-flagging of m.v. Pride of Aloha which was withdrawn from the fleet in May 2008 and launched as m.v. Norwegian Sky in July 2008. This decline in capacity was partially offset by the addition of m.v. Norwegian Gem which entered the fleet in October 2007. The increase in onboard and other revenues was primarily due to increased revenues from the gaming operations and art concessionaire.

Ship operating expenses per capacity day for 2008 increased 3.5% compared with 2007. This increase was mainly due to higher fuel expenses partially offset by lower payroll and related expenses. Average fuel prices, including the impact of fuel swaps, increased 41.5% to US$561 per metric ton in 2008 from US$396 per metric ton. Lower payroll and related expenses resulted from the re-flagging and redeployment of m.v. Pride of Hawai'i and m.v. Pride of Aloha from the Hawaii market to international fleet.

SG&A expenses per capacity day for 2008 increased 8.5% compared with 2007 mainly due to additional professional fees incurred primarily in connection with legal costs and management consulting projects.

Depreciation and amortisation expenses increased 9.8% compared to 2007. The increase was primarily due to the addition of m.v. Norwegian Gem which entered service in October 2007.

In 2008, an impairment loss was recorded in NCLC Group's consolidated income statement as a result of the cancellation of a contract to build a ship in the amount of US$128.8 million. These costs include payments to the shipyard, loan and deferred financing fees and capitalised interest. In 2007, NCLC finalised the sale of Oceanic, formerly known as Independence and in order to reflect the asset at its net realisable value, NCLC Group recorded an impairment loss of US$2.6 million in its consolidated income statement.

Human Resources

As at 31 December 2008, the Group had approximately 5,059 employees, consisting of approximately 4,155 (or 82%) ship-based officers and crew as well as approximately 904 (or 18%) staff employed in the various world-wide offices of the Group. The Group provides competitive salaries, benefits and incentives including provident fund schemes and medical insurance schemes for its staff. In addition, the Group has adopted a Post-listing Employees' Share Option Scheme under which options may be granted to eligible employees of the Group entitling them to subscribe for shares in the share capital of the Company.

For the year ended 31 December 2008, there is no significant change in the remuneration policies, bonus, share options scheme and training schemes for the Group.

Financial Instruments

General

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

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

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate fluctuations on the U.S. dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure relates to the Singapore dollar and the Hong Kong dollar. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

Interest rate risk

Substantially all of the Group's indebtedness and its related interest expenses are denominated in U.S. dollars and are based upon floating rates of interest. In order to limit its exposure to interest rate fluctuation, variable to fixed interest rate swaps have been utilised from time to time, to fix a portion of interest costs over a period of time. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement. As at 31 December 2008, the Group had interest rate swaps on debts with a total outstanding notional amount of US$49.6 million with remaining maturity period ranging from 1 to 3 years. In addition, the Group has a series of 5.5% capped USD London Interbank Offer Rate ("LIBOR")-in-arrears interest rate swaps with a total outstanding notional amount of approximately US$13.3 million, matured in February 2009, to limit its exposure to fluctuations movements if the LIBOR moves beyond the cap level of 5.5%. With these interest rate swaps in place, as at 31 December 2008, 12% of the Group's debts were fixed and the remaining 88% were floating.

Fuel price risk

The Group's exposure to market risk on changes in fuel prices relates to the consumption of fuel on its ships. The Group mitigates the financial impact of fluctuation in fuel prices by applying fuel surcharge and entering into fuel swap agreements. As at 31 December 2008, the Group had fuel swap agreements to pay fixed prices for fuel with a total outstanding notional amount of approximately US$7.1 million maturing through June 2009.

DIRECTORS *and* SENIOR MANAGEMENT PROFILES

Directors' Profiles

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Tan Sri Lim Kok Thay, aged 57, was appointed an Executive Director of the Company in September 1994. He is the Chairman and Chief Executive Officer of the Company, a member of the Remuneration Committee and a director of a number of subsidiaries of the Company. He focuses on long-term policies and new shipbuildings. Tan Sri Lim has been with the Group since the formation of the Company in 1993.

He is the Executive Chairman of Genting International P.L.C., a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited and a subsidiary of Genting Berhad ("GB"); Chairman and Chief Executive of GB, a company listed on the Main Board of Bursa Malaysia Securities Berhad; Chairman and Chief Executive of Resorts World Bhd ("RWB"), a public listed company in Malaysia in which GB holds 48.47% equity interest; and a director and Chief Executive of Asiatic Development Berhad, a public listed company in Malaysia and a subsidiary of GB; and a director of Resorts World Limited ("RWL"), Kien Huat Realty Sdn Bhd, Parkview Management Sdn Bhd, Golden Hope Limited, Joondalup Limited and Cove Investments Limited. GB, RWB, RWL, Kien Huat Realty Sdn Bhd, Parkview Management Sdn Bhd (acting as trustee of a discretionary trust), Golden Hope Limited (acting as trustee of the Golden Hope Unit Trust), Joondalup Limited and Cove Investments Limited are substantial shareholders of the Company. GB is an investment holding and management company and is principally involved, through its subsidiaries, in leisure and hospitality, gaming and entertainment businesses, plantation, the generation and supply of electric power, property development and management, tours and travel related services, investments and oil and gas exploration, development and production activities.

Tan Sri Lim was also involved in the development of the Genting Highlands Resort in Malaysia and the overall concept and development of the Burswood Resort in Perth, Australia and the Adelaide casino in South Australia. Tan Sri Lim graduated with a Bachelor of Science (Civil Engineering) degree from the University of London in 1975 and attended the Program for Management Development at the Harvard Graduate School of Business in 1979.

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. Chong Chee Tut, aged 60, was appointed an Executive Director of the Company in August 2000. Mr. Chong is the Chief Operating Officer of the Company and a director of a number of subsidiaries of the Company. Mr. Chong worked for 18 years for Exxon Corporation in Australia, Malaysia and Thailand in various senior management positions. Prior to joining the Company in 1995, Mr. Chong was employed by Genting Australia Pty Ltd., an affiliate of the Company and was involved in property development and management in Sydney. Mr. Chong has a Bachelor of Mechanical Engineering (Honours) degree from the University of Canterbury, New Zealand.

Mr. William Ng Ko Seng
Executive Director

Mr. William Ng Ko Seng, aged 54, was appointed an Executive Director of the Company in August 1998. Mr. Ng is the Executive Director of Business Development and Corporate Services and a director of a number of subsidiaries of the Company. He joined the Group at its inception in 1994 and prior to joining the Group, he had been with the Genting International Group since 1987. Mr. Ng had also been in public practice with international accounting firms in the United Kingdom and Malaysia for 12 years. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Hong Kong Institute of Certified Public Accountants and an Associate of the Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants. Mr. Ng also holds a Master of Art degree in Information Technology from Macquarie University of Sydney, Australia.

Directors' Profiles (Continued)

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

Mr. Alan Howard Smith, aged 65, has been an Independent Non-executive Director of the Company since August 2000 and is the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Smith was the Vice Chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was Chief Executive of the Jardine Fleming Group from 1983 to 1994 and was Chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform.

Mr. Smith graduated with an L.L.B. (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is also a director of Kingway Brewery Holdings Limited, Frasers Property (China) Limited, VXL Capital Limited and The Hong Kong Building and Loan Agency Limited, which are listed on The Stock Exchange of Hong Kong Limited; Noble Group Limited and United International Securities Limited, which are listed on the Singapore Exchange Securities Trading Limited; Asia Credit Hedge Fund Ltd., CQS Convertible and Quantitative Strategies Feeder Fund Ltd. and CQS Asia Feeder Fund Limited, which are listed on the Irish Stock Exchange; KGR Absolute Return PCC Limited, which is listed on the London Stock Exchange; and Global Investment House (K.S.C.C), which is listed on the Kuwait Stock Exchange. During the last three years, Mr. Smith was a director of China Sunergy Co., Ltd., which is listed on NASDAQ, during the period from May 2007 to June 2008. Mr. Smith had also acted as a director of Lei Shing Hong Limited, which was delisted on The Stock Exchange of Hong Kong Limited on 17 March 2008 following completion of its privatisation; The LIM Asia Arbitrage Fund Inc. (now known as LIM Asia Multi-Strategy Fund Inc.) and Bear Stearns Global Alpha Fund Limited, which had been listed on the Irish Stock Exchange but were voluntarily delisted in 2008 and 2007 respectively.

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Tan Boon Seng, aged 53, has been an Independent Non-executive Director of the Company since August 2000 and is a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Tan is also the Chairman and Managing Director of Lee Hing Development Limited and a director of Wo Kee Hong (Holdings) Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Tan is the Executive Director of IGB Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad, and also holds directorships in a number of other companies. He has extensive experience in property development and investment, corporate finance and trading businesses. Mr. Tan received his degree from Cambridge University, where he graduated in 1977.

Mr. Lim Lay Leng
Independent Non-Executive Director

Mr. Lim Lay Leng, aged 58, has been an Independent Non-executive Director of the Company since October 2000 and is a member of the Audit Committee and the Remuneration Committee. Mr. Lim is a director of several private property and investment holding companies in Hong Kong, China and Malaysia and has extensive experience in property development and investment. Mr. Lim holds a Bachelor of Civil Engineering (Honours) degree from Queen Mary College at the University of London.

Mr. Heah Sieu Lay
Independent Non-Executive Director

Mr. Heah Sieu Lay, aged 55, has been an Independent Non-executive Director of the Company since May 2008 and is the Chairman of the Audit Committee. Mr. Heah is also a Non-independent Non-executive Director of each of Lion Diversified Holdings Berhad and Lion Industries Corporation Berhad, both of which are companies listed on Bursa Malaysia Securities Berhad. Mr. Heah was the Group Executive Director of the Lion Group responsible for corporate planning and finance from 1998 to November 2006. Prior to joining the Lion Group in 1998, he was the Managing Director of RHB Sakura Merchant Bankers Berhad ("RHB Sakura") (now known as RHB Investment Bank Berhad) and has vast experience in the field of corporate finance after having served RHB Sakura for 15 years.

Mr. Heah received his Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic, London. He is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Senior Management Profiles

Mr. David Chua Ming Huat
President

Mr. David Chua Ming Huat, aged 46, has been appointed as the President of the Company since May 2007. Before taking up this new appointment, he was the Chief Operating Officer of Genting Berhad from September 2006 to February 2007. Prior to that, he had held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong with extensive knowledge in the management of securities/futures/derivatives trading, asset and unit trusts management, corporate finance and corporate advisory business. He was a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad from April 1998 to May 2002. He possesses a Bachelor of Arts degree in Political Science and Economics from the Carleton University, Ottawa, Canada.

Mr. Blondel So King Tak
Chief Financial Officer

Mr. Blondel So King Tak, aged 48, has been appointed Chief Financial Officer from 3 July 2007. He has over 23 years of experience in the financial sector with the first 15 years working in the banking industry. Prior to joining the Company, he has held a number of different positions in multinational corporation and listed company in Hong Kong overseeing Treasury, Corporate Development, Finance, Human Resources, Information Technology and Administration. He holds a Bachelor degree in Mathematics from Simon Fraser University, Canada, a Post-graduate certificate in Professional Accounting from City University of Hong Kong and a Master degree in Corporate Finance from Hong Kong Polytechnic University.

Ms. Andrea Chan Wing Kam
Executive Vice President of Corporate Planning

Ms. Andrea Chan Wing Kam, aged 47, has been appointed Executive Vice President of Corporate Planning from 1 July 2007. Prior to this, she was the Chief Operating Officer/Director, Operations of DBS Vickers Securities and Director of Client Service, Asia Pacific in Euroclear Bank S.A.. She brings a wealth of execution experience and possesses a strong complement of project management and leadership skills. She served in a number of senior executive positions at global financial institutions such as being the Regional Head of Operations at Dresdner Bank AG. Ms. Chan holds a Master degree in Business Administration from Brunel University UK and membership with professional organisations.

Ms. Cheah Yoke Sim
General Counsel and Senior Vice President of Legal & Corporate Affairs

Ms. Cheah Yoke Sim, aged 41, joined the Company in February 2002 as Vice President of Legal & Corporate Affairs. In October 2007, she was General Counsel and was subsequently promoted to the position of General Counsel and Senior Vice President in April 2008. Ms. Cheah graduated in 1992 with LL.B Bachelor of Laws Degree, from Victoria University of Wellington, New Zealand and was admitted as Barrister and Solicitor to the High Court of New Zealand and as Advocate and Solicitor to the High Court of Malaysia in 1993 and 1994 respectively. Prior to joining the Company, Ms. Cheah was a practicing lawyer in Malaysia for 5 years. After leaving the practice, she worked in a public company listed on the main board of Bursa Malaysia Securities Berhad as a senior in-house legal counsel and personal assistant to the Chief Executive Officer from 1998 to 2002. She was also appointed as the Company Secretary for the said public listed company.

Mr. Michael Goh Beng Huat
Senior Vice President of Sales

Mr. Michael Goh Beng Huat, aged 50, joined the Company as Vice President of Sales & Marketing in 2000. In 2002, he became the General Manager and oversaw the sales & marketing operations in Singapore where one of the Group's largest fleet – SuperStar Virgo is based. With over 20 years of experience in the hospitality and tourism industry, Mr. Goh has developed extensive experience in city and resort hotels in domestic and international markets such as Asia Pacific and Europe. He was promoted to Senior Vice President of Sales in 2008 and now oversees sales in the international markets.

Senior Management Profiles (Continued)

Mr. Gustaf Gronberg
Senior Vice President of Marine Operations

Mr. Gustaf Gronberg, aged 50, assumed the position of Senior Vice President of Marine Operations in December 2005. His responsibilities include technical, nautical and port operations. Mr. Gronberg joined the Company as Safety Manager in 1993. He was subsequently promoted to the position of Vice President of Safety & Security in 1994. He also assumed the position of Fleet Captain from 1996. He was re-designated to Vice President of Nautical in 1999. Mr. Gronberg is a Master Mariner with over 30 years experience in the Maritime industry. He graduated with a Bachelor of Nautical Science degree from the Stockholm Maritime Academy, Sweden in 1985.

Mr. Jeff Lim Kar Kheng
Senior Vice President of Marketing

Mr. Jeff Lim Kar Kheng, aged 47, joined the Company as Senior Vice President of Marketing in July 2008. He is responsible for VIP marketing for the Group's premises and vessels in Asia. Prior to joining the Company, Mr. Lim was involved mainly in the financial markets which included positions of Senior Vice President in a Swiss Private Bank and Partner/Managing Director of Financial Services in Korn/Ferry International. He was a private investigator for two years straight after college in 1985. Mr. Lim holds a double degree in Business Administration major in Management & Economics from the University of Guelph, Canada.

Mr. James Ng Ah Chuan
Senior Vice President of Club Operations

Mr. James Ng Ah Chuan, aged 48, joined the Company as Assistant Club Manager onboard SuperStar Sagittarius in August 1998. He subsequently progressed to the position of Senior Vice President of Club Operations in February 2009. He is responsible for overall casino operations which covering table games and slots. Prior to joining the Company in 1998, Mr. Ng has more than 19 years working experience in casino games as well as surveillance with Resorts World Bhd. He worked with Resorts World Bhd from October 1979 to August 1998.

Mr. Ng Hoe Guan
Senior Vice President of Strategic Marketing

Mr. Ng Hoe Guan, aged 50, joined the Company in July 2008 as Senior Vice President of Strategic Marketing. His responsibilities include marketing and product development, membership and contact centre operations. Mr. Ng has more than 20 years experience in management of information technology and once served as the Group Chief Information Officer in a large Malaysian conglomerate. In addition, he has also held senior management and director positions in operations, strategic marketing, wealth management and retail sales distribution with a number of retail and investment banking organisations in Malaysia. Mr. Ng holds a Master degree of Business Administration in Information Technology and Management from Maastrict School of Management, Holland.

Mr. Brian Donald Nip
Senior Vice President of Marketing

Mr. Brian Donald Nip, aged 36, joined the Company as Senior Vice President of Marketing in October 2008. Mr. Nip comes from a background in Economics, Political Science and Law. He holds a Bachelor Degree with Honors in Public Administration from the University of Windsor, and is currently doing his second year LL.B with the Distance Program through the University of London open program. Mr. Nip has spent the last 12 years in the finance industry, in Institutional Sales and Prime Brokerage and Private Banking. His previous employers include Morgan Stanley in Tokyo, Hong Kong and London; HSBC Private Bank Suisse in Hong Kong, and most recently EFG Private Bank, Hong Kong. Mr. Nip brings to the management team his strengths in sales and experience and expanse network in finance and banking.

Senior Management Profiles (Continued)

Ms. Sandy Si Hop Yee
Senior Vice President of Finance

Ms. Sandy Si Hop Yee, aged 34, joined the Company as Senior Vice President of Finance in March 2008. Ms. Si is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Company, Ms. Si has worked in an international accounting firm and has held senior finance positions in various listed companies in Hong Kong. She holds a Bachelor degree of Business Administration in Accountancy from The Chinese University of Hong Kong, a Master degree in Corporate Finance from the Hong Kong Polytechnic University and a Professional Certificate in Chinese Civil and Commercial Law from Tsinghua University, the People's Republic of China.

Ms. Joyce Tan Wei Tze
Senior Vice President of Corporate Finance/Finance

Ms. Joyce Tan Wei Tze, aged 36, joined the Company as Senior Vice President of Corporate Finance/Finance in March 2009. Ms. Tan has over 13 years of banking and finance experience and prior to joining the Company, she held various positions in advisory, corporate finance, investment banking and asset management institutions in Hong Kong and Malaysia. She had also been in public practice with PricewaterhouseCoopers in the United Kingdom for 5 years. Ms. Tan graduated with an Accounting degree from the University of Hull, United Kingdom and has been a member of the Institute of Chartered Accountants in England & Wales since 1998.

REPORT *of the* DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008.

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 subsidiaries are set out in note 38 to the consolidated financial statements.

Following the deemed disposal of the NCLC Group in January 2008, the Group is principally engaged in the operation of passenger cruise ships in Asia Pacific. Accordingly, no geographical analysis of financial information for year ended 31 December 2008 has been provided.

Results

The results of the Company and its subsidiaries for the year ended 31 December 2008 are set out in the consolidated income statement on page 63.

Dividends

The Directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2008.

Reserves

Movements in the reserves of the Company and the Group during the year are set out on pages 71 to 73.

Audited Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 133.

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 2008.

Donations

Charitable and other donations made by the Group during the year amounted to US$0.1 million.

Property, Plant and Equipment

A brief description of the properties owned by the Group is set out on pages 134 to 135.

Details of the movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

Share Capital and Convertible Bonds

Details of the movements in share capital and convertible bonds of the Company are set out in notes 26 and 28 to the consolidated financial statements, respectively.

Indebtedness

Details of long-term financing facilities of the Company and its subsidiaries at 31 December 2008 are set out in note 27 to the consolidated financial statements.

Directors

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

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith
Mr. Chong Chee Tut
Mr. William Ng Ko Seng
Mr. David Colin Sinclair Veitch (resigned on 17 June 2008)
Mr. Tan Boon Seng
Mr. Lim Lay Leng
Mr. Heah Sieu Lay (appointed on 14 May 2008)

The following Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election:

(a) Tan Sri Lim Kok Thay and Mr. Alan Howard Smith will retire by rotation in accordance with Bye-law 99 of the Company's Bye-laws; and

(b) Mr. Heah Sieu Lay appointed by the Board during the year as an additional Director will retire in accordance with Bye-law 102(B) of the Company's Bye-laws.

The Company has received from each of the four Independent Non-executive Directors, namely Mr. Alan Howard Smith, Mr. Tan Boon Seng, Mr. Lim Lay Leng and Mr. Heah Sieu Lay, an annual confirmation of his independence and considers that each of the Independent Non-executive Directors is independent in accordance with the guidelines set out in Rule 3.13(a) and (c) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

Directors' Service Contracts

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

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 "Significant Related Party Transactions and Balances" in note 34 to the consolidated financial statements, 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 2008 are disclosed in note 34 to the consolidated financial statements.

(b) Transactions set out in items (b) and (d) of these related party transactions constitute continuing connected transactions under the Listing Rules, details of which as required to be disclosed in accordance with the Listing Rules are given below:

(1) As announced in the Company's announcement dated 28 January 2008, in view of the expiry of the old services agreement dated 14 January 2003 (as supplemented by a supplemental agreement dated 23 December 2005) on 31 December 2007, Genting Berhad ("GB"), a company listed on the Main Board of Bursa Malaysia Securities Berhad in which Tan Sri Lim Kok Thay has a deemed interest and is also the Chairman and Chief Executive and shareholder, entered into a new services agreement (the "GB Services Agreement") with the Company on 28 January 2008 for a period of 3 years commencing from 1 January 2008 in relation to the provision of secretarial and share registration services, air ticket purchasing services, leasing of office space and other support services (such as information technology support services, travel services, other purchasing services and central reservation services) by related companies of GB (the "GB Group") to the Group as and when required by the Group from time to time (the "GB Transactions").

The maximum aggregate annual consideration (the "Annual Cap") for the GB Transactions under the term of the GB Services Agreement for each of the financial years ended/ending 31 December 2008, 31 December 2009 and 31 December 2010 would/will not exceed US$5 million.

For the year ended 31 December 2008, the aggregate amount charged to the Group in respect of the GB Transactions was approximately US$2.6 million and has not exceeded the Annual Cap of US$5 million.

(2) On 19 January 2004, the following agreements were entered into by the Group:

(i) the WorldCard Merchant Agreement and two addenda among a wholly-owned subsidiary of the Company and certain subsidiaries of WorldCard International Limited ("WCIL") whereby the Group participated as a merchant in the customer loyalty programme known as "WorldCard" (the "WC Programme") (save for Malaysia). WCIL is a company in which a subsidiary of each of the Company and Genting International P.L.C. ("GIPLC") has a 50% interest. WCIL, together with its subsidiaries, operates and administers the WC Programme on an international basis (save for Malaysia). On 26 October 2004, the Group entered into a supplemental agreement with a subsidiary of WCIL whereby the Group was allowed to participate in the WC Programme in Malaysia through certain inter-operator arrangements. The WorldCard Merchant Agreement, the two addenda and the supplemental agreement are collectively referred to as the "WC Merchant Agreement".

(ii) the Joint Promotion and Marketing Agreement and an addendum among certain wholly-owned subsidiaries of the Company, Resorts World Bhd ("RWB") and a wholly-owned subsidiary of GIPLC in relation to the implementation of certain joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group. The Joint Promotion and Marketing Agreement and the addendum are together referred to as the "JPM Agreement".

On 3 May 2007, certain wholly-owned subsidiaries of the Company, certain subsidiaries of WCIL and a wholly-owned subsidiary of GIPLC entered into agreements (the "Onshore WC Merchant Agreements") for the purpose of extending the WC Programme to cover sales of travel and tour packages which are sold to WorldCard holders at onshore outlets of the Group in various territories, including the cruise packages to board for the cruise ships of the Company or of its affiliates.

RWB is a company listed on the Main Board of Bursa Malaysia Securities Berhad and GIPLC is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. As at the date of this report, GB held 48.47% and 54.44% equity interest in RWB and GIPLC respectively. Tan Sri Lim Kok Thay is also the Chairman and Chief Executive of RWB and the Executive Chairman of GIPLC.

Connected Transactions (Continued)

As announced in the Company's announcement dated 30 December 2008, each of (i) the total annual amounts paid by the Group to the GB Group and (ii) the total annual amounts received by the Group from the GB Group under the WC Merchant Agreement (including any further addenda), the Onshore WC Merchant Agreements (including any further addenda) and the JPM Agreement (including any further addenda) for the year ended 31 December 2008 might exceed the de minimis threshold provided in Rule 14A.33 of the Listing Rules. On 30 December 2008, certain wholly-owned subsidiaries of the Company, certain subsidiaries of WCIL, RWB and certain wholly-owned subsidiaries of GIPLC entered into supplemental agreements (the "Amendment Agreements") to fix the term of the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement for a period of three years from 1 January 2008 to 31 December 2010 pursuant to Rule 14A.35 of the Listing Rules.

The maximum aggregate annual figures of each of (i) the amounts paid/payable by the Group and (ii) the amounts received/receivable by the Group under the term of the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement as amended by the Amendment Agreements, and as revised or supplemented by any future addenda to the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement which may be entered into between the parties (transactions under all these agreements and addenda are collectively referred to as the "WC/JPM Transactions"), for the three years ending 31 December 2010 were/are expected to be as follows:

	For the year ended/ending 31 December		
	2008 US$	**2009** US$	**2010** US$
Annual amounts paid/payable by the Group	1.5 million	2 million	2 million
Annual amounts received/receivable by the Group	0.5 million	1 million	1 million

For the year ended 31 December 2008, (i) the aggregate amount paid/payable by the Group to the GB Group in respect of the WC/JPM Transactions was approximately US$1.2 million and has not exceeded the Annual Cap of US$1.5 million and (ii) the aggregate amount received/receivable by the Group from the GB Group in respect of the WC/JPM Transactions was approximately US$0.3 million and has not exceeded the Annual Cap of US$0.5 million.

The Audit Committee comprising all Independent Non-executive Directors of the Company has reviewed the GB Transactions and the WC/JPM Transactions and confirmed that the GB Transactions and the WC/JPM Transactions have been entered into:

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

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the terms of the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors have issued a report to the Directors of the Company following their performance of certain specified procedures in relation to the GB Transactions and the WC/JPM Transactions.

(c) Transactions set out in item (c) of these related party transactions, which also constitute continuing connected transactions under the Listing Rules, are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules as these transactions were entered into on normal commercial terms and the aggregate annual consideration under these continuing connected transactions for the year ended 31 December 2008 is less than 0.1% of the applicable percentage ratios (as prescribed in the Listing Rules).

(d) Transaction set out in item (g) of these related party transactions constitute a connected transaction under the Listing Rules, details of which as required to be disclosed in this annual report in accordance with the Listing Rules are given in note 34 (g) to the consolidated financial statements.

Directors' Interests in Competing Business

Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Company, is the Chairman and Chief Executive and a shareholder and share option holder of Genting Berhad ("GB") and Resorts World Bhd ("RWB"), both of which are substantial shareholders of the Company and companies listed on Bursa Malaysia Securities Berhad. He is also the Executive Chairman and a shareholder and share option holder of Genting International P.L.C. ("GIPLC"), a company listed on the Main Board of Singapore Exchange Securities Trading Limited. The principal activities of RWB include the operation of a tourist resort in Malaysia known as Genting Highlands Resort, along with other land-based Malaysian resorts. RWB provides leisure and hospitality services which comprise amusement, gaming, hotel and entertainment. GIPLC's principal activities include the development and operation of integrated resorts, operation of casinos, investments, provision of IT application related services and provision of sales and marketing services to leisure and hospitality related businesses. As at the date of this report, GB held 48.47% and 54.44% equity interest in RWB and GIPLC respectively.

The Group engages in cruise and cruise-related businesses which form a segment of the leisure industry. Besides, as disclosed in the Company's circular dated 30 March 2007 in relation to its acquisition of shares in Macau Land Investment Corporation, the Company is taking steps to implement its strategy in making investment in Macau with a view to developing a hotel for the operation of a casino (subject to obtaining the relevant authorisation from the Government of Macau). Further, as disclosed in the Company's circular dated 29 August 2008, the Group entered into a number of agreements with Alliance Global Group, Inc., a company listed on the Philippine Stock Exchange, Inc. on 31 July 2008 to acquire, upon completion, an aggregate of 50% (direct and indirect) interests in the share capital of Travellers International Hotel Group, Inc. to pursue strategic and collaborative arrangements in relation to the development and operation of hotel and casino complexes in the Philippines.

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 RWB, GIPLC and GB. Coupled with the appointment of four Independent Non-executive Directors to the Board, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

Interests of Directors

As at 31 December 2008, 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 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

	Nature of interests/capacity in which such interests were held					
Name of Director	**Beneficial owner**	**Interests of spouse**	**Interests of controlled corporation**	**Founder/ Beneficiary of discretionary trusts**	**Total**	**Percentage of issued ordinary shares**
	Number of ordinary shares *(Notes)*					
Tan Sri Lim Kok Thay	362,379,135	36,298,108 *(1)*	2,035,982,196 *(2)*	4,974,882,524 *(3)*	5,920,188,675 *(4)*	79.720
Mr. Chong Chee Tut	1,168,504	—	—	—	1,168,504	0.016
Mr. William Ng Ko Seng	752,631	—	—	—	752,631	0.010

Notes:

As at 31 December 2008:

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

(2) Tan Sri Lim Kok Thay was also deemed to have a corporate interest in 2,035,982,196 ordinary shares (comprising (i) the same block of 36,298,108 ordinary shares directly held by Goldsfine in which each of Tan Sri Lim Kok Thay and Puan Sri Wong Hon Yee held 50% of its issued share capital; (ii) the same block of 546,628,908 ordinary shares directly held by Joondalup Limited in which Tan Sri Lim Kok Thay held 100% of its issued share capital; and (iii) the same block of 1,432,959,180 ordinary shares directly held by Resorts World Limited ("RWL") and the same block of 20,096,000 ordinary shares directly held by Genting Overseas Holdings Limited ("GOHL") by virtue of his interests in a chain of corporation holding RWL and GOHL (details of the percentage interests in such corporations were set out in the section headed "Interests of Substantial Shareholders" below)).

(3) Tan Sri Lim Kok Thay as founder and a beneficiary of two discretionary trusts (trustees of which are Parkview Management Sdn Bhd and GZ Trust Corporation respectively), had a deemed interest in 4,974,882,524 ordinary shares.

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

(5) All the above interests represented long positions in the shares and excluded 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 2008, 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:

Name of Director	Number of underlying ordinary shares	Percentage of issued ordinary shares	Capacity in which such interests were held
Tan Sri Lim Kok Thay	14,300,823	0.193	Beneficial owner
Mr. Chong Chee Tut	2,473,435	0.033	Beneficial owner
Mr. William Ng Ko Seng	2,350,134	0.032	Beneficial owner

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 36 to the consolidated financial statements.

These interests in share options represented 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 associated corporation of the Company

Name of associated corporation	Name of Director	Nature of interests/ capacity in which such interests were held: Interests of controlled corporation	Founder/ Beneficiary of discretionary trusts	Total	Percentage of issued ordinary shares
		Number of ordinary shares *(Notes)*			
WorldCard International Limited ("WCIL") *(1)*	Tan Sri Lim Kok Thay	500,000 *(2)*	1,000,000 *(3)*	1,000,000 *(4 and 5)*	100

Notes:

As at 31 December 2008:

(1) WCIL was a company in which a subsidiary of each of the Company and Genting International P.L.C. ("GIPLC") had a 50% interest.

(2) Tan Sri Lim Kok Thay was deemed to have a corporate interest in 500,000 ordinary shares of WCIL directly held by Calidone Limited ("Calidone"), a wholly-owned subsidiary of GIPLC which was in turn a 54.44% owned subsidiary of Genting Berhad ("GB") through its wholly-owned subsidiary, namely GOHL, by virtue of his interests in a chain of corporations holding Calidone (details of the percentage interests in such corporations were set out in this note and the section headed "Interests of Substantial Shareholders" below).

(3) Tan Sri Lim Kok Thay as founder and a beneficiary of two discretionary trusts had a deemed interest in 1,000,000 ordinary shares of WCIL.

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

(5) These interests represented long positions in the shares of WCIL.

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:

(a) as at 31 December 2008, none of the Directors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and

(b) at no time during the year was the Company and its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, 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 36 to the consolidated financial statements. 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 2008 were as follows:

(A) Pre-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2008	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 31/12/2008	Date granted	Exercise price per share	Exercisable period
Tan Sri Lim Kok Thay	1,411,493	—	(470,499)	—	940,994	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
(Director)	535,393	—	(178,466)	—	356,927	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	519,170	—	(129,793)	—	389,377	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	1,411,493	—	(470,499)	—	940,994	16/11/2000	US$0.2524	24/03/2002 – 23/03/2009
	535,393	—	(178,466)	—	356,927	16/11/2000	US$0.3953	24/03/2002 – 23/03/2009
	129,792	—	(32,449)	—	97,343	16/11/2000	US$0.2524	23/10/2003 – 22/08/2010
	4,542,734	—	(1,460,172)	—	3,082,562			
Mr. Chong Chee Tut	165,484	—	(55,163)	—	110,321	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
(Director)	29,202	—	(9,735)	—	19,467	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	249,200	—	(62,302)	—	186,898	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	10,382	—	(2,597)	—	7,785	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	454,268	—	(129,797)	—	324,471			
Mr. William Ng Ko Seng	6,487	—	—	—	6,487	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
(Director)	38,938	—	(12,980)	—	25,958	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	147,961	—	—	—	147,961	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	10,382	—	(2,597)	—	7,785	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	203,768	—	(15,577)	—	188,191			

Interests of Directors (Continued)

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

	Number of options outstanding at 01/01/2008	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 31/12/2008	Date granted	Exercise price per share	Exercisable period
Mr. David Colin Sinclair Veitch (Director) *(Note)*	**519,170**	**—**	**(129,793)**	**—**	**389,377**	07/01/2000	US$0.3953	07/01/2003 – 06/01/2010
All other employees	3,743,804	—	(1,164,939)	(399,055)	2,179,810	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
	2,117,151	—	(675,146)	(293,925)	1,148,080	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	176,493	—	(54,825)	(9,082)	112,586	30/06/1999	US$0.2524	30/06/2002 – 29/06/2009
	464,547	—	(155,780)	(13,628)	295,139	30/06/1999	US$0.3953	30/06/2002 – 29/06/2009
	753,276	—	(79,831)	(361,980)	311,465	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	1,102,830	—	(228,643)	(178,253)	695,934	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	8,358,101	—	(2,359,164)	(1,255,923)	4,743,014			
Grand Total	**14,078,041**	**—**	**(4,094,503)**	**(1,255,923)**	**8,727,615**			

Note: Mr. David Colin Sinclair Veitch resigned as a Director of the Company on 17 June 2008.

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 01/01/2008	Number of options granted on 27/05/2008 [2]	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 31/12/2008	Date granted	Exercise price per share	Exercisable period
Tan Sri Lim Kok Thay (Director)	3,585,521	—	—	—	—	3,585,521	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	632,740	—	—	—	—	632,740	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	—	7,000,000	—	—	—	7,000,000	27/05/2008	HK$1.7800 [3]	28/05/2009 – 27/05/2018
	4,218,261	**7,000,000**	**—**	**—**	**—**	**11,218,261**			
Mr. Chong Chee Tut (Director)	551,619	—	—	—	—	551,619	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	97,345	—	—	—	—	97,345	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	—	1,500,000	—	—	—	1,500,000	27/05/2008	HK$1.7800 [3]	28/05/2009 – 27/05/2018
	648,964	**1,500,000**	**—**	**—**	**—**	**2,148,964**			
Mr. William Ng Ko Seng (Director)	661,943	—	—	—	—	661,943	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	—	1,500,000	—	—	—	1,500,000	27/05/2008	HK$1.7800 [3]	28/05/2009 – 27/05/2018
	661,943	**1,500,000**	**—**	**—**	**—**	**2,161,943**			
Mr. David Colin Sinclair Veitch (Director) [1]	2,206,475	—	—	—	—	2,206,475	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	389,378	—	—	—	—	389,378	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	2,595,853	**—**	**—**	**—**	**—**	**2,595,853**			
All other employees	64,986,686	—	—	(11,321,018)	(165,486)	53,500,182	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	843,652	—	—	(300,895)	—	542,757	08/09/2003	HK$2.8142	09/09/2005 – 08/09/2013
	9,178,940	—	—	—	(3,505)	9,175,435	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	—	25,540,000	—	(150,000)	—	25,390,000	27/05/2008	HK$1.7800 [3]	28/05/2009 – 27/05/2018
	75,009,278	**25,540,000**	**—**	**(11,771,913)**	**(168,991)**	**88,608,374**			
Grand Total	**83,134,299**	**35,540,000**	**—**	**(11,771,913)**	**(168,991)**	**106,733,395**			

Notes:

(1) Mr. David Colin Sinclair Veitch resigned as a Director of the Company on 17 June 2008.

(2) The offer of share options made on 27 May 2008 is valid for acceptance during the period from 27 May 2008 to 26 August 2008.

(3) The closing price per share quoted on the Stock Exchange on 26 May 2008, the trading day immediately before the date on which the options were granted was HK$1.7400.

Share Options (Continued)

(B) Post-listing Employee Share Option Scheme (Continued)

The Group accounts for non-cash compensation expense in respect of share options issued to directors and employees based on the fair value of the employee services received in exchange for the grant of the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The Group recorded non-cash compensation expense of approximately US$1.7 million for the options granted and accepted in 2008. The unamortised compensation expense related to the options granted and accepted in 2008 was US$4.4 million as at 31 December 2008.

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 inputs that are highly subjective. 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 27 May 2008 was US$0.17 per share:

Risk-free interest rate	2.99%
Expected option life (in years)	10
Expected volatility	52.72%
Expected dividend per share	—

Other than (i) the share options granted on 23 August 2004 under the Post-listing Employee Share Option Scheme which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer and (ii) the share options granted on 27 May 2008 under the Post-listing Employee Share Option Scheme vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2009 to 2013, 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 2008, 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)*	Nature of interests/capacity in which such interests were held — Number of ordinary shares *(Notes)*: Beneficial owner	Interests of spouse	Interest of controlled corporation	Trustee	Beneficiary of trust	Total	Percentage of issued ordinary shares
Parkview Management Sdn Bhd (as trustee of a discretionary trust) *(1)*	—	—	1,453,055,180 *(10)*	1,453,055,180 *(12)*	—	1,453,055,180 *(19)*	19.57
Kien Huat Realty Sdn Bhd *(2)*	—	—	1,453,055,180 *(10)*	—	—	1,453,055,180	19.57
Genting Berhad *(3)*	—	—	1,453,055,180 *(10)*	—	—	1,453,055,180	19.57
Resorts World Bhd *(4)*	—	—	1,432,959,180 *(11)*	—	—	1,432,959,180	19.30
Sierra Springs Sdn Bhd *(5)*	—	—	1,432,959,180 *(11)*	—	—	1,432,959,180	19.30
Resorts World Limited *(5)*	1,432,959,180	—	—	—	—	1,432,959,180	19.30
GZ Trust Corporation (as trustee of a discretionary trust) *(6)*	—	—	3,521,827,344 *(13)*	3,521,827,344 *(14)*	3,521,827,344 *(16)*	3,521,827,344 *(19)*	47.42
Cove Investments Limited *(7)*	—	—	—	—	3,521,827,344 *(17)*	3,521,827,344	47.42
Golden Hope Limited (as trustee of Golden Hope Unit Trust) *(8)*	—	—	—	3,521,827,344 *(15)*	—	3,521,827,344	47.42
Joondalup Limited *(9)*	546,628,908	—	—	—	—	546,628,908	7.36
Puan Sri Wong Hon Yee	—	5,920,188,675 *(18(a))*	36,298,108 *(18(b))*	—	—	5,920,188,675 *(19)*	79.72

Interests of Substantial Shareholders (Continued)

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

Notes:

As at 31 December 2008:

(1) Parkview Management Sdn Bhd ("Parkview") was a trustee of a discretionary trust (the "Discretionary Trust 1"), the beneficiaries of which included certain family members of the late Tan Sri Lim Goh Tong (the "Lim Family"). Tan Sri Lim Kok Thay ("Tan Sri KT Lim") controlled an aggregate of 33.33% of the equity interest in Parkview directly and indirectly.

(2) Kien Huat Realty Sdn Bhd ("KHR") was 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.

(3) Genting Berhad ("GB") was a company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 39.62% of its equity interest carrying voting power.

(4) Resorts World Bhd ("RWB") was a company listed on the Main Board of Bursa Malaysia of which GB controlled 48.43% of its equity interest.

(5) Resorts World Limited ("RWL") was a subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") and both of them were wholly-owned subsidiaries of RWB.

(6) GZ Trust Corporation ("GZ") was 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 held 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") was wholly-owned by GZ as trustee of the Discretionary Trust 2.

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

(9) Joondalup Limited was wholly-owned by Tan Sri KT Lim.

(10) Each of Parkview as trustee of the Discretionary Trust 1, KHR and GB had a corporate interest in 1,453,055,180 ordinary shares (comprising the same block of 1,432,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by Genting Overseas Holdings Limited ("GOHL"), a wholly-owned subsidiary of GB).

(11) Each of RWB and Sierra Springs had a corporate interest in the same block of 1,432,959,180 ordinary shares held directly by RWL.

(12) The interest in 1,453,055,180 ordinary shares was held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprised the same block of 1,432,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by GOHL.

(13) GZ as trustee of the Discretionary Trust 2 had a corporate interest in the same block of 3,521,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(14) GZ in its capacity as trustee of the Discretionary Trust 2 had a deemed interest in the same block of 3,521,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(15) The interest in 3,521,827,344 ordinary shares was held directly by Golden Hope in its capacity as trustee of GHUT.

(16) GZ as trustee of the Discretionary Trust 2 was deemed to have interest in the same block of 3,521,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(17) Cove which held 0.01% of the units in GHUT was deemed to have interest in the same block of 3,521,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

Interests of Substantial Shareholders (Continued)

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

Notes: (Continued)

(18) (a) Puan Sri Wong Hon Yee ("Puan Sri Wong") as the spouse of Tan Sri KT Lim, had a family interest in the same block of 5,920,188,675 ordinary shares in which Tan Sri KT Lim had a deemed interest. These interests did 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 had a corporate interest in 36,298,108 ordinary shares held directly by Goldsfine by holding 50% of its equity interest.

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

(20) All the above interests represented long positions in the shares of the Company and excluded those in the underlying shares through share options or equity derivatives.

(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	Nature of interests
Puan Sri Wong Hon Yee	14,300,823 *(Note)*	0.193	Interests of spouse

Note: As at 31 December 2008, Puan Sri Wong as the spouse of Tan Sri KT Lim, was deemed to have a family interest in 14,300,823 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 represented 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 2008, 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 37 to the consolidated financial statements.

Management Contracts

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

Major Customers and Suppliers

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

Emolument Policy

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

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

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

Base Salary

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

Annual Bonus

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

Executive Share Option Plan

The Company adopts a Post-listing Employees' Share Option Scheme to motivate employees and to allow them to participate in the growth and success of the Group. Options at market value at the date of grant may be offered from time to time to eligible employees entitling them to subscribe for shares in the share capital of the Company.

Retirement Benefits

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

Corporate Governance

In the opinion of the Directors, during the year ended 31 December 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules in force during the said financial year, save for the deviation from Code Provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from Code Provision A.2.1 as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 44 to 62.

Review by Audit Committee

This annual report has been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant provisions of the CG Code. The Audit Committee comprises the four Independent Non-executive Directors of the Company, namely Mr. Heah Sieu Lay, Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng.

Public Float

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

General Disclosure Pursuant to the Listing Rules

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

Loan Agreement of the Group

The Group is a party to a loan agreement for an aggregate principal amount of US$750 million, comprising US$500 million term loan and US$250 million revolving credit facility, with terms ranging from five to eight years from the date of this agreement. As at 31 December 2008, the outstanding loan balance was approximately US$477.1 million.

The agreement requires the Lim Family 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 term of the loan.

Significant Subsequent Events

(a) The distribution of m.v. Norwegian Sky (previously known as m.v. Pride of Aloha) by NCLC to the Group took place in January 2009. On 2 January 2009, the Group entered into a bareboat charter agreement with NCLC for the charter hire of m.v. Norwegian Sky for a period of approximately 2 years, at US$24.8 million per annum.

(b) In February 2009, the options granted to the independent third parties to subscribe for 255 million ordinary shares of the Company were not exercised during the exercisable period and were subsequently lapsed.

(c) On 25 March 2009, the Group contracted for the sale of m.v. Wasa Queen for an amount of US$4.0 million and the ship has been delivered to her new owner on 8 April 2009.

(d) On 31 March 2009, the Group entered into an agreement with a financial institution for a facility of up to US$25 million to finance a certain portion of land premium and as working capital of a subsidiary.

(e) On 1 April 2009, the Group accepted an unsecured and interest bearing short-term loan facility of US$50 million from a substantial shareholder of the Company.

(f) In March 2009, NCLC amended certain terms of substantially all of its debt agreements, which include the extension of the maturity periods, deferral of principal amortisation and accelerated principal payments if NCLC reaches certain liquidity thresholds and certain other additional covenants. In connection with the amendments, the Group and Apollo and its affiliates have subscribed for their proportionate share of the ordinary shares of NCLC for an aggregate subscription price of US$100 million in April 2009. The Group paid for its share of subscription price of US$50 million on 6 April 2009, funded by an unsecured and interest bearing short-term shareholder's loan of US$50 million which was accepted on 1 April 2009 as highlighted in (e) above.

Auditors

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

On behalf of the Board

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Hong Kong, 9 April 2009

CORPORATE GOVERNANCE REPORT

(I) Statement of Compliance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Summarised below is a statement on how the Company during the year ended 31 December 2008 has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in force during the said financial year, save for the deviation from Code Provision A.2.1 listed below.

A. Directors

A.1 The Board

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.1.1	At least 4 regular physical Board meetings shall be held each year.	No	The Board has overall responsibility for the proper conduct of the Company's business. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as required.
A.1.2	All Directors shall be given an opportunity to include matters in the agenda for regular Board meetings.	No	Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and inclusion of any matters for deliberation at the meetings.
A.1.3	Notice of at least 14 days should be given of a regular Board meeting. For all other Board meetings, reasonable notice should be given.	No	Formal notice of at least 14 days is given for a regular Board meeting. Reasonable notice will be given for all other Board meetings.
A.1.4	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and applicable rules and regulations are followed.	No	All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required.
A.1.5	Minutes of Board and Board Committees meetings shall be kept by a duly appointed secretary of the meeting and such minutes shall be open for inspection on reasonable notice by any Director.	No	Minutes of the meetings of the Board, the Audit Committee, the Share Option Committee and other ad hoc Board Committees established for specific transaction purposes are kept by the Company Secretary while minutes of the Remuneration Committee meetings are kept by the Head of the Human Resources Department who is the Secretary of the Remuneration Committee. Such minutes are available for inspection by the Directors/Board Committees Members.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.1 The Board (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.1.6	Draft and final versions of minutes of Board meetings shall be sent to all Directors for their comments and records within a reasonable time after the Board meeting is held.	No	Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records within a reasonable time.
A.1.7	There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	No	The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties.
A.1.8	If a substantial shareholder or a Director has a conflict of interest in a material matter to be considered by the Board, the matter shall not be dealt with by way of circulation or by a committee but a Board meeting shall be held. Under the Listing Rules, Directors must abstain from voting on any Board resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at the Board meeting.	No	Material transactions with connected persons will be considered at Board meetings whereat the Directors may consider, if appropriate, granting approval in-principle for the proposed transactions and authorising the final forms thereof be further approved by way of circulation or by a Board committee set up for that purpose. The Company's Bye-laws provide for voting and quorum requirements conforming with this code provision whereby interested Directors are required to abstain from voting and shall not be counted in the quorum.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.2 Chairman and Chief Executive Officer

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.1	Roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Yes	Currently, Tan Sri Lim Kok Thay ("Tan Sri KT Lim") is the Chairman and Chief Executive Officer of the Company and Mr. David Chua Ming Huat ("Mr. David Chua") is the President of the Company. Tan Sri KT Lim has been with the Group since the formation of the Company in 1993 and has considerable cruise industry experience. Tan Sri KT Lim provides leadership for the Board in considering and setting the overall strategies and objectives of the Company. Mr. David Chua, together with the Executive Directors of the Company and the Senior Management team of the Group, assist the Chairman and Chief Executive Officer of the Company to implement the Company's strategies and policies laid down by the Board with respect to the development of the business of the Group. The Board is of the view that it is in the interests of the Company to maintain the above arrangement so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board in a timely manner on key issues and developments. Given that there is a balanced Board with four experienced Independent Non-executive Directors ("INEDs") representing more than one-half of the Board and an INED acting as the Deputy Chairman, the Board is of the view that there is a strong independent element on the Board to exercise independent judgement and provide sufficient check and balance. The Board will evaluate from time to time the appropriateness of the dual roles of Chairman and Chief Executive Officer performed by the same individual and ensures that the arrangement will continue to be in the interests of the Company and its shareholders as a whole.
A.2.2	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings.	No	All Directors are properly briefed on issues arising at Board meetings.
A.2.3	The Chairman shall ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.3 Board composition

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.3.1	INEDs shall be expressly identified in all corporate communications that disclose the names of Directors of the issuer.	No	The Board currently comprises seven Directors, three of whom are Executive Directors and four are INEDs, constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" for the skills and experience of each Director. Composition of the Board, by category of Directors, including names of Executive Directors and INEDs is disclosed in all corporate communications.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.4 Appointments, re-election and removal

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.4.1	Non-executive Directors shall be appointed for a specific term, subject to re-election.	No	A letter agreement had been entered into between the Company and each of the INEDs whereby, except for the initial term of office of Mr. Heah Sieu Lay as set out in the paragraph below, the term of office of each INED is generally fixed for a term of not more than approximately two years expiring at the conclusion of the annual general meeting ("AGM") of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws. For Mr. Heah Sieu Lay who was appointed as an INED on 14 May 2008, his initial term of office as an INED had been fixed for approximately one year commencing from his date of appointment and expiring at the conclusion of the 2009 AGM whereupon he will retire and stand for re-election by the shareholders in accordance with the requirements of the Company's Bye-laws.
A.4.2	All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director should be subject to retirement by rotation at least once every three years.	No	The Company's Bye-laws conform with this code provision whereby every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after their appointment.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.5 Responsibilities of Directors

Principle

Every Director is required to keep abreast of his responsibilities as a Director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment and subsequently, such briefing and professional development as is necessary.	No	On appointment, new Directors will be given a comprehensive formal induction. The Directors are provided with Non-statutory Guidelines on Directors' Duties issued by the Hong Kong Companies Registry and continuous updates on the latest changes or material development in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development seminars to update their knowledge for discharging Directors' responsibilities.
A.5.2	Functions of Non-executive Directors shall include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interest arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinizing the issuer's performance in achieving agreed corporate goals, and monitoring the reporting of performance.	No	Non-executive Directors of the Company continue to perform these functions.
A.5.3	Every Director shall give sufficient time and attention to the affairs of the issuer.	No	The Directors continue to give appropriate time and attention to the affairs of the Company.

(I) Statement of Compliance (Continued)

A. Directors (Continued)

A.5 Responsibilities of Directors (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.4	Directors must comply with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 when dealings in the securities of the issuer. Written guidelines for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code, shall be established. "Relevant Employee" includes any employee of the issuer, a Director or employee of a subsidiary or holding company of the issuer who is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.	No	The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2008 as its code of conduct regarding securities transactions by its Directors. All Directors have confirmed, following specific enquiry by the Company, that during the year from 1 January 2008 (in the case of Mr. Heah Sieu Lay, during the period from 14 May 2008, the date of his appointment as a Director of the Company) to 31 December 2008 (both dates inclusive), they have complied with the required standard set out in the Model Code as contained in Appendix 10 of the Listing Rules in force during the said period. The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Senior Management as included in the Company's latest Annual Report.

A.6 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Director of an issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.1	In respect of regular Board meetings and so far as practicable in all other cases, Board papers shall be sent in full to all Directors at least 3 days (or such other period as agreed) before a Board or Board Committee meeting.	No	Board papers are sent to all Directors/Board Committee members at least 3 days (or such other period as agreed) before the relevant meeting.
A.6.2	Management shall supply the Board and its committees with adequate information in a timely manner. The Board and each Director shall have separate and independent access to the issuer's Senior Management.	No	The Company continues to supply the Board and its committees with adequate information in a timely manner. There are formal and informal contacts between the Board and the Senior Management from time to time at Board meeting and other events.
A.6.3	All Directors are entitled to have access to Board papers and related materials. Where queries are raised by Directors, steps must be taken to respond as promptly and fully as possible.	No	Board papers, minutes and related corporate documentation are made available for inspection by all Directors. All Directors are entitled to have access to Senior Management who will respond to queries raised by the Directors promptly.

(I) Statement of Compliance (Continued)

B. Remuneration of Directors and Senior Management

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

Principle

An issuer should disclose information relating to its Directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors. Levels of remuneration should be sufficient to attract and retain the Directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No Director should be involved in directing his own remuneration.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
B.1.1	Remuneration Committee shall be established with specific written terms of reference. A majority of the members of the Remuneration Committee shall be INEDs.	No	The Board has established a Remuneration Committee with specific written terms of reference. A majority of the members of the Remuneration Committee are INEDs.
B.1.2	Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their proposals on the remuneration of other Executive Directors and have access to professional advice if necessary.	No	The Chairman and Chief Executive Officer of the Company is one of the Remuneration Committee members and is involved in formulating proposals on the remuneration of other Executive Directors prior to their due consideration by the Remuneration Committee. The Chairman and Chief Executive Officer of the Company is to abstain from voting when his remuneration is considered by the Remuneration Committee.
B.1.3	The terms of reference of the Remuneration Committee shall include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Remuneration Committee contain the specific duties prescribed by the CG Code. Please refer to section (III)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.4	The Remuneration Committee shall make available its terms of reference.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the Company's website.
B.1.5	The Remuneration Committee shall be provided with sufficient resources to discharge its duties.	No	The Remuneration Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

(I) Statement of Compliance (Continued)

C. Accountability and Audit

C.1 Financial reporting

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.1	Management shall provide explanation and information to the Board to enable the Board to make an informed assessment of the financial information.	No	The Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2	The Directors shall acknowledge in this Report their responsibility for preparing the accounts and there shall be a statement by the auditors about their reporting responsibilities in the Auditors' Report on the financial statements.	No	The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for the year then ended. In preparing accounts for the year ended 31 December 2008, the Directors have: (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared accounts on the going concern basis. The Auditor's Report states the auditors' reporting responsibilities.
C.1.3	The Board's responsibility to present a balanced, clear and understandable assessment shall extend to annual and interim reports, other price-sensitive announcements and other disclosures.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications.

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.2 Internal controls

Principle

The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.1	Directors shall conduct a review of the effectiveness of internal control system of the issuer and its subsidiaries at least annually and report to shareholders that they have done so in this Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	No	The Board through the Audit Committee, has conducted periodic reviews of the effectiveness of the Group's system of internal controls, which include financial, operational, compliance controls and risk management functions. The Board is of the view that the Company maintains a reasonably sound and effective system of internal controls relevant to its level of operations. Please refer to section (II) of this Report headed "State of Internal Controls" for the details.

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's Auditors. The Audit Committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

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

(I) Statement of Compliance (Continued)

C. Accountability and Audit (Continued)

C.3 Audit Committee (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.3.4	The Audit Committee shall make available its terms of reference.	No	Terms of reference of the Audit Committee (including its role and functions) are available on the Company's website.
C.3.5	Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer shall include in this Report a statement from the Audit Committee explaining its recommendation and the reason why the Board has taken a different view.	No	The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the external auditors. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditors.
C.3.6	The Audit Committee shall be provided with sufficient resources to discharge its duties.	No	The Audit Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

D. Delegation by the Board

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.1.1	When the Board delegates aspects of its management and administration functions to Management, it must also give clear directions as to the powers of management.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the powers of management including circumstances where Management shall report back and obtain prior approval from the Board.
D.1.2	The issuer shall formalize the functions reserved to the Board and those delegated to Management and review those arrangements on a periodic basis.	No	There is a formal schedule of matters reserved for the Board's decision, including: (i) Overall strategic direction; (ii) Annual operating plan; (iii) Annual capital expenditure plan; (iv) Major acquisitions and disposals; (v) Major capital projects; and (vi) Monitoring of the Group's operating and financial performance.

(I) Statement of Compliance (Continued)

D. Delegation by the Board (Continued)

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.2.1	The Board shall prescribe sufficiently clear terms of reference of Board Committees.	No	Clear terms of reference have been adopted for the formal Board Committees of the Company, namely the Audit Committee, the Remuneration Committee, the Share Option Committee and any other ad hoc Board Committees established for specific transaction purposes.
D.2.2	The terms of reference of Board Committees shall require such committees to report back to the Board on their decisions or recommendations.	No	This term has been included in the terms of reference of Board Committees.

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.1.1	A separate resolution on each substantially separate issue shall be proposed by the Chairman of a general meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting.
E.1.2	Chairman of the Board shall attend the annual general meeting and arrange for the Chairmen of the Audit, Remuneration and Nomination Committees (as appropriate) or in his absence, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.	No	The Chairman of the Board and all members of each of the Audit Committee and the Remuneration Committee had attended the 2008 AGM of the Company.

(I) Statement of Compliance (Continued)

E. Communication with Shareholders (Continued)

E.2 Voting by poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.2.1	Procedures for and the rights of shareholders to demand a poll shall be disclosed in the issuer's circulars to shareholders.	No	Procedures for and the rights of shareholders to demand a poll have been disclosed in the Company's circulars to shareholders issued during the year under review.
E.2.2	The issuer shall count all proxy votes and, except where a poll is required, the Chairman of a meeting shall indicate to the meeting the level of proxies lodged on each resolution and the balance for and against the resolution.	No	The Company had held one general meeting during the year under review, namely the 2008 AGM. Votes cast at the said general meeting were properly counted and recorded.
E.2.3	The Chairman of a meeting shall at the commencement of the meeting provide an explanation on: (a) the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and (b) the detailed procedures for conducting a poll and then answer questions from shareholders whenever voting by way of a poll is required.	No	During the year under review, procedures for demanding and conducting a poll were properly explained during the Company's general meeting proceedings.

(II) State of Internal Controls

(A) Board responsibility

The Board has the ultimate responsibilities for the Company's system of internal controls and through Audit Committee, has reviewed the adequacy and effectiveness of the system. The system is designed to provide reasonable, but not absolute, assurance against material misstatements or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

(B) Key internal control process

The key aspects of the internal control system, within the Company are as follows:

(1) The Company has in place a formal organization structure that clearly defines management roles, responsibilities and reporting lines.

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

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

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

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

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

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

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

(9) Regulatory and Statutory compliance are monitored through the Company Secretary and Internal Auditors to support the Board on proper management of effective corporate governance practices and requirements.

(10) The Company has a Risk Management Programme to compliment the ongoing risk management delegated to various committees.

The programme is backed by a Risk Management Policy, having business units to perform risk assessment in a self-assessment format. The assessed risks are then consolidated for review by Risk Management Task Force ("RMTF") headed by the Chief Financial Officer and members represented by divisional or departmental heads from various operating units. RMTF oversees the process of the programme and meetings were held to assess the progress of the programme and review the risk profiles as well as the management of all key business risks.

The risk management framework/methodology encompasses a 7 systematic steps approach with emphasis on risk likelihood and related consequences. An in-house developed software is used to track the risk management approach and to record risk profiles.

(11) The Company has reporting mechanisms in place for improprieties or suspected fraudulent acts. There are few guidances provided in this aspect and a whistleblower system was implemented in May 2008.

(II) State of Internal Controls (Continued)

(B) Key internal control process (Continued)

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

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

(13) The Board through the Audit Committee, has conducted periodic reviews of the effectiveness of the Group's system of internal controls, which include financial, operational, compliance controls and risk management functions. The review is supported by periodic reports received from the management, external and internal auditors.

(C) Statement from Directors

During the year, external and internal auditors reported some weaknesses in the system of internal controls. These weaknesses have not materially impacted the business or operations of the Company and hence have not been included in this statement. Nevertheless, measures have been or are being taken to address these weaknesses.

The Board is of the view that the Company maintains a reasonably sound and effective system of internal controls relevant to its level of operations.

(III) Other Information

In addition to the information disclosed above, set out below is other information required to be disclosed pursuant to the rules on Corporate Governance Report contained in Appendix 23 to the Listing Rules.

(A) Board of Directors

(1) During the year under review, seven Board meetings were held and details of the Directors' attendance are set out below:

	Attendance
Executive Directors:	
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	7/7
Mr. Chong Chee Tut *(Chief Operating Officer)*	6/7
Mr. William Ng Ko Seng	7/7
Mr. David Colin Sinclair Veitch *(Note 1)*	2/3
INEDs:	
Mr. Alan Howard Smith *(Deputy Chairman)*	7/7
Mr. Tan Boon Seng	6/7
Mr. Lim Lay Leng	7/7
Mr. Heah Sieu Lay *(Note 2)*	6/6

Notes:

1. Resigned as an Executive Director on 17 June 2008.

2. Appointed as an Independent Non-executive Director on 14 May 2008.

(III)Other Information (Continued)

(B) Remuneration of Directors

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

	Attendance
Mr. Alan Howard Smith *(Chairman of the Remuneration Committee and INED)*	2/2
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	2/2
Mr. Lim Lay Leng *(INED)*	2/2
Mr. Tan Boon Seng *(INED and appointed as a member on 14 May 2008)*	1/1

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

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

(b) to review and determine the specific remuneration packages of all Executive Directors and Senior Management and to review and make recommendations to the Board of the remuneration of Non-executive Directors (including INEDs). Directors' emoluments are determined with reference to the Group's remuneration policy which takes into account, inter alia, their duties and responsibilities, the Group's performance, remuneration benchmark in the industry, the country where they are based, prevailing market conditions, time commitment and salaries paid by comparable companies;

(c) to review and approve performance-based remuneration;

(d) to review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of their office or appointment;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

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

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

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

(3) During the year 2008, the Remuneration Committee has, inter alia:

(a) considered, reviewed and, where applicable, determined the specific remuneration packages (including annual bonus) and terms of employment of the Executive Directors and certain Senior Management;

(b) recommended the Directors' fee for the year 2007 which has been approved by the shareholders of the Company at the 2008 AGM; and

(c) considered and granted an in-principle approval for a proposal in relation to the Company's entering into of a non-competition agreement with Mr. David Colin Sinclair Veitch (a former Executive Director of the Company who resigned on 17 June 2008) at a one-time payment of US$10 million which was then finalised and approved by the Board, details of this transaction was disclosed in the Company's announcement dated 19 June 2008.

(4) No Director is involved in deciding his own remuneration.

(5) The Remuneration Committee has reviewed the remuneration package for Mr. Chong Chee Tut, an Executive Director and Chief Operating Officer of the Company, upon his relocation from Malaysia to Singapore in January 2009 and his remuneration package has been revised mainly taking into account the differences in income tax rate and the cost of living in Malaysia and Singapore. The aggregate amount of emoluments (excluding any bonus or other payments which are discretionary in nature) for Mr. Chong for year 2009 will generally remain unchanged.

(III) Other Information (Continued)

(C) Nomination of Directors

(1) The Board will review its composition from time to time as appropriate to ensure that the Board has a balance of skills and experience appropriate for the business of the Company and that changes to its composition, if any, can be managed without undue disruption.

(2) Mr. Heah Sieu Lay has been appointed as an Independent Non-executive Director of the Company on 14 May 2008 and Mr. David Colin Sinclair Veitch has resigned as an Executive Director of the Company on 17 June 2008. Other than that, there have been no other changes to the Board composition during the financial year under review.

(3) During the year 2008, the Board has:

(a) recommended Mr. William Ng Ko Seng, Mr. Tan Boon Seng and Mr. Lim Lay Leng (who retired by rotation pursuant to the Company's Bye-laws), for re-appointment at the 2008 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders;

(b) re-appointed Tan Sri Lim Kok Thay as Chairman of the Company and Mr. Alan Howard Smith as Deputy Chairman of the Company, to hold office until the conclusion of the 2009 AGM of the Company pursuant to the Company's Bye-laws;

(c) appointed Mr. Heah Sieu Lay as an Independent Non-executive Director of the Company who will retire at the 2009 AGM and stand for re-election by the shareholders;

(d) appointed/re-appointed Tan Sri Lim Kok Thay, Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng as members of the Remuneration Committee to hold office until the conclusion of the 2009 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Remuneration Committee;

(e) appointed/re-appointed Mr. Heah Sieu Lay, Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng as members of the Audit Committee to hold office until the conclusion of the 2009 AGM of the Company and appointed Mr. Heah Sieu Lay as the Chairman of the Audit Committee; and

(f) accepted the resignation of Mr. David Colin Sinclair Veitch as an Executive Director of the Company on 17 June 2008.

(D) Audit Committee

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

	Attendance
INEDs:	
Mr. Heah Sieu Lay	1/1
(Appointed as a member and the Chairman of the Audit Committee on 14 May 2008)	
Mr. Alan Howard Smith	2/2
(As the Chairman of the Audit Committee before 14 May 2008)	
Mr. Tan Boon Seng	1/2
Mr. Lim Lay Leng	2/2

(III) Other Information (Continued)

(D) Audit Committee (Continued)

(2) During the year under review, the principal duties of the Audit Committee included the following:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

(d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts as well as half-year report, and to review significant financial reporting judgements contained in them before submission to the Board;

(e) in regard to (d) above,

(i) members of the Committee must liaise with the Company's Board, Senior Management and qualified accountant and discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss; and

(ii) the Committee should consider any significant or unusual items;

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

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

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

(i) to discuss with Management the system of internal control and ensure that Management has discharged its duty to have an effective internal control system;

(j) to review the internal audit programme and to review and monitor the effectiveness of the internal audit function;

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

(l) to consider any findings of major investigations of internal control matters and Management's response; and

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

(III) Other Information (Continued)

(D) Audit Committee (Continued)

(3) During the year 2008, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2007 and for the six months ended 30 June 2008;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the Company's systems of internal controls;

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

(f) considered the appointment of the external auditors including the proposed audit fees;

(g) considered the engagement of the external auditors to provide non-audit services; and

(h) reported to the Board conclusions of its review and recommendations on the matters set out above.

(E) Auditors' Remuneration

A remuneration of US$0.6 million was paid/payable to the Company's external auditors for the provision of audit services in 2008. During the same year, the fees paid/payable to the external auditors for non-audit related activities amounted to US$1.1 million, comprising tax services fees of US$0.1 million and regulatory reporting services fees and others of US$1.0 million.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	GROUP	
		2008 US$'000	2007 US$'000
Turnover	5	436,587	2,576,240
Operating expenses (excluding depreciation, amortisation and impairment loss)		(306,923)	(1,898,262)
Selling, general and administrative expenses (excluding depreciation)		(79,495)	(350,301)
Depreciation and amortisation	9	(65,802)	(243,058)
Impairment loss	6	(99,873)	(5,165)
		(552,093)	(2,496,786)
		(115,506)	79,454
Interest income		3,233	4,482
Finance costs	7	(28,610)	(234,295)
Share of loss of jointly controlled entities	18	(104,098)	—
Share of profit/(loss) of associates	19	1,454	(907)
Other income/(expenses), net	8	146,525	(44,840)
		18,504	(275,560)
Loss before taxation	9	(97,002)	(196,106)
Taxation	10	(3,528)	(4,780)
Loss for the year		(100,530)	(200,886)
Attributable to:			
Equity holders of the Company		(79,510)	(200,806)
Minority interest		(21,020)	(80)
		(100,530)	(200,886)
Basic loss per share (US cents)	11	(1.07)	(2.77)
Diluted loss per share (US cents)	11	(1.07)	N/A*

* Diluted loss per share is not shown as the diluted loss per share is less than basic loss per share.

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Note	GROUP		COMPANY	
		2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	14	**—**	590,994	**—**	—
Deferred tax assets	31	**35**	43	**—**	—
Property, plant and equipment	15	**708,167**	5,200,573	**119**	135
Lease prepayments	16	**254,156**	289,554	**—**	—
Interest in subsidiaries	17	**—**	—	**2,340,841**	2,919,986
Interest in jointly controlled entities	18	**694,055**	—	**—**	—
Interest in associates	19	**287,428**	—	**—**	—
Restricted cash		**—**	1,682	**—**	—
Other assets	20	**2,771**	61,708	**2,557**	3,262
		1,946,612	6,144,554	**2,343,517**	2,923,383
CURRENT ASSETS					
Consumable inventories	21	**5,363**	49,066	**—**	—
Trade receivables	22	**9,142**	20,156	**—**	—
Prepaid expenses and other receivables	23	**302,142**	62,399	**3,600**	2,625
Derivative financial instruments	29	**—**	1,953	**—**	—
Restricted cash		**—**	1,375	**—**	—
Cash and cash equivalents	24	**112,147**	149,086	**111**	2,915
		428,794	284,035	**3,711**	5,540
Non-current assets classified as held for sale	25	**192,659**	—	**—**	—
		621,453	284,035	**3,711**	5,540
TOTAL ASSETS		**2,568,065**	6,428,589	**2,347,228**	2,928,923

	Note	GROUP		COMPANY	
		2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	26	**742,625**	742,625	**742,625**	742,625
Reserves:					
Share premium		**1,495,033**	1,495,033	**1,495,033**	1,495,033
Additional paid-in capital		**98,803**	94,450	**97,023**	91,045
Convertible bonds - equity component	28	**—**	4,391	**—**	4,391
Foreign currency translation adjustments		**(22,233)**	(18,102)	**—**	—
Unamortised share option expense		**(4,415)**	(342)	**(4,415)**	(92)
Cash flow hedge reserve		**(3,412)**	(713)	**(3,480)**	(2,014)
Retained earnings/(Accumulated losses)		**(419,869)**	(344,750)	**(465,709)**	117,468
		1,886,532	1,972,592	**1,861,077**	2,448,456
Minority interest		**45,760**	66,780	**—**	—
TOTAL EQUITY		**1,932,292**	2,039,372	**1,861,077**	2,448,456
LIABILITIES					
NON-CURRENT LIABILITIES					
Long-term borrowings	27	**466,959**	3,322,888	**427,485**	345,000
Derivative financial instruments	29	**3,031**	2,996	**3,031**	2,996
Other long-term liabilities	30	**—**	4,801	**—**	—
Deferred tax liabilities	31	**254**	38	**—**	—
		470,244	3,330,723	**430,516**	347,996
CURRENT LIABILITIES					
Trade creditors	32	**25,475**	121,414	**—**	—
Current income tax liabilities		**3,046**	1,562	**—**	—
Provision, accruals and other liabilities	33	**70,193**	275,388	**4,327**	10,326
Current portion of long-term borrowings	27	**54,043**	312,020	**49,657**	120,848
Derivative financial instruments	29	**1,651**	1,297	**1,651**	1,297
Amounts due to related companies	34	**672**	571	**—**	—
Advance ticket sales		**10,449**	346,242	**—**	—
		165,529	1,058,494	**55,635**	132,471
TOTAL LIABILITIES		**635,773**	4,389,217	**486,151**	480,467
TOTAL EQUITY AND LIABILITIES		**2,568,065**	6,428,589	**2,347,228**	2,928,923
NET CURRENT ASSETS/(LIABILITIES)		**455,924**	(774,459)	**(51,924)**	(126,931)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,402,536**	5,370,095	**2,291,593**	2,796,452

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Mr. Chong Chee Tut
Chief Operating Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	GROUP	
		2008 **US$'000**	2007 US$'000
OPERATING ACTIVITIES			
Cash generated from operations	(a)	**38,424**	337,819
Interest paid		**(31,278)**	(209,348)
Interest received		**1,037**	4,567
Income tax paid		**(1,514)**	(3,692)
Net cash inflow from operating activities		**6,669**	129,346
INVESTING ACTIVITIES			
(Net cash outflow arising on deemed disposal)/Proceeds from disposal of a subsidiary	(b)	**(40,291)**	14,686
Acquisition of a subsidiary, net of cash acquired	(c)	**—**	(206,619)
Purchase of property, plant and equipment		**(79,513)**	(674,867)
Proceeds from sale of property, plant and equipment		**160,353**	105,336
Proceeds received in respect of Pride of America	(b)	**196,860**	—
Proceeds from sale of trade name		**1,250**	—
Transaction fees received from a jointly controlled entity		**10,000**	—
Acquisition of equity interest in an associate		**(285,962)**	—
Payment of NCL America cash losses and shut down costs	(b)	**(55,997)**	—
Acquisition of additional equity investment in an associate		**—**	(107,992)
Proceeds from disposal of an associate		**—**	166,696
Proceeds from an equity investment and a loan from a minority shareholder of a subsidiary		**—**	7,523
Acquisition of additional shares in a subsidiary, including repayment of loan to a minority shareholder		**—**	(7,523)
Net cash outflow from investing activities		**(93,300)**	(702,760)

	Note	GROUP	
		2008 US$'000	2007 US$'000
FINANCING ACTIVITIES			
Proceeds from long-term borrowings		308,060	1,109,925
Repayments of long-term borrowings		(189,558)	(835,964)
Redemption of convertible bonds		(65,938)	—
Proceeds from issuance of ordinary shares and option shares to independent third parties, net of issuance costs		—	83,629
Proceeds from issuance of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes		—	1,048
Refund of excess rights issue application		—	(98,843)
Payment of loan arrangement fees		(268)	(8,193)
Restricted cash, net		—	(181)
Others		(1,599)	—
Net cash inflow from financing activities		50,697	251,421
Effect of exchange rate changes on cash and cash equivalents		(1,005)	3,918
Net decrease in cash and cash equivalents		(36,939)	(318,075)
Cash and cash equivalents at beginning of year		149,086	467,161
Cash and cash equivalents at end of year	24	112,147	149,086
NON-CASH INVESTING ACTIVITY			
Acquisition of motor vehicles by means of finance lease		—	580
NON-CASH FINANCING ACTIVITY			
Conversion of convertible bonds			
- liability component (including accrued interest)		—	139,704
- equity component		—	10,009
		—	149,713

Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

	GROUP	
	2008 US$'000	2007 US$'000
OPERATING ACTIVITIES		
Loss before taxation	(97,002)	(196,106)
Depreciation and amortisation		
- relating to operating function	60,676	228,856
- relating to selling, general and administrative function	5,126	14,202
	65,802	243,058
Interest expense, net of capitalised interest	28,610	234,295
Interest income	(3,233)	(4,482)
Transaction fee from a jointly controlled entity	(10,000)	—
Impairment loss	99,873	5,165
Share of loss of jointly controlled entities	104,098	—
Share of (profit)/loss of associates	(1,454)	907
Gain on deemed disposal of a subsidiary	(80,786)	—
Loss on translation of debts	—	92,024
Gain on disposal of property, plant and equipment	(54,719)	(2,594)
Gain on disposal of an associate	—	(53,749)
Gain on derivative instruments	(235)	(3,802)
Others	2,332	(3,828)
	53,286	310,888
Decrease/(Increase) in:		
Trade receivables	3,550	1,108
Consumable inventories	1,706	(10,615)
Prepaid expenses and other receivables	(1,313)	1,513
Other assets	27	1,173
Increase/(Decrease) in:		
Trade creditors	(7,224)	(17,860)
Provisions, accruals and other liabilities	(8,718)	26,642
Amounts due to related companies	101	670
Advance ticket sales	(2,991)	24,300
Cash generated from operations	38,424	337,819

(b) Net cash outflow arising on deemed disposal/Proceeds from disposal of a subsidiary

Net cash outflow arising on deemed disposal of a subsidiary

On 7 January 2008, the deemed disposal arising from subscription for new shares by Apollo Management L.P. ("Apollo") and its affiliates in a then major subsidiary, NCL Corporation Ltd. ("NCLC") through an equity investment of US$1 billion, was completed. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company.

The details of net assets disposed of and cash flow arising from the deemed disposal of NCLC are as follows:

	As at date of deemed disposal US$'000
Trade and other receivables	42,595
Consumable inventories	41,997
Cash and bank balances	40,291
Intangible assets	590,994
Property, plant and equipment	4,175,086
Other assets	61,322
Long-term borrowings (including current portion of long-term borrowings)	(3,169,060)
Other long-term liabilities	(4,801)
Trade and other creditors	(291,509)
Advance ticket sales	(332,802)
Net assets disposed of	1,154,113
Release of reserves upon deemed disposal of a subsidiary	(2,104)
Share of net assets after deemed disposal reclassified as investment in a jointly controlled entity	(813,432)
Gain on deemed disposal of a subsidiary	80,786
	419,363
Proceeds from NCLC in respect of Pride of America	(196,860)
NCL America cash losses and shut down costs	55,997
Net book value of m.v. Norwegian Sky (formerly known as m.v. Pride of Aloha) to be distributed by NCLC	(278,500)
	—
Cash and bank balances disposed of	(40,291)
Net cash outflow arising on deemed disposal	(40,291)

(b) Net cash outflow arising on deemed disposal/Proceeds from disposal of a subsidiary (Continued)

Proceeds from disposal of a subsidiary

In September 2006, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Laem Chabang Cruise Centre Co., Ltd. ("LCCC") for a cash consideration of approximately US$14.7 million. The effective date of the disposal of LCCC was in December 2006 and the disposal proceeds were subsequently received in the first quarter of 2007.

The details of the net assets disposed of and the cash flow arising from the disposal are shown below:

	As at date of disposal US$'000
Property, plant and equipment	14,476
Lease prepayments	780
Trade and other receivables	375
Cash and bank balances	381
Trade and other creditors	(322)
Net assets disposed of	15,690
Reserve on exchange differences realised on disposal	(2,341)
Gain on disposal of a subsidiary	1,337
Total cash consideration received	14,686

(c) Acquisition of a subsidiary, net of cash acquired

On 19 March 2007, the Company through an indirect wholly-owned subsidiary, New Orisol Investments Limited ("New Orisol"), acquired 75% of the share capital of Macau Land Investment Corporation ("MLIC"). An indirect subsidiary of MLIC has been granted by the Government of Macau Special Administrative Region (the "Government of Macau") dwith a lease over a piece of land in Macau. The purchase price was approximately US$200.6 million.

The net assets acquired and cash flow arising from the acquisition of MLIC Group are as follows:

	As at date of acquisition US$'000
Cash and bank balances	357
Prepaid expenses and others	3
Lease prepayments	287,270
Property, plant and equipment	1,360
Accruals and other liabilities	(21,550)
	267,440
Minority interest	(66,860)
Net assets acquired	200,580
Purchase consideration settled in cash	200,580
Assignment of loans from minority shareholders	6,396
Cash and bank balances in subsidiary acquired	(357)
Cash outflow on acquisition	206,619

STATEMENTS *of* CHANGES *in* EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

GROUP	Attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Additional paid-in capital US$'000	Convertible bonds - equity component US$'000	Foreign currency translation adjustments US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Accumulated losses US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2008	742,625	1,495,033	94,450	4,391	(18,102)	(342)	(713)	(344,750)	1,972,592	66,780	2,039,372
Exchange translation differences	–	–	–	–	(4,131)	–	–	–	(4,131)	–	(4,131)
Cash flow hedge:											
- Loss on financial instruments	–	–	–	–	–	–	(4,246)	–	(4,246)	–	(4,246)
- Transferred to consolidated income statement	–	–	–	–	–	–	2,780	–	2,780	–	2,780
Release of reserves upon disposal of a subsidiary	–	–	(1,579)	–	–	125	(650)	–	(2,104)	–	(2,104)
Share of reserves in a jointly controlled entity	–	–	(46)	–	–	125	(583)	–	(504)	–	(504)
Net amounts not recognised in the consolidated income statement	–	–	(1,625)	–	(4,131)	250	(2,699)	–	(8,205)	–	(8,205)
Loss for the year	–	–	–	–	–	–	–	(79,510)	(79,510)	(21,020)	(100,530)
Total recognised income/(expense) for 2008	–	–	(1,625)	–	(4,131)	250	(2,699)	(79,510)	(87,715)	(21,020)	(108,735)
Issuance of share option	–	–	6,060	–	–	(6,060)	–	–	–	–	–
Amortisation of share option expense	–	–	–	–	–	1,655	–	–	1,655	–	1,655
Forfeiture of share option	–	–	(82)	–	–	82	–	–	–	–	–
Redemption of convertible bonds	–	–	–	(4,391)	–	–	–	4,391	–	–	–
At 31 December 2008	742,625	1,495,033	98,803	–	(22,233)	(4,415)	(3,412)	(419,869)	1,886,532	45,760	1,932,292

GROUP	Share capital US$'000	Share premium US$'000	Additional paid-in capital US$'000	Convertible bonds - equity component US$'000	Foreign currency translation adjustments US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Accumulated losses US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
	Attributable to equity holders of the Company										
At 1 January 2007	678,439	1,324,829	94,513	14,400	(22,522)	(818)	(1,598)	(143,944)	1,943,299	—	1,943,299
Exchange translation differences	—	—	—	—	4,420	—	—	—	4,420	—	4,420
Cash flow hedge:											
- Gain on financial instruments	—	—	—	—	—	—	3,469	—	3,469	—	3,469
- Transferred to consolidated income statement	—	—	—	—	—	—	(2,584)	—	(2,584)	—	(2,584)
Net amounts not recognised in the consolidated income statement	—	—	—	—	4,420	—	885	—	5,305	—	5,305
Loss for the year	—	—	—	—	—	—	—	(200,806)	(200,806)	(80)	(200,886)
Total recognised income/(expense) for 2007	—	—	—	—	4,420	—	885	(200,806)	(195,501)	(80)	(195,581)
Issue of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	395	653	—	—	—	—	—	—	1,048	—	1,048
Issue of ordinary shares to the independent third parties, net of issuance costs	25,500	49,086	—	—	—	—	—	—	74,586	—	74,586
Issue of option shares to the independent third parties, net of issuance costs	—	9,043	—	—	—	—	—	—	9,043	—	9,043
Issue of ordinary shares upon conversion of convertible bonds	38,291	111,422	—	(10,009)	—	—	—	—	139,704	—	139,704
Minority interest arising from acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	66,860	66,860
Amortisation of share option expense	—	—	—	—	—	413	—	—	413	—	413
Forfeiture of share option	—	—	(63)	—	—	63	—	—	—	—	—
At 31 December 2007	742,625	1,495,033	94,450	4,391	(18,102)	(342)	(713)	(344,750)	1,972,592	66,780	2,039,372

COMPANY	Share capital US$'000	Share premium[1] US$'000	Additional paid-in capital[1] US$'000	Convertible bonds - equity component US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2008	742,625	1,495,033	91,045	4,391	(92)	(2,014)	117,468	2,448,456
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(4,246)	—	(4,246)
- Transferred to income statement	—	—	—	—	—	2,780	—	2,780
Net amounts not recognised in the income statement	—	—	—	—	—	(1,466)	—	(1,466)
Loss for the year	—	—	—	—	—	—	(587,568)[2]	(587,568)
Total recognised expense for 2008	—	—	—	—	—	(1,466)	(587,568)	(589,034)
Amortisation of share option expense	—	—	—	—	1,655	—	—	1,655
Issuance of share option	—	—	6,060	—	(6,060)	—	—	—
Forfeiture of share option	—	—	(82)	—	82	—	—	—
Redemption of convertible bonds	—	—	—	(4,391)	—	—	4,391	—
At 31 December 2008	742,625	1,495,033	97,023	—	(4,415)	(3,480)	(465,709)	1,861,077
At 1 January 2007	678,439	1,324,829	91,108	14,400	(296)	(81)	169,542	2,277,941
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(1,257)	—	(1,257)
- Transferred to income statement	—	—	—	—	—	(676)	—	(676)
Net amounts not recognised in the income statement	—	—	—	—	—	(1,933)	—	(1,933)
Loss for the year	—	—	—	—	—	—	(52,074)[2]	(52,074)
Total recognised expense for 2007	—	—	—	—	—	(1,933)	(52,074)	(54,007)
Issue of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	395	653	—	—	—	—	—	1,048
Issue of ordinary shares to the independent third parties, net of issuance costs	25,500	49,086	—	—	—	—	—	74,586
Issue of option shares to the independent third parties, net of issuance costs	—	9,043	—	—	—	—	—	9,043
Issue of ordinary shares upon conversion of convertible bonds	38,291	111,422	—	(10,009)	—	—	—	139,704
Amortisation of share option expense	—	—	—	—	141	—	—	141
Forfeiture of share option	—	—	(63)	—	63	—	—	—
At 31 December 2007	742,625	1,495,033	91,045	4,391	(92)	(2,014)	117,468	2,448,456

Notes:

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

2. The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$587.6 million (2007: US$52.1 million).

NOTES *to the* CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Star Cruises Limited (the "Company") is an exempted company continued into Bermuda with limited liability and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and traded on the Quotation and Execution System for Trading of the Singapore Exchange Securities Trading Limited. The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

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.

On 7 January 2008, the deemed disposal arising from subscription for new shares by Apollo Management, L.P. ("Apollo") and its affiliates in NCLC through an equity investment of US$1 billion was completed. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company. For the purpose of this annual report, the definition of the Group up to 6 January 2008 refers to the Company and its subsidiaries (which includes NCLC and its subsidiaries (the "NCLC Group")). Upon completion of the Apollo transaction on 7 January 2008, the definition of the Group refers to the Company and its subsidiaries (with the NCLC Group being accounted for as a jointly controlled entity).

In March 2009, NCLC amended certain terms of substantially all of its debt agreements, which include the extension of the maturity periods, deferral of principal amortisation and accelerated principal payments if NCLC reaches certain liquidity thresholds and certain other additional covenants. In connection with the amendments, the Group and Apollo and its affiliates have subscribed for their proportionate share of the ordinary shares of NCLC for an aggregate subscription price of US$100 million in April 2009. The Group paid for its share of subscription price of US$50 million on 6 April 2009, funded by an unsecured and interest bearing short-term shareholder's loan of US$50 million which was accepted on 1 April 2009.

The consolidated financial statements of the Group for the year ended 31 December 2007 includes the full consolidation of the NCLC Group's results whereas the consolidated financial statements of the Group for the year ended 31 December 2008 reflects the Group's Asia Pacific operations with the results of the NCLC Group being accounted for as a jointly controlled entity using the equity method.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Amendments and interpretations effective in 2008

From 1 January 2008, the Group has adopted the following interpretation to existing HKFRS, which are relevant to its operations.

HK(IFRIC) - Int 11, 'HKFRS 2 - Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

(i) HKFRS 8, 'Operating segments', replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009.

(ii) HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

(iii) HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This amendment is not relevant to the Group.

(iv) HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

(v) HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. This amendment is not relevant to the Group.

(vi) HKFRS 1 (Amendment), 'First time adoption of HKFRS', and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS/HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. This amendment is not relevant to the Group.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted (Continued)

(vii) HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

(viii) HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

(ix) HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). HK(IFRIC) - Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply HK(IFRIC) - Int 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

(x) HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply this Interpretation with effect from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

(xi) HKICPA's improvements to HKFRS published in October 2008. These improvements to the HKFRS will be effective for the Group for annual periods beginning 1 January 2009 except for the amendments to HKFRS 5 'Non-current assets held for sale and discontinued operations' which is effective for the Group for annual periods beginning 1 January 2010. These improvements to the HKFRS are not expected to result in substantial changes to the Group's accounting policies.

(b) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

(ii) Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Gains or losses arising from disposals of the Group's interests in subsidiaries to minority interests are recorded in the consolidated income statement.

(iii) Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Joint venture

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of post-acquisition results of jointly controlled entity in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, which includes goodwill on acquisition (net of accumulated impairment loss).

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

(c) Intangible assets

Intangible assets consist of goodwill and trade name.

2. Summary of Significant Accounting Policies (Continued)

(c) Intangible assets (Continued)

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group's share of net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively. Separately recognised goodwill is tested annually for impairment or where there are indications of possible impairment and is carried at net carrying amount less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trade name of Norwegian Cruise Line is estimated to have an indefinite useful life and, therefore, is not subject to amortisation. Trade name is tested annually for impairment or where there are indications of possible impairment and is carried at net carrying amount less accumulated impairment losses.

(d) Translation of foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

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

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

(e) Revenue and expense recognition

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the period. Where services are provided on credit, ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

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

Gaming revenue for casinos includes gaming win. Although disclosed as revenue, gaming win meets the definition of a gain under HKAS 39 'Financial Instruments: Recognition and Measurement'.

(f) Drydocking expenses

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

(g) Advertising costs

The Group's advertising costs are generally expensed as incurred. Costs incurred that result in tangible assets, including brochures, are treated as prepaid supplies and expensed as consumed.

2. Summary of Significant Accounting Policies (Continued)

(h) Start up expenses

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

(i) Current and deferred income tax

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

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

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

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

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(k) Restricted cash

Restricted cash consists of cash collateral in respect of certain agreements.

(l) Convertible bonds

The fair value of the liability component and the equity conversion component are determined at issuance of the convertible bonds.

The fair value of the liability component, included in long-term borrowings is calculated using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The residual amount, being the equity component, representing the option to covert the liability component into ordinary shares of the Company, is included as a component of reserves in equity. The equity component will remain as a separate line item within equity until the conversion option is exercised (in which case the corresponding portion of the equity component will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in the equity will be released to the retained earnings/accumulated losses.

The finance cost recognised in the consolidated income statement in respect of convertible bonds is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability component of the convertible bonds for each accounting period. The costs incurred in connection with the issue of convertible bonds are deferred and amortised over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date.

2. Summary of Significant Accounting Policies (Continued)

(m) Consumable inventories

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

(n) Trade receivables

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

(o) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes (j) and (n)).

Available-for-sale financial assets

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

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the consolidated income statement within other income/(expense), net, in the year in which they arise.

2. Summary of Significant Accounting Policies (Continued)

(o) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “gains and losses from investment securities”.

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

(p) Provisions, contingent liabilities and contingent assets

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, the asset is recognised.

(q) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability for each period. The finance charges are charged to the consolidated income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

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

2. Summary of Significant Accounting Policies (Continued)

(q) Assets under leases (Continued)

(iii) Sale and leaseback transactions - where the Group is the lessee

A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved and the economic and commercial substance of the whole arrangement.

(a) Finance leases

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount shall be deferred and amortised over the lease term. Each lease payment is allocated between the repayment of finance lease liabilities and finance charges so as to achieve a constant periodic rate of interest on the finance lease liability outstanding.

(b) Operating leases

Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated income statement over the lease periods.

(r) Property, plant and equipment

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

Cruise ships and passenger ferry are depreciated to their estimated residual values on a straight-line basis over periods ranging from 15 to 30 years. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Jetties, buildings and terminal building	20 - 50 years
Equipment and motor vehicles	3 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Costs incurred on projects which are at an exploratory stage are expensed to the consolidated income statement when incurred until such time that it can be demonstrated that the project has commenced and is commercially viable, whereupon such costs are capitalised. All project costs previously expensed to the consolidated income statement are not capitalised upon the commencement of the project.

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

2. Summary of Significant Accounting Policies (Continued)

(r) Property, plant and equipment (Continued)

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

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

(s) Earnings per share

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

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the profit/loss is adjusted to eliminate the interest expense. For the share options, certain shares under option have an effect on the adjusted weighted average number of shares in issue as the average option price is lower than the average market price.

(t) Share option expense

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

Where the terms and conditions of the options are modified before the vesting date, the incremental fair value of the options granted, measured immediately before and after the modification, is recognised in the consolidated income statement over the remaining vesting period. If the modification occurred after the vesting date, the incremental fair value of the options granted, measured immediately before and after the modification, is recognised immediately in the consolidated income statement.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Retirement benefit costs

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

(v) Employee leave entitlements

Employees' entitlement to annual leave are recognised when they are accrued to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

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

2. Summary of Significant Accounting Policies (Continued)

(w) Borrowings and borrowing costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

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

(x) Impairment of assets

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

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

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

(y) Segment reporting

The Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade names, inventories, receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, intangible assets and lease prepayments, including additions resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, turnover is based on the country in which the customer is located.

(z) Share capital

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

2. Summary of Significant Accounting Policies (Continued)

(aa) Non-current assets held for sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(ab) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rate risk, cash flow interest rate risk and fuel price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group enters into derivative instruments, primarily foreign currency forward contracts, fuel swap agreements and interest rate swaps to limit its exposures to fluctuations in foreign currency exchange rates and fuel prices, and to modify its exposure to interest rate movements and to manage its interest costs. The Group also applies fuel surcharge to mitigate the fluctuation in fuel prices.

(i) Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate fluctuations on the U.S. dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure relates to the Singapore dollar and the Hong Kong dollar. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

At 31 December 2008, if the Singapore dollar had weakened/strengthened by 5% against U.S. dollar with all other variables held constant, the foreign exchange losses/gains as a result of translation of Singapore dollar denominated trade receivables would be as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Foreign exchange losses/gains	**222**	308

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as sales of services made on deferred credit terms. For cash and cash equivalents and deposits with banks, the Group deposits the cash with reputable financial institutions. The Group seeks to control credit risk by setting credit limits and ensuring that services are made to customers with an appropriate credit history following background checks and investigations of their creditworthiness. The Group also manages its credit risk by performing regular reviews of the ageing profile of trade receivables. The Group considers the risk of material loss in the event of non-performance by a debtor to be unlikely. In addition, certain debtors provide security to the Group in the form of bank guarantees.

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management also monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents based on expected cash flows to ensure that it will have sufficient cash flows to meet its working capital, loan repayments and covenant requirements. This is generally carried out on a weekly basis at the Group level. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of assets necessary to meet these projections; monitoring the balance sheet liquidity ratios against internal and external financing requirements; and maintaining debt financing plans.

On 31 March 2009, the Group entered into an agreement with a financial institution for a facility of up to US$25 million to finance a certain portion of land premium and as working capital of a subsidiary. On 1 April 2009, the Group accepted an unsecured and interest bearing short-term loan facility of US$50 million from a substantial shareholder of the Company. This amount was subsequently used to subscribe for the Group's proportionate share of the ordinary shares of NCLC for an aggregate subscription price of US$50 million in April 2009.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	GROUP			
	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
2008				
Bank borrowings	**54,043**	**54,043**	**341,329**	**71,587**
Derivative financial instruments	**1,153**	**989**	**391**	**—**
Trade creditors	**25,475**	**—**	**—**	**—**
Accruals and other liabilities	**61,087**	**—**	**—**	**—**
2007				
Bank borrowings	303,558	248,680	1,325,752	1,748,456
Derivative financial instruments	1,333	371	361	—
Trade creditors	121,414	—	—	—
Accruals and other liabilities	268,756	—	—	—

3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	GROUP			
	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
2008				
Forward foreign exchange contracts				
- cash flow hedges:				
- outflow	**6,283**	**6,283**	**6,283**	**—**
- inflow	**6,000**	**6,000**	**6,000**	**—**
2007				
Forward foreign exchange contracts				
- cash flow hedges:				
- outflow	6,899	6,293	12,586	—
- inflow	6,500	6,000	12,000	—

(iv) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group had borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly semi-annually), the difference between the fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

At 31 December 2008, ignoring the amounts covered by the interest rate swaps, a hypothetical one percentage point increase/decrease in interest rates on the long-term borrowings that are carried at variable rates would increase/reduce the interest expense as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Increase/Decrease in interest expense	**5,210**	27,594

(v) Fuel price risk

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

3. Financial Risk Management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt.

During the year ended 31 December 2008, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. Following the deemed disposal of the NCLC Group in January 2008, the gearing ratio of the Group as at 31 December 2008 has reduced significantly compared to the ratio as at 31 December 2007. The gearing ratio as at 31 December 2008 was as follows:

	GROUP	
	2008	2007
	US$'000	US$'000
Total borrowings (note 27)	**521,002**	3,634,908
Less: cash and cash equivalents (note 24)	**(112,147)**	(149,086)
Net debt	**408,855**	3,485,822
Total equity	**1,932,292**	2,039,372
Total capital	**2,341,147**	5,525,194
Gearing ratio	**17%**	63%

(c) Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

3. Financial Risk Management (Continued)

(c) Accounting for derivative financial instruments and hedging activities (Continued)

The fair values of the various derivative instruments used for hedging purposes are disclose in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. To the extent that the derivative is not effective as a hedge, gains and losses are recognised in the consolidated income statement as gains or losses on derivative instruments.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts accumulated in equity are recognised in the consolidated income statement as the underlying hedged items are recognised.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Derivatives that do not qualify for hedge accounting and those not designated as hedges

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the consolidated income statement.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of assets

The Group reviews its assets, other than goodwill and trade names, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Where an impairment indicator exists, the recoverable amount of the asset is determined based on the valuation performed by external valuers or value-in-use calculations prepared on the basis of management's assumptions and estimates about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Group takes into consideration assumptions that are mainly based on market condition existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. The carrying value of the property, plant and equipment as at 31 December 2008 was US$0.7 billion (2007: US$5.2 billion). More details are given in note 15.

4. Critical Accounting Estimates and Judgements (Continued)

(b) Estimated useful lives of property, plant and equipment

In accordance with HKAS 16 'Property, Plant and Equipment', the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

(c) Share-based employee compensation

The fair value of share option granted is calculated using the extended binomial options pricing model based on certain 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 changes to the variables adopted may materially affect the estimation of the fair value of an option.

(d) Contingencies

Periodically, the Group assesses potential liabilities related to any lawsuits or claims brought against the Group or any asserted claims, including tax, legal and/or environmental matters. Although it is typically very difficult to determine the timing and ultimate outcome of such actions, the Group uses its best judgement to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, the Group takes into consideration estimates of the amount of insurance recoveries, if any. In accordance with HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the Group accrues for a liability when it believes a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recoveries, although the Group believes that the estimates and judgements are reasonable, it is possible that certain matters may be resolved for amounts materially different from any estimated provisions or previous disclosures.

5. Turnover and Segment Information

The turnover consists of revenues earned from cruise and cruise related activities and other activities.

The Group is principally engaged in the operation of passenger cruise ships. Cruise and cruise related revenues comprise sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from onboard services and other related services, including gaming, food and beverage. Other operations of the Group comprise charter hire and others, none of which are of a significant size to be reported separately.

The segment information of the Group are as follows:

2008	Cruise and cruise related activities US$'000	Charter hire and others US$'000	Total US$'000
Passenger ticket revenue	152,694	—	152,694
Onboard and other revenues	52,615	—	52,615
Gaming revenue	217,298	—	217,298
Charter hire and others	—	13,980	13,980
Total turnover	422,607	13,980	436,587
Segment results before impairment loss	(10,744)	(4,889)	(15,633)
Impairment loss	(4,316)	(95,557)	(99,873)
	(15,060)	(100,446)	(115,506)
Interest income			3,233
Finance costs			(28,610)
Share of loss of jointly controlled entities			(104,098)
Share of profit of associates			1,454
Other income, net			146,525
Loss before taxation			(97,002)
Taxation			(3,528)
Loss for the year			(100,530)
Segment assets	2,084,354	291,052	2,375,406
Unallocated assets			192,659
			2,568,065
Segment liabilities	83,296	28,429	111,725
Long-term borrowings (including current portion)	477,142	43,860	521,002
	560,438	72,289	632,727
Tax liabilities			3,046
Total liabilities			635,773
Capital expenditure	20,998	75,611	96,609
Depreciation and amortisation	60,965	4,837	65,802

5. Turnover and Segment Information (Continued)

For the year ended 31 December 2007, the primary segment of the Group is cruise and cruise related activities as the charter hire revenue include the charter hire of cruise ships to a then subsidiary company, NCLC, of US$20.4 million which have been eliminated at Group level.

2007	US$'000
Passenger ticket revenue	1,707,826
Onboard and other revenues	560,314
Gaming revenue	308,100
Total turnover	2,576,240
Segment results before impairment loss	84,619
Impairment loss	(5,165)
	79,454
Interest income	4,482
Finance costs	(234,295)
Share of loss of associates	(907)
Other expenses, net	(44,840)
Loss before taxation	(196,106)
Taxation	(4,780)
Loss for the year	(200,886)
Segment assets	6,060,485
Goodwill	368,104
Total assets	6,428,589
Segment liabilities	752,747
Long-term borrowings (including current portion)	3,634,908
	4,387,655
Tax liabilities	1,562
Total liabilities	4,389,217
Capital expenditure	956,570
Depreciation and amortisation	243,058

5. Turnover and Segment Information (Continued)

Following the deemed disposal of the NCLC Group in January 2008, the Group is principally engaged in the operation of passenger cruise ships in Asia Pacific. Accordingly, no geographical analysis of financial information for the year ended 31 December 2008 has been provided. The Group's turnover, assets and capital expenditure in its principal markets of North America and Asia Pacific for the year ended 31 December 2007 are analysed as follows:

	Turnover US$'000	Total assets US$'000	Capital expenditure US$'000
Asia Pacific	452,500	1,199,436	385,065
North America[1]	1,873,010	4,861,049	571,505
Europe and others	250,730	—	—
	2,576,240	6,060,485	956,570
Goodwill		368,104	
		6,428,589	

Note:

1. Substantially, all of the turnover arises in the United States of America.

6. Impairment Loss

	GROUP 2008 US$'000	GROUP 2007 US$'000
Impairment loss: Ships and equipment	**23,409**	2,565
Leasehold land and buildings	**77,714**	—
Reversal of previously recognised impairment loss	**(1,250)**	(5,400)
Trade name	**—**	8,000
	99,873	5,165

The Group completed a review on certain of its property, plant and equipment for impairment purposes in December 2008 and determined that certain of its cruise ships and leasehold land and buildings were impaired. Accordingly, for the year ended 31 December 2008, the Group wrote down the carrying values of the ships and leasehold properties in the amount of US$101.1 million, being the excess of the carrying values over their recoverable amounts.

On 24 June 2008, the Group entered into an Intellectual Property Assignment and License whereby the Group permanently assigned its rights in respect of the trade name of Orient Lines to an independent third party for US$1.3 million. As a result of this assignment, the Group recorded a US$1.3 million reversal of the impairment loss recorded in 2007.

Following the disposal of m.v. Marco Polo and the Oceanic in 2007, the Group recorded a net reversal of previously recognised impairment loss of US$2.8 million, being the amount by which the sale proceeds exceeded the carrying value. At the same time, the Group wrote off the remaining carrying value of Orient Lines trade name in the amount of US$8.0 million.

7. Finance Costs

	GROUP	
	2008 US$'000	2007 US$'000
Amortisation of:		
- bank loans arrangement fees	1,569	18,329
- issuance costs of convertible bonds and US$250 million unsecured Senior Notes	182	1,489
Interest on:		
- bank loans	23,171	183,682
- convertible bonds and US$250 million unsecured Senior Notes	3,688	34,960
Loans arrangement fees written off	—	781
Total borrowing costs incurred	28,610	239,241
Less: interest and loans arrangement fees capitalised in property, plant and equipment	—	(4,946)
Total finance costs	28,610	234,295

For the cash flow hedges, the amount that has been removed from equity and included in interest expense of the Group for the year ended 31 December 2008 was US$2.8 million (2007: US$0.7 million).

8. Other Income/(Expenses), Net

	GROUP	
	2008 US$'000	2007 US$'000
Gain on disposal of property, plant and equipment (note (i))	54,719	2,594
Gain/(Loss) on derivative instruments:		
- Forward contracts	307	3,697
- Fuel swaps	(72)	105
Gain/(Loss) on foreign exchange	806	(9,340)
Loss on translation of debts	—	(92,024)
Gain on deemed disposal of a subsidiary (note (ii))	80,786	—
Gain on disposal of an associate, RWS (note (iii))	—	53,749
Transaction fee received from NCLC	10,000	—
Other expenses, net	(21)	(3,621)
	146,525	(44,840)

Notes:

(i) In July 2008, the Group disposed of m.v. Norwegian Majesty for US$162.0 million and realised a gain on disposal of the vessel of approximately US$53.1 million. In October 2007, the Group disposed of m.v. SuperStar Gemini for US$69.0 million and realised a gain on disposal of the vessel of approximately US$2.7 million.

(ii) The gain on deemed disposal of a subsidiary of US$80.8 million during the year ended 31 December 2008 arose from the dilution of the Group's effective interest in NCLC from 100% to 50% following the completion of the subscription for new shares by Apollo in NCLC.

(iii) In May 2007, the Group disposed of its 25% equity interest in Resorts World at Sentosa Pte. Ltd. ("RWS") for a total consideration of S$255 million and realised a gain on disposal of US$53.7 million.

9. Loss before Taxation

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

	GROUP	
	2008 US$'000	2007 US$'000
Total depreciation and amortisation analysed into:	65,802	243,058
- relating to operating function	60,676	228,856
- relating to selling, general and administrative function	5,126	14,202
Staff costs (see note 12)	95,867	584,395
Fuel costs	64,262	238,574
Operating leases - land and buildings	4,956	12,981
Ship charter costs	11,131	13,510
Auditors' remuneration - audit fees	610	1,212
Advertising expenses	8,455	96,078
Impairment loss (see note 6)	99,873	5,165
Proceeds from insurance arbitration award	—	(3,500)

10. Taxation

	GROUP	
	2008 US$'000	2007 US$'000
Overseas taxation		
- Current taxation	2,292	3,589
- Deferred taxation	274	(127)
	2,566	3,462
Under/(Over) provision in respect of prior years		
- Current taxation	1,009	917
- Deferred taxation	(47)	401
	3,528	4,780
Deferred taxation charged in respect of temporary differences (see note 31)	227	274

10. Taxation (Continued)

The Company, which is domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions. However, the Group has incurred a tax charge, as illustrated in the table below, based on the income which is subject to local tax in certain of the jurisdictions where it operates. The appropriate local tax rate has been applied, in such circumstances, to determine the applicable tax charge.

	GROUP	
	2008 US$'000	2007 US$'000
Loss before taxation	(97,002)	(196,106)
Tax calculated at domestic tax rates applicable to profit in the respective countries	56	(87,501)
Tax effects of:		
- Income not subject to taxation purposes	(75)	(243)
- Expenses not deductible for taxation purposes	664	32,065
- Utilisation of previously unrecognised tax losses and deductible temporary differences	(446)	(17)
- Deferred tax assets not recognised	2,203	58,598
- Others	164	560
Under provision in respect of prior years	962	1,318
Total tax expense	3,528	4,780

11. Loss per Share

Loss per share has been calculated as follows:

	GROUP	
	2008 US$'000	2007 US$'000
BASIC		
Loss attributable to equity holders of the Company	(79,510)	(200,806)
Weighted average outstanding ordinary shares, in thousands	7,426,246	7,252,052
Basic loss per share in US cents	(1.07)	(2.77)
DILUTED		
Loss attributable to equity holders of the Company	(79,510)	(200,806)
Weighted average outstanding ordinary shares, in thousands	7,426,246	7,252,052
Effect of dilutive ordinary shares, in thousands	—	8,584
Weighted average outstanding ordinary shares after assuming dilution, in thousands	7,426,246	7,260,636
Diluted loss per share in US cents	(1.07)	N/A*

* Diluted loss per share for the year ended 31 December 2007 is not shown as the diluted loss per share is less than basic loss per share.

12. Staff Costs

Staff costs include employee salaries and other employee related benefits but excluding directors' remuneration.

	GROUP	
	2008 US$'000	2007 US$'000
Wages and salaries	92,231	551,450
Unutilised annual leave	134	793
Termination benefits	413	1,104
Social security costs	355	22,685
Non-cash share option expenses	1,148	117
Post-employment benefits	1,586	8,246
	95,867	584,395

13. Emoluments of Directors and Senior Management

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2008 are set out as follows:

Name of directors	Fees US$'000	Salary US$'000	Other benefits[(a)] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Ex-gratia payment US$'000	Non-cash share option expenses US$'000	Total US$'000
2008								
Tan Sri Lim Kok Thay	12	1,296	7	4	1,319	—	356	1,675
Mr. Alan Howard Smith	51	—	—	—	51	—	—	51
Mr. Chong Chee Tut	12	569	166	22	769	—	76	845
Mr. William Ng Ko Seng	12	304	140	2	458	—	75	533
Mr. David Colin Sinclair Veitch	—	—	—	—	—	10,000[(b)]	—	10,000
Mr. Tan Boon Seng	44	—	—	—	44	—	—	44
Mr. Lim Lay Leng	48	—	—	—	48	—	—	48
Mr. Heah Sieu Lay	28	—	—	—	28	—	—	28
	207	2,169	313	28	2,717	10,000	507	13,224

13. Emoluments of Directors and Senior Management (Continued)

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits[(a)] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Accrued unfunded pension liability US$'000	Non-cash share option expenses US$'000	Total US$'000
2007									
Tan Sri Lim Kok Thay	12	1,249	260	7	4	1,532	—	113	1,645
Mr. Alan Howard Smith	55	—	—	—	—	55	—	—	55
Mr. Chong Chee Tut	12	570	95	158	18	853	—	13	866
Mr. William Ng Ko Seng	12	303	81	55	2	453	—	9	462
Mr. David Colin Sinclair Veitch	12	1,497	103	193	—	1,805	1,178	161	3,144
Mr. Tan Boon Seng	49	—	—	—	—	49	—	—	49
Mr. Lim Lay Leng	52	—	—	—	—	52	—	—	52
	204	3,619	539	413	24	4,799	1,178	296	6,273

Notes:

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

(b) Refer to note 34(g) for details.

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

	GROUP 2008 US$'000	GROUP 2007 US$'000
Fees	36	36
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	3,399	5,528
Contributions to provident fund	29	23
Ex-gratia payment	10,000	—
Accrued unfunded pension liability	—	1,246
Non-cash share option expenses	1,391	304
	14,855	7,137
Number of Directors included in the five highest paid individuals	4	3

13. Emoluments of Directors and Senior Management (Continued)

The emoluments of the 5 individuals fall within the following bands:

	GROUP Number of individuals 2008	2007
HK$4,000,001 - HK$4,500,000	1	—
HK$5,500,001 - HK$6,000,000	—	2
HK$6,500,001 - HK$7,000,000	1	1
HK$12,500,001 - HK$13,000,000	—	1
HK$13,000,001 - HK$13,500,000	1	—
HK$14,000,001 - HK$14,500,000	1	—
HK$24,500,001 - HK$25,000,000	—	1
HK$77,500,001 - HK$78,000,000	1	—

14. Intangible Assets

Intangible assets consist of the following items:

	Goodwill US$'000	Trade names US$'000	Total US$'000
GROUP			
At 1 January 2008	368,104	222,890	590,994
Disposal of trade name	—	(1,250)	(1,250)
Reversal of previously recognised impairment loss (see note 6)	—	1,250	1,250
Deemed disposal of a subsidiary	(368,104)	(222,890)	(590,994)
At 31 December 2008	—	—	—
At 1 January 2007	368,104	230,890	598,994
Impairment loss (see note 6)	—	(8,000)	(8,000)
At 31 December 2007	368,104	222,890	590,994

15. Property, Plant and Equipment

Property, plant and equipment consists of the following:

GROUP

	Cruise ships, passenger ferry and ship improvements US$'000	Land, jetties, buildings, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Cruise ships under construction US$'000	Equipment and other construction in progress US$'000	Total US$'000
Cost						
At 1 January 2008	5,724,328	81,554	299,954	154,890	29,890	6,290,616
Exchange differences	(216)	(2,692)	(694)	—	—	(3,602)
Transfer from a jointly controlled entity	10,652	—	265	—	—	10,917
Additions	2,223	19,241	11,478	—	15,198[1]	48,140
Write off	—	(28)	(125)	—	—	(153)
Disposals	(96,709)	—	(2,044)	—	—	(98,753)
Deemed disposal of a subsidiary	(4,495,922)	(19,740)	(137,896)	(154,890)	(26,262)	(4,834,710)
Classified as non-current assets held for sale	(272,447)	—	(11,867)	—	—	(284,314)
Adjustments to drydocking	(3,714)	—	—	—	—	(3,714)
At 31 December 2008	868,195	78,335	159,071	—	18,826	1,124,427
Accumulated depreciation and impairment loss						
At 1 January 2008	(910,419)	(20,332)	(159,292)	—	—	(1,090,043)
Exchange differences	43	416	585	—	—	1,044
Charge for the year	(54,551)	(2,628)	(8,623)	—	—	(65,802)
Impairment loss	(22,632)	(2,057)	(777)	—	—	(25,466)
Write off	—	28	117	—	—	145
Disposals	10,734	—	1,849	—	—	12,583
Deemed disposal of a subsidiary	584,252	8,614	66,758	—	—	659,624
Classified as non-current assets held for sale	83,342	—	8,313	—	—	91,655
At 31 December 2008	(309,231)	(15,959)	(91,070)	—	—	(416,260)
Net book value						
At 31 December 2008	558,964	62,376	68,001	—	18,826	708,167

Note:

1. Included in the addition of equipment and other construction in progress was the amortisation of prepaid operating lease of US$6.8 million which has been capitalised as project cost (see note 16(ii)).

15. Property, Plant and Equipment (Continued)

GROUP

	Cruise ships, passenger ferry and ship improvements US$'000	Land, jetties, buildings, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Cruise ships under construction US$'000	Equipment and other construction in progress US$'000	Total US$'000
Cost						
At 1 January 2007	5,255,484	69,829	280,190	198,294	28,947	5,832,744
Exchange differences	288	3,693	1,299	—	—	5,280
Reclassification of property, plant and equipment	576,097	7,445	16,644	(576,097)	(24,089)	—
Additions	89,821	1,033	16,716	532,693	29,037	669,300
Write off	(905)	(446)	(5,770)	—	—	(7,121)
Disposals	(196,457)	—	(9,125)	—	(4,005)	(209,587)
At 31 December 2007	5,724,328	81,554	299,954	154,890	29,890	6,290,616
Accumulated depreciation and impairment loss						
At 1 January 2007	(811,522)	(17,135)	(141,040)	—	—	(969,697)
Exchange differences	(87)	(884)	(1,185)	—	—	(2,156)
Charge for the year	(211,582)	(2,759)	(28,717)	—	—	(243,058)
Impairment loss	5,400	—	—	—	(2,565)	2,835
Write off	905	446	5,752	—	—	7,103
Disposals	106,467	—	5,898	—	2,565	114,930
At 31 December 2007	(910,419)	(20,332)	(159,292)	—	—	(1,090,043)
Net book value						
At 31 December 2007	4,813,909	61,222	140,662	154,890	29,890	5,200,573

At 31 December 2008, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$0.6 billion (2007: US$5.1 billion).

15. Property, Plant and Equipment (Continued)

Net book value of land comprises:

	GROUP	
	2008 US$'000	2007 US$'000
Hong Kong:	**—**	—
Outside Hong Kong:		
Freehold land	**—**	6,508

	COMPANY	
	2008 US$'000	2007 US$'000
Cost		
At 1 January	**150**	—
Additions	**17**	150
At 31 December	**167**	150
Accumulated depreciation		
At 1 January	**(15)**	—
Charge for the year	**(33)**	(15)
At 31 December	**(48)**	(15)
Net book value	**119**	135

16. Lease Prepayments

The Group's interest in leasehold land represents prepaid operating lease payments which are analysed as follows:

	GROUP 2008 US$'000	GROUP 2007 US$'000
Hong Kong:	—	—
Outside Hong Kong:		
Long leasehold (not less than 50 years)	1,070	1,135
Medium leasehold (less than 50 years but not less than 10 years)	253,086	288,419
	254,156	289,554

	GROUP 2008 US$'000	GROUP 2007 US$'000
At 1 January	289,554	2,259
Addition during the year (note (i))	48,469	—
Acquisition of a subsidiary (note (ii))	—	287,270
Amortisation of prepaid operating lease for the year	(8,159)	(46)
Impairment loss for the year	(75,657)	—
Translation differences	(51)	71
At 31 December	254,156	289,554

Notes:

(i) Represents the land element of the residential properties situated outside Hong Kong (i.e. located in Macau) with a lease term of 25 years. As at 31 December 2008, the net book values of the residential properties of US$41.6 million have been pledged as security for the Group's bank borrowing.

(ii) The leasehold land acquired through the acquisition of a subsidiary is situated outside Hong Kong with a lease term of 25 years commencing on the date of the gazette of the land by the Government of Macau, and renewable for further terms thereafter, up to 2049. The leasehold land was gazetted in June 2008 and the title of the land is transferable upon the approval of the Government of Macau. Amortisation of the lease prepayments takes into account the period of renewal.

17. Interest in Subsidiaries

	COMPANY	
	2008 US$'000	2007 US$'000
Unlisted shares	**1,838,317**	1,838,317
Less: Impairment loss	**(549,981)**	—
	1,288,336	1,838,317
Amounts due from subsidiaries	**1,193,313**	1,081,914
Amounts due to subsidiaries	**(140,808)**	(245)
	2,340,841	2,919,986

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

A list of principal subsidiaries is included in note 38 to the consolidated financial statements.

18. Interest in Jointly Controlled Entities

The Group's interest in jointly controlled entities is as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Unlisted investment in a jointly controlled entity	**798,627**	—
Share of loss of a jointly controlled entity	**(104,068)**	—
Share of reserves of a jointly controlled entity	**(504)**	—
	694,055	—

The Group's share of the results of its jointly controlled entities, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

2008

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/ (Loss) US$'000	% interest held
NCL Corporation Ltd.	Bermuda	**2,442,726**	**1,748,671**	**1,053,201**	**(104,068)**	**50**
Genting Management Services, Inc. ("GMS")	Republic of the Philippines	**724**	**789**	**55**	**(67)***	**64**
WorldCard International Limited ("WCIL")	Isle of Man	**497**	**898**	**518**	**37***	**50**
		2,443,947	**1,750,358**	**1,053,774**	**(104,098)**	

* During the year ended 31 December 2008, the Group has accrued for its share of profit/(loss) in GMS and WCIL in the aggregate amount of US$30,000 (2007: US$108,000), which is in excess of its investments in GMS and WCIL. As at 31 December 2008, the carrying values of GMS and WCIL have been recorded in accruals and other liabilities as the Group has constructive obligations towards these jointly controlled entities.

19. Interest in Associates

The movements of the interest in associates are as follows:

	GROUP	
	2008 US$'000	2007 US$'000
At 1 January	—	5,860
Acquisition of an associate during the year	285,962	—
Additional investments during the year	—	107,992
Share of profit/(loss) of associates	1,466	(905)
Disposal of an associate	—	(112,947)
At 31 December	287,428	—

The Group's share of the results of its associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

2008

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/(Loss) US$'000	% interest held
Travellers International Hotel Group, Inc. ("Travellers")	Republic of the Philippines	143,129	575	2,000	1,466	42.6
Cruise City Holdings Limited ("Cruise City")	British Virgin Islands	18	118	58	(12)*	30
		143,147	693	2,058	1,454	

* During the year ended 31 December 2008, the Group has accrued for its share of loss in Cruise City of US$12,000 (2007: US$2,000), which is in excess of its investment in Cruise City. As at 31 December 2008, the carrying value of Cruise City has been recorded in the accruals and other liabilities as the Group has constructive obligations towards this associate.

20. Other Assets

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Loan arrangement fees	2,616	44,277	2,557	3,262
Convertible bonds and senior notes issuance costs	—	5,883	—	—
Others	155	11,548	—	—
	2,771	61,708	2,557	3,262

21. Consumable Inventories

	GROUP	
	2008 US$'000	2007 US$'000
Food and beverages	**1,994**	18,279
Supplies and consumables	**3,369**	30,787
	5,363	49,066

22. Trade Receivables

	GROUP	
	2008 US$'000	2007 US$'000
Trade receivables	**9,620**	23,412
Less: Provisions	**(478)**	(3,256)
	9,142	20,156

At 31 December 2008, the ageing analysis of the trade receivables is as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Current to 30 days	**3,054**	11,352
31 days to 60 days	**2,111**	4,458
61 days to 120 days	**1,719**	2,461
121 days to 180 days	**160**	1,266
181 days to 360 days	**994**	3,150
Over 360 days	**1,582**	725
	9,620	23,412

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

22. Trade Receivables (Continued)

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

	GROUP	
	2008 US$'000	2007 US$'000
Singapore dollar	4,440	6,161
Hong Kong dollar	1,901	3,709
Australia dollar	1,679	1,574
Renminbi	398	—
US dollar	177	7,369
UK Pound Sterling	27	510
Other currencies	520	833
	9,142	20,156

Movements on the provision for impairment of trade receivables are as follows:

	GROUP	
	2008 US$'000	2007 US$'000
At 1 January	(3,256)	(3,163)
Deemed disposal of a subsidiary	2,684	—
Reversal of/(Provision for) impairment of receivables	70	(2,527)
Receivables written off during the year as uncollectible	24	2,434
At 31 December	(478)	(3,256)

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been extended. Overdue balances are reviewed regularly by senior management. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. As at 31 December 2008, the trade receivables that were past due but not impaired was US$6.1 million (2007: US$8.8 million). No impairment has been made on this amount as the Group is closely monitoring these receivables and is confident of their eventual recovery.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables mentioned above.

23. Prepaid Expenses and Other Receivables

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Other debtors, deposits and prepayment	**17,942**	62,399	**1,133**	2,625
Deposit held in escrow account for payment of NCL America cash losses and shut down costs (see note 34(e))	**55,997**	—	**—**	—
Amounts due from jointly controlled entities (see note below)	**228,203**	—	**2,467**	—
	302,142	62,399	**3,600**	2,625

Note:

Included in the amounts due from jointly controlled entities are considerations receivable from NCLC in respect of m.v. Norwegian Sky of US$293.8 million partially offset by amount payable to NCLC in respect of NCL America cash losses and shut down cost of US$56.0 million under the Reimbursement and Distribution Agreement (more details are explained in note 34(e)).

24. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Deposits with banks - maturing within 3 months	**3,890**	48,400	**—**	2,803
Cash and bank balances	**108,257**	100,686	**111**	112
	112,147	149,086	**111**	2,915

The cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Singapore dollar	**45,362**	31,796	**24**	50
US dollar	**30,402**	70,013	**—**	3
Hong Kong dollar	**21,572**	23,469	**87**	2,796
New Taiwan dollar	**5,713**	3,317	**—**	—
Renminbi	**2,157**	1,777	**—**	—
Australia dollar	**1,318**	5,346	**—**	—
Euro	**217**	3,964	**—**	66
Others	**5,406**	9,404	**—**	—
	112,147	149,086	**111**	2,915

24. Cash and Cash Equivalents (Continued)

The effective interest rate on deposits with banks - maturing within 3 months and its average maturity days are as follows:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
Effective interest rate	**1.3%**	3.0%	**—**	2.1%
Average maturity days	**25 days**	6 days	**—**	2 days

25. Non-current Assets Classified as Held for Sale

The carrying amounts of m.v. Norwegian Dream, m.v. Wasa Queen and m.v. MegaStar Taurus of US$192.7 million have been presented under non-current assets classified as held for sale as at 31 December 2008 as these vessels will be recovered through a sale transaction. As at 31 December 2008, these assets were also included as the security for the Group's long-term bank borrowing.

26. Share Capital

	GROUP/COMPANY Authorised share capital			
	Preference shares of US$0.10 each		Ordinary shares of US$0.10 each	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January 2008 and 31 December 2008	**10,000**	**1**	**14,999,990,000**	**1,499,999**
At 1 January 2007	10,000	1	9,999,990,000	999,999
Addition during the year	—	—	5,000,000,000	500,000
At 31 December 2007	10,000	1	14,999,990,000	1,499,999

	GROUP/COMPANY Issued and fully paid ordinary shares of US$0.10 each	
	No. of shares	US$'000
At 1 January 2008 and 31 December 2008	**7,426,245,846**	**742,625**
At 1 January 2007	6,784,386,135	678,439
Issue of shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	3,951,569	395
Issue of ordinary shares to the independent third parties, net of issuance costs (note (i))	255,000,000	25,500
Issue of ordinary shares upon conversion of convertible bonds	382,908,142	38,291
At 31 December 2007	7,426,245,846	742,625

26. Share Capital (Continued)

Notes:

(i) In February 2007, the Company issued 255 million new ordinary shares of US$0.10 each at the subscription price of HK$2.29 (US$0.29) per share, with an aggregate proceed of approximately US$74.6 million, net of issuance costs to the independent third parties. In addition, these independent third parties have also been granted non-transferable options at a premium of HK$0.28 (US$0.04) per option share to subscribe for 255 million ordinary shares. Each option is exercisable once at an exercise price of HK$3.00 (US$0.39) per ordinary share at any time from the date of completion of the subscription of 255 million new ordinary shares to the second anniversary of the date of completion of the share option agreements. As at 31 December 2008, none of the options were exercised and the said options were subsequently lapsed in February 2009.

The net proceeds from the issuance of 255 million ordinary shares and the grant of options have been used for part funding of the acquisition of equity interest in a subsidiary. As at 31 December 2008, there were no unapplied proceeds from this issuance of shares and grant of options.

(ii) In December 2006, the Company issued 1,484,084,467 ordinary shares of US$0.10 each in the proportion of 7 new ordinary shares for every 25 existing ordinary shares held pursuant to a rights issue at the subscription price of HK$1.08 (US$0.1388), with an aggregate proceed of approximately US$204.1 million, net of issuance costs. The closing price per ordinary share on 7 November 2006, the trading date immediate before the Underwriting Agreement was entered into, was HK$1.50 (US$0.19) on the Stock Exchange.

The net proceeds from the rights issue have been used for funding the construction of vessels. As at 31 December 2008, there were no unapplied proceeds from the rights issue.

27. Long-Term Borrowings

Long-term borrowings consist of the following:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
SECURED:				
US$750 million secured term loan and revolving credit facility	**477,142**	402,500	**477,142**	402,500
HK$340 million mortgage loan	**43,860**	—	**—**	—
€298 million secured Pride of America loans	**—**	278,092	**—**	—
US$334.1 million secured Norwegian Jewel loan	**—**	270,218	**—**	—
€308.1 million secured Pride of Hawaii loan	**—**	381,713	**—**	—
US$800 million secured loan facility	**—**	605,000	**—**	—
€624 million secured Norwegian Pearl/Gem facility	**—**	880,146	**—**	—
US$610 million revolving credit facility	**—**	490,000	**—**	—
UNSECURED:				
US$250 million unsecured Senior Notes	**—**	250,000	**—**	—
Convertible bonds (see note 28)	**—**	63,348	**—**	63,348
Others	**—**	13,891	**—**	—
Total liabilities	**521,002**	3,634,908	**477,142**	465,848
Less: Current portion	**(54,043)**	(312,020)	**(49,657)**	(120,848)
Long-term portion	**466,959**	3,322,888	**427,485**	345,000

27. Long-Term Borrowings (Continued)

The carrying amounts of the long-term borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
US dollars	**477,142**	2,373,049	**477,142**	465,848
Euro	**—**	1,261,859	**—**	—
Hong Kong dollars	**43,860**	—	**—**	—
	521,002	3,634,908	**477,142**	465,848

As at 31 December 2008, the outstanding balances of long-term borrowings denominated in Hong Kong dollar and Euro were approximately HK$340 million (2007: Nil) and Nil (2007: €864.9 million), respectively.

As at 31 December 2008, the net carrying amount of the Group's long-term borrowings, including interest accrued and net of transaction costs incurred would be US$0.52 billion (2007: US$3.63 billion).

As at 31 December 2008, the net carrying amount of the Company's long-term borrowings, including interest accrued and net of transaction costs incurred would be US$0.48 billion (2007: US$0.47 billion).

As at 31 December 2008, approximately 12% of the Group's long-term borrowings was fixed (2007: 31%) and 88% was variable (2007: 69%), after taking into consideration the effect of interest-rate swaps and the fixing of interest rates on certain of the long-term borrowings. The outstanding notional amount of interest-rate swap was approximately US$62.9 million as at 31 December 2008 (2007: US$268.6 million).

The following is a schedule of repayments of the long-term borrowings in respect of the outstanding borrowings as at 31 December 2008:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Within one year	**54,043**	312,020	**49,657**	120,848
In the second year	**54,043**	248,680	**49,657**	57,500
In the third to fifth years	**341,329**	1,325,752	**328,171**	172,500
After the fifth year	**71,587**	1,748,456	**49,657**	115,000
	521,002	3,634,908	**477,142**	465,848

27. Long-Term Borrowings (Continued)

The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates (after taking into consideration the borrowings which have been hedged using interest rate swaps of approximately US$62.9 million (2007: US$268.6 million)) are as follows:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
6 months or less	**458,165**	2,490,782	**414,305**	133,922
6 - 12 months	**—**	63,348	**—**	63,348
1 - 5 years	**—**	13,890	**—**	—
Over 5 years	**—**	798,310	**—**	—
	458,165	3,366,330	**414,305**	197,270

The secured long-term borrowings were secured by, amongst other securities, a mortgage over each associated vessel and the residential properties in Macau.

The weighted average interest rates at the balance sheet date were as follows:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
Bank borrowings in US dollars	**4.1%**	6.4%	**4.1%**	6.7%
Bank borrowing in Hong Kong dollars	**3.6%**	—	**—**	—
Bank borrowings in Euro	**—**	5.7%	**—**	—
US$250 million unsecured Senior Notes	**—**	10.6%	**—**	—
Convertible bonds	**—**	7.4%	**—**	7.4%

28. Convertible Bonds

In October 2003, the Company issued US$180 million 2% Convertible Bonds (the "Bonds") due in October 2008. The Bonds are listed on the Luxembourg Stock Exchange. The issue price of the Bonds was 100% of their principal amount and the Bonds carried interest at the rate of 2% per annum payable semi-annually in arrears. Subject to certain conditions, the Bonds carried a right of conversion into fully-paid ordinary shares of the Company at an initial conversion price of HK$3.18 (US$0.41 based on a fixed rate of exchange applicable on conversion of the Bonds of HK$7.743 = US$1.00) per share, subject to reset and adjustments. Pursuant to the "Rights Issues of Shares or Option over Shares" as stated in the terms and conditions of the Bonds, the rights issue undertaken by the Company has resulted in an adjustment to the conversion price at which ordinary shares of the Company will be issued upon conversion of the Bonds. The adjusted conversion price applicable with effect from 28 December 2006 has been adjusted to HK$2.53 per share.

On or at any time after 20 October 2005, the Company may, subject to satisfaction of certain conditions, redeem all or a portion of the Bonds at their Early Redemption Amount (as defined in the Terms and Conditions of the Bonds) which represents a gross yield of 5.55% on a semi-annual basis for the Bondholder plus any accrued interest provided that the closing price of the Company's ordinary shares for a defined duration of time is at least 125% of the conversion price in effect on the relevant trading day. In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of US$180 million, the Company shall have the option to redeem such outstanding Bonds in whole but not in part at the Early Redemption Amount plus any accrued interest.

The Bonds may be redeemed, at the option of the bondholders, in the event of a Change in Control or Delisting (as defined in the Terms and Conditions of the Bonds), at the Early Redemption Amount together with any accrued but unpaid interest.

28. Convertible Bonds (Continued)

Unless previously converted, redeemed or purchased and cancelled as set out in the Terms and Conditions of the Bonds, the Bonds would be redeemed on 20 October 2008 at 120.136% of the outstanding principal amount thereof, plus any accrued but unpaid interest.

Detailed terms and conditions of the Bonds are constituted by the trust deed dated 20 October 2003 entered into between the Company and the trustee.

As at 31 December 2007, approximately US$125.1 million of the US$180 million Bonds have been converted into ordinary shares of the Company and none of the Bonds were redeemed or purchased by the Company. During the year ended 31 December 2008, all of the outstanding Bonds were redeemed by the Company on 20 October 2008 in accordance with the Terms and Conditions of the Bonds.

The analysis of the Bonds recorded in the balance sheet is as follows:

	GROUP/COMPANY	
	2008 US$'000	2007 US$'000
Face value of the Bonds issued on 20 October 2003	**180,000**	180,000
Remaining equity component	**—**	(4,391)
Transferred to retained earnings upon redemption	**(4,391)**	—
Equity component transferred to share premium	**(10,009)**	(10,009)
Equity component	**(14,400)**	(14,400)
Liability component on initial recognition	**165,600**	165,600
Interest accrued as at 1 January	**37,452**	30,942
Interest expense for the year	**3,688**	8,382
Interest paid during the year	**(12,150)**	(1,872)
Conversion of the Bonds to ordinary shares	**(139,704)**	(139,704)
Redemption of the Bonds during the year	**(54,886)**	—
Liability component	**—**	63,348

The fair value of the liability component of the Bonds at 31 December 2007 amounted to US$63.1 million. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.7%. Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 7.4% to the liability component.

29. Derivative Financial Instruments

The fair values of financial instruments including derivatives are determined based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the balance sheet date or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. The following are the estimated fair values of the Group's financial instruments and the methods used to estimate such fair values:

(a) Certain short-term financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, trade creditors and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

29. Derivative Financial Instruments (Continued)

(b) Long-term borrowings

The carrying amounts and fair value of the long-term borrowings (including the current portion) are as follows:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Carrying amounts	**521,002**	3,634,908	**477,142**	465,848
Fair value	**509,272**	3,659,056	**464,844**	465,608

The difference between the fair value and carrying value of the long-term borrowings is due to the debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of long-term borrowings is estimated based on rates currently available for the same or similar terms and remaining maturities.

(c) Interest rate swaps, fuel swaps and foreign exchange forward contracts

(i) The Group has several interest rate swaps with an aggregate notional amount of US$430.4 million (as at 31 December 2008, the outstanding notional amount was approximately US$49.6 million) to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 31 December 2008, the estimated fair market value of the interest rate swaps was approximately US$2.3 million, which was unfavourable to the Group and the Company. This amount has been recorded within the current and non-current portion of the derivative financial instruments in the accompanying balance sheet.

These interest rate swaps have been designated as cash flow hedges. The changes in the fair value of these interest rate swaps are included as a separate component of reserves and are recognised in the income statement as the underlying hedged items are recognised.

(ii) The Group has a series of 5.5% capped USD London Interbank Offer Rate-in-arrears interest rate swaps with a notional amount of approximately US$140.8 million (as at 31 December 2008, the outstanding notional amount was approximately US$13.3 million) to limit its exposure to fluctuations in interest rate movements if the interest rate moves beyond the cap level of 5.5%. The notional amount for each interest period will be reduced six-monthly in varying amounts over 6 years from August 2003.

As at 31 December 2008, the estimated fair market value of these interest rate swaps was approximately US$0.1 million, which was favourable to the Group and the Company. This amount has been recorded within the current portion of the derivative financial instruments in the accompanying balance sheets. The changes in the fair value of these interest rate swaps are included in interest expense in the income statement.

29. Derivative Financial Instruments (Continued)

(c) Interest rate swaps, fuel swaps and foreign exchange forward contracts (Continued)

(iii) During the year ended 31 December 2008, the Group entered into fuel swap agreements with an aggregate notional amount of US$8.9 million, to pay fixed price for fuel. As at 31 December 2008, the outstanding notional amount was approximately US$7.1 million, maturing through June 2009 and the estimated fair market value of the fuel swap was approximately US$1.6 million, which was unfavourable to the Group and the Company. This amount has been recorded within the current portion of the derivative instruments in the accompanying consolidated and Company balance sheets. These fuel swaps have been designated and qualified as cash flow hedges. The changes in the fair value of these fuel swaps are included as a separate component of reserves and are recognised in the income statement as the underlying hedged items are recognised.

(iv) The Group has various Singapore dollars forward contracts and the notional amount of these contracts was approximately US$206.7 million (as at 31 December 2008, the outstanding notional amount was approximately US$18.0 million). The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 31 December 2008, the estimated fair market value of these forward contracts was approximately US$0.9 million, which was unfavourable to the Group and the Company. The changes in the fair value of these forward contracts are recognised as other expense in the income statement. This amount has been recorded within the non-current portion of the derivative financial instruments in the accompanying consolidated and Company balance sheets.

The fair values of the above instruments have been estimated using published market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 31 December 2008.

30. Other Long-Term Liabilities

	GROUP	
	2008 US$'000	2007 US$'000
Deferred lease liability	—	959
Pension plan	—	2,290
Others	—	1,552
	—	4,801

31. Deferred Tax

	GROUP Excess of capital allowances over depreciation	
	2008 US$'000	2007 US$'000
Deferred tax liabilities		
The movements in deferred tax liabilities are as follows:		
At 1 January	**38**	295
Exchange difference	**(7)**	(1)
Deferred taxation charged/(credited) to consolidated income statement	**223**	(256)
At 31 December	**254**	38
The amount shown in the balance sheet includes the following:		
Deferred tax liabilities to be settled after 12 months	**254**	38

	GROUP Tax losses	
	2008 US$'000	2007 US$'000
Deferred tax assets		
The movements in the deferred tax assets are as follows:		
At 1 January	**43**	573
Exchange difference	**(4)**	—
Deferred taxation charged to consolidated income statement	**(4)**	(530)
At 31 December	**35**	43
The amount shown in the balance sheet includes the following:		
Deferred tax assets to be recovered after 12 months	**35**	43

As at 31 December 2008, the unused tax losses which have no expiry date and for which no deferred tax asset was recognised in the consolidated balance sheet was approximately US$213 million (2007: US$195 million).

32. Trade Creditors

The ageing of trade creditors as at 31 December 2008 is as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Current to 60 days	**20,665**	113,463
61 days to 120 days	**1,337**	3,584
121 days to 180 days	**675**	701
Over 180 days	**2,798**	3,666
	25,475	121,414

Credit terms granted to the Group generally vary from no credit to 45 days credit.

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

	GROUP	
	2008 US$'000	2007 US$'000
US dollar	**17,583**	109,843
Hong Kong dollar	**5,288**	5,279
UK Pound Sterling	**—**	1,587
Ringgit Malaysia	**1,301**	1,170
Singapore dollar	**632**	778
Euro	**—**	765
Other currencies	**671**	1,992
	25,475	121,414

33. Provisions, Accruals and Other Liabilities

Provisions, accruals and other liabilities consist of the following:

	GROUP		COMPANY	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Payroll, taxes and related benefits	**6,710**	48,822	**—**	—
Interest accrued	**3,159**	50,668	**3,030**	9,276
Provisions (see below)	**9,106**	6,632	**—**	—
Others	**51,218**	169,266	**1,297**	1,050
	70,193	275,388	**4,327**	10,326

The movements of the provisions are as follows:

	GROUP		
	Provision for onerous contract US$'000	Provision for legal and settlement costs US$'000	Total US$'000
As at 1 January 2008	**—**	**6,632**	**6,632**
Additions	**13,447**	**—**	**13,447**
Release of provision to consolidated income statement	**(4,341)**	**—**	**(4,341)**
Deemed disposal of a subsidiary	**—**	**(6,632)**	**(6,632)**
As at 31 December 2008	**9,106**	**—**	**9,106**

The provision of US$9.1 million as at 31 December 2008 is expected to be fully released to the consolidated income statement during the financial year ending 31 December 2009.

34. Significant Related Party Transactions and Balances

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust, a private unit trust which is held directly and indirectly by GZ Trust Corporation as trustee of a discretionary trust established for the benefit of certain family members of the late Tan Sri Lim Goh Tong, is a substantial shareholder of the Company.

Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Group, is a son of the late Tan Sri Lim Goh Tong.

Kien Huat Development Sdn Bhd ("KHD") is a company wholly-owned indirectly by a brother of Tan Sri Lim Kok Thay.

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and which is listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"), controls Resorts World Bhd ("RWB"), a company also listed on Bursa Malaysia which in turn indirectly controls Resorts World Limited, which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

VXL Capital Limited ("VXL Capital") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest and is listed on the Stock Exchange.

WorldCard International Limited ("WCIL") is a company in which a subsidiary of each of the Group and GIPLC has a 50% interest. The Group's share of profit from WCIL amounted to US$37,000 for the year ended 31 December 2008 (2007: share of loss of US$108,000). As at 31 December 2008, the Group's share of losses in WCIL has exceeded its interest in WCIL by US$139,000 and this has been recorded in accruals and other liabilities as the Group has constructive obligations towards WCIL.

Significant related party transactions entered into or subsisting between the Group and these companies during the year ended 31 December 2008 are set out below:

(a) KHD, together with its related companies, are involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. No amount was charged to the Group in respect of these services for the year ended 31 December 2008 (2007: Nil). Amount paid by KHD on behalf of the Group to the third party contractors was approximately US$47,000 for the year ended 31 December 2008 (2007: US$381,000).

(b) Related companies of GB provide certain services to the Group, including treasury management services, secretarial and share registration services, air ticket purchasing services, leasing of office space and other support services (such as information technology support services, travel services, other purchasing services and central reservation services). In January 2008, GB Group ceased to provide treasury management services to the Group as the Group had taken over the treasury function from GB Group. Amount charged to the Group in respect of these services rendered by GB Group was approximately US$2,630,000 in the year ended 31 December 2008 (2007: US$2,431,000).

(c) The Group provides certain administrative support services to GIPLC internationally and the amount charged to GIPLC was approximately US$16,000 for the year ended 31 December 2008 (2007: Nil).

(d) WCIL, together with its subsidiaries, operate and administer the WorldCard programme on an international basis (save for Malaysia). The Group participated as a merchant in the WorldCard programme (save for Malaysia) and was subsequently allowed to participate in the WorldCard programme in Malaysia through certain inter-operator arrangements. In May 2007, the WorldCard programme was extended to cover sale of travel and tour packages which are sold to WorldCard holders at onshore outlets of the Group in various territories, including the cruise packages to board for the cruise ships of the Company or of its affiliates.

    The Group also implemented joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

34. Significant Related Party Transactions and Balances (Continued)

(d) During the year ended 31 December 2008, the following transactions took place:

	GROUP	
	2008 US$'000	2007 US$'000
Amounts charged from the GB Group to the Group	1,202	410
Amounts charged to the GB Group by the Group	268	263

Amounts outstanding as at the balance sheet dates in respect of the above transactions were included in the balance sheets within amounts due to related companies.

(e) On 17 August 2007, the Group entered into a Reimbursement and Distribution Agreement ("RDA") with NCLC, Apollo and its affiliates which set out arrangements in relation to the business of NCL America ("NCLA"). As part of the RDA, the Group has agreed to reimburse NCLC for certain cash losses of NCLA and for certain expenses (in the event of a shutdown of the NCLA business) and the reimbursement shall not exceed US$85.0 million in aggregate. As at 31 December 2008, the Group has deposited an amount of US$56.0 million held in an escrow for payment of this reimbursement.

On 19 December 2008, the Company and the other parties to the RDA confirmed that they had made the NCLA Wind-up Determination. In implementing the NCLA Wind-up Determination, NCLC has distributed m.v. Norwegian Sky (previously known as m.v. Pride of Aloha) to the Group on 8 January 2009 and the Group has settled its reimbursement obligation under the RDA in full of US$56.0 million on the same day. Cash payment in respect of m.v. Pride of America of US$196.9 million was received by Group from NCLC in July 2008. Accordingly, the Company concluded that the NCLA Wind-up Determination, the subsequent distribution of assets, and the related reimbursement of NCLA cash losses and shut down cost have been conducted in line with the RDA.

(f) NCLC, a jointly controlled entity of the Company, entered into charter agreements with the Group for certain of the ships owned by the Group. Charter hire revenue received for these ships was US$12.5 million for the year ended 31 December 2008.

(g) On 19 June 2008, the Company entered into a Non-Competition Agreement with Mr. Colin Veitch, a former director of the Company, for a consideration of US$10.0 million whereby Mr. Colin Veitch agrees, inter alia, that he will not engage in businesses or employment that will compete with that of the Company in accordance with the terms of the Non-Competition Agreement for a duration of five years.

(h) In January 2007, the Group engaged VXL Financial Services Limited ("VXLFS"), a then wholly-owned subsidiary of VXL Capital, to provide financial advisory services in relation to the acquisition of Macau Land Investment Corporation ("MLIC") Group and the amount paid to VXLFS in respect of this service amounted to US$1.8 million.

(i) On 27 March 2007, the Group entered into a sale and purchase agreement with GIPLC to dispose of its 25% interest in RWS for a total consideration of S$255 million. Following approval by independent shareholders of the Company on 2 May 2007, the disposal of 25% interest in RWS was completed on 29 May 2007. As a result, the shareholders' agreement with GIPLC in relation to RWS entered into on 15 December 2006 was terminated and the Group ceased to have any interest in RWS. The Group recorded a gain of US$53.7 million on the disposal of its equity interest in RWS during the year ended 31 December 2007.

34. Significant Related Party Transactions and Balances (Continued)

(j) On 16 January 2007, the Group entered into a shareholders' agreement with GIPLC in relation to the management and operation of a newly formed joint venture company ("JV"), New Orisol Investments Limited. The JV was owned as to 75% by the Group and 25% by GIPLC. The purpose of the JV is to carry out the acquisition of MLIC Group and to develop and build on a piece of land a hotel that will house, inter alia, a casino which will be subject to receiving the relevant authorisation from the Government of Macau. On 2 March 2007, the Group completed its acquisition of GIPLC's 25% indirect interest in the JV at its investment cost of HK$58.5 million ("New Orisol Acquisition"). Upon completion of the New Orisol Acquisition on 2 March 2007, the shareholders' agreement with GIPLC was terminated and the JV became a wholly-owned subsidiary of the Group. Completion of the acquisition of MLIC Group by the JV took place on 19 March 2007.

(k) On 16 November 2007, the Group, VXL Capital and a non-related party (the "parties") entered into a supplemental agreement to supplement and amend the terms of the joint venture agreement dated 8 December 2005 in view of the invitation for tender issued by the Government of Hong Kong Special Administrative Region ("Hong Kong Government") for the development at Kai Tak, Hong Kong of a cruise terminal whereby the parties agree, inter alia, to form a new joint venture with any other third party in response to the invitation.

(l) On 16 November 2007, the Group entered into a memorandum of agreement with VXL Capital and non-related parties whereby the parties agree, inter alia, to form a joint venture for the purpose of submitting a tender for the development of a cruise terminal at Kai Tak, Hong Kong in response to the invitation issued by the Hong Kong Government and subsequently on 7 January 2008, a shareholders' agreement was entered into and supplemented on 6 March 2008. On 6 March 2008, the parties entered into another memorandum of agreement whereby they gave consent to the tender submission to the Hong Kong Government. On 9 July 2008, the Hong Kong Government announced that the tender submissions received were rejected and the project would be re-tendered by the end of year 2008, with funding from the Hong Kong Government on the site formation works and the public facilities, subject to the funding approval by the Legislative Council. Subsequently, the Hong Kong Government had decided to develop the Kai Tak cruise terminal by itself.

Transactions with Directors

(m) Certain Directors of the Company and the Group were granted share options entitling them to subscribe for ordinary shares in the share capital of the Company under both the Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme. Share options granted are exercisable at the price of US$0.2524 (as adjusted) and US$0.3953 (as adjusted) per share under the Pre-listing Employee Share Option Scheme and HK$2.8142 (US$0.36) (as adjusted), HK$1.6202 (US$0.21) (as adjusted) and HK$1.7800 (US$0.23) per share under the Post-listing Employee Share Option Scheme. Details of the movements of the share options during the year ended 31 December 2008 and the outstanding share options as at 31 December 2008 are set out in the section headed "Share Options" in the Report of the Directors.

Key management compensation

(n) The key management compensation is analysed as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Salaries and other short-term employee benefits	5,964	11,498
Post-employment benefits	54	1,582
Ex-gratia payment	10,000	—
Non-cash share option expenses	1,585	346
	17,603	13,426

35. Commitments and Contingencies

(i) Capital expenditure

Capital expenditure contracted but not provided for at the balance sheet date are as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Contracted but not provided for		
– Cruise ships and other related costs	—	2,239,609
– Property under development	25,446	—
	25,446	2,239,609

In addition to the above, on 31 July 2008, the Company entered into a number of agreements to acquire, through its wholly-owned subsidiaries, an aggregate of 50% (direct and indirect) interests in the share capital of Travellers for a total consideration of US$335 million to pursue strategic and collaborative arrangements in relation to the development and operation of hotel and casino complexes in the Philippines. As at 31 December 2008, the Group has paid US$285 million for the acquisition of 42.6% interests in Travellers with the remaining US$50 million payable upon certain post-completion events.

(ii) Operating leases

Rental expense under non-cancellable operating lease commitments was US$1.9 million for the year ended 31 December 2008 (2007: US$12.4 million).

At 31 December 2008, future minimum lease payments payable under non-cancellable operating leases are as follows:

	GROUP	
	2008 US$'000	2007 US$'000
Within one year	2,966	8,351
In the second to fifth year inclusive	2,331	23,750
After the fifth year	7,588	30,433
	12,885	62,534

The rental expense under non-cancellable operating lease commitments mainly relates to rental of offices occupied by the Group.

(iii) Charter-hire

Charter hire payable under the operating lease commitments in respect of certain cruise ships and onboard equipments for the year ended 31 December 2008 was US$14.5 million (2007: US$12.6 million).

At 31 December 2008, minimum annual rentals payable for leases with initial or remaining terms in excess of one year was US$14.7 million for the year ending 31 December 2009 (2007: US$8.0 million for the year ended 31 December 2008).

Charter-hire revenue receivable under the operating lease commitments in respect of cruise ships and onboard equipment from NCLC was US$12.5 million for the year ended 31 December 2008.

At 31 December 2008, minimum annual rentals receivable for leases with initial or remaining terms in excess of one year was US$5.2 million for the year ending 31 December 2009.

35. Commitments and Contingencies (Continued)

(iv) Material litigation

On 24 October 2008, Star Cruises Limited and Ocean Dream Limited (hereinafter collectively referred to as "the Company") has commenced arbitration proceeding against a third party (the "Buyer") in respect of the disposal of m.v. Norwegian Dream (the "Vessel") due to the failure of the Buyer to accept delivery of the Vessel in accordance with the Memorandum of Agreement for the sale and purchase of the Vessel ("MOA"). The Company intends to request, among other things, that the arbitral tribunal award the agreed liquidated damages of US$21.8 million and further losses under the MOA to the Company. The Company and the Buyer have appointed their respective arbitrators for the arbitration proceeding and both parties have filed all the necessary claim and defence statements, replies and related documents. The Company is now preparing for the next stage i.e. the disclosure of documents and preparation of evidence and the Company believes it has a strong case against the Buyer.

In addition, the Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. In the opinion of management, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

36. Share Option Schemes

(i) Pre-listing Employee Share Option Scheme

Prior to the de-merger from GIPLC in December 1997, the employees of the Group were offered share options in GIPLC under the "Genting International Employees' Share Option Scheme for Executives". Subsequently, a share option scheme known as "The Star Cruises Employees' Share Option Scheme for Executives" ("the Pre-listing Employee Share Option Scheme") was implemented for the benefit of the employees of the Group. The employees of the Group were offered options under the Pre-listing Employee Share Option Scheme in exchange for the unexpired share options previously granted by GIPLC.

On 23 August 2000, the share option agreement was modified to reflect a four for one bonus share and to accelerate the original vesting period to comply with the requirements of the Stock Exchange. With effect from 30 November 2000, the date of listing of the Company's shares on the Stock Exchange (the "Listing"), no further options can be granted under the Pre-listing Employee Share Option Scheme.

A summary of the Pre-listing Employee Share Option Scheme is given below:

Purpose

To grant options to selected employees of the Group and Star Cruises Investments Limited, acting as a trustee company for the employees under the said scheme.

Participants

Employees of the Group who are executives of any company comprised in the Group.

Total number of shares available for issue

Prior to the Listing, the allocation of the total amount of options under the Pre-listing Employee Share Option Scheme could not exceed 5% of the issued ordinary shares of the Company at any time during the existence of the Pre-listing Employee Share Option Scheme. No further options can be granted under the Pre-listing Employee Share Option Scheme following the Listing.

Maximum entitlement of each employee

Prior to the Listing, the Board of Directors might in its absolute discretion at any time and from time to time as it deemed fit make an offer to any employee whom the Board of Directors might in its absolute discretion select to subscribe for ordinary shares of the Company in accordance with the terms of the Pre-listing Employee Share Option Scheme provided always that any such offer by the Board in the case of any one employee should not exceed three million shares of the Company or zero point two per cent (0.2%) of the issued ordinary shares of the Company per offer, whichever was the higher amount.

36. Share Option Schemes (Continued)

(i) Pre-listing Employee Share Option Scheme (Continued)

Period within which the shares must be taken up under an option

Prior to the Listing, options would expire at the retirement age of the employees, which was 55 years old, and if the retirement period was less than 10 years from the date of an offer, the option period for the remaining tranches would expire on the tenth year from the grant date or at any age to be determined by the Board. Following the Listing, the options will expire in the tenth year from their original grant date.

Minimum period for which an option must be held before it can be exercised

Under the Pre-listing Employee Share Option Scheme, the Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised. Prior to the Listing, the options generally became exercisable as to 50% of the amount granted 4 years after the grant date and the remaining can be exercised annually in tranches subject to a minimum amount per tranche per year at various dates in the future until the retirement age of the employees.

Following the Listing, options vest over a period of 10 years from 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 of 10% over the remaining option period.

Amount payable on acceptance of the option and period within which payments must be made

Prior to the Listing, an offer of options under the Pre-listing Employee Share Option Scheme should be open for acceptance within three months from the date of such offer or such period as the Board of Directors may at its sole discretion determine. An option price of US$1 was payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

Prior to the Listing, options were generally granted at an exercise price per share equal to the average of the middle market quotation of the share as quoted and shown in the daily official list issued by the Luxembourg Stock Exchange or any approved stock exchange as the Directors deemed relevant for the five market days preceding the date of the offer in writing to the employee.

Remaining life of the Pre-listing Employee Share Option Scheme

No further options may be granted under the Pre-listing Employee Share Option Scheme following the Listing. The options remaining outstanding thereunder (as modified) remain exercisable under the Pre-listing Employee Share Option Scheme on the terms and conditions subject to the respective grants.

Details of the movement during the year for options outstanding are set out in section headed “Share Options” in the Report of the Directors.

36. Share Option Schemes (Continued)

(i) Pre-listing Employee Share Option Scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008	
	Average exercise price in US$ per share	Options (thousands)
At 1 January	0.3068	14,078
Cancelled/forfeited	0.3074	(5,350)
At 31 December	0.3065	8,728

	2007	
	Average exercise price in US$ per share	Options (thousands)
At 1 January	0.3119	22,121
Exercised	0.2624	(2,362)
Cancelled/forfeited	0.3450	(5,681)
At 31 December	0.3068	14,078

A summary of the share options outstanding as at 31 December 2008 is as follows:

	Options outstanding		Options exercisable
Exercise price	Number outstanding (in thousands)	Weighted average remaining life (years)	Number (in thousands)
US$0.2524	5,424	0.5	5,047
US$0.3953	3,304	0.5	2,948
	8,728	0.5	7,995

36. Share Option Schemes (Continued)

(ii) Post-listing Employee Share Option Scheme

The Company adopted a share option scheme on 23 August 2000 which was effected on 30 November 2000 upon listing of the Company's shares on the Stock Exchange and amended on 22 May 2002 (the "Post-listing Employee Share Option Scheme") to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange effective 1 September 2001.

A summary of the Post-listing Employee Share Option Scheme is given below:

Purpose

The main purpose of the Post-listing Employee Share Option Scheme is to motivate the employees of the Group including any executive directors of any company in the Group.

Participants

The participants are the employees of the Group including any executive director of any company in the Group.

Total number of shares available for issue

The maximum number of shares available for issue under the Post-listing Employee Share Option Scheme and options to be granted under any other schemes of the Company is 132,733,953, representing approximately 3.2% of the issued share capital of the Company as of 22 May 2002 (the date of adoption of the Post-listing Employee Share Option Scheme (as amended)) and approximately 1.8% of the issued share capital as at the date of this Report.

Maximum entitlement of each employee

The total number of shares issued and to be issued upon exercise of the options granted to any one employee (including the exercised, cancelled and outstanding options) in any 12-month period up to and including the proposed date of the latest grant shall not exceed 1 per cent. of shares in issue, provided that the Company may grant further options in excess of this 1 per cent. limit subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

Granting options to Directors, Chief Executive or Substantial Shareholders

Any grant of options to a Director, the Chief Executive or a Substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is a grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder (as defined in the Listing Rules) or any Independent Non-executive Director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the shares as quoted in the Stock Exchange's daily quotation sheet at the offer date of such option,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which the connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

36. Share Option Schemes (Continued)

(ii) Post-listing Employee Share Option Scheme (Continued)

Period within which the shares must be taken up under an option

The period during which the options may be exercised will be determined by the Board of Directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted.

Minimum period for which an option must be held before it can be exercised

The Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised.

Amount payable on acceptance of the option and period within which payments must be made

An offer of options shall be open for acceptance for a period of ninety days after the date of offer or such period as the Board of Directors may at its sole discretion determine. An option price of US$1 shall be payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

The exercise price shall be determined by the Board of Directors of the Company, save that such price will not be less than the highest of (a) the closing price of the shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

Remaining life of the Post-listing Employee Share Option Scheme

The Post-listing Employee Share Option Scheme will remain in force until 29 November 2010.

On 27 May 2008, the Share Option Committee of the Board of Directors approved (with the endorsement of the Independent Non-Executive Directors of the Company) an offer of options to certain employees of the Group (including, among the others, Executive Directors, Chief Executive and Substantial Shareholder of the Company) entitling them to subscribe for an aggregate of 35,540,000 shares under the Post-listing Employee Share Option Scheme. The offer is valid for acceptance during the period from 27 May 2008 to 26 August 2008.

Other than (i) the share options granted on 23 August 2004 which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer and (ii) the share options granted on 27 May 2008 vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2009 to 2013, the options 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 outstanding share options are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Details of the movement during the year for options outstanding are set out in the section headed "Share Options" in the Report of Directors.

36. Share Option Schemes (Continued)

(ii) Post-listing Employee Share Option Scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008 Average exercise price in HK$ per share	2008 Options (thousands)
At 1 January	**2.6663**	**83,134**
Granted	**1.7800**	**35,540**
Cancelled/forfeited	**2.8009**	**(11,941)**
At 31 December	**2.3561**	**106,733**

	2007 Average exercise price in HK$ per share	2007 Options (thousands)
At 1 January	2.6579	85,977
Exercised	2.0990	(1,590)
Cancelled/forfeited	2.8114	(1,253)
At 31 December	2.6663	83,134

A summary of the share options outstanding as at 31 December 2008 is as follows:

	Options outstanding		Options exercisable
Exercise price	Number outstanding (in thousands)	Weighted average remaining life (years)	Number (in thousands)
HK$2.8142	**61,048**	**3.6**	**55,462**
HK$1.6202	**10,295**	**5.6**	**10,295**
HK$1.7800	**35,390**	**9.0**	**—**
	106,733	**5.6**	**65,757**

37. Pensions and Other Post Retirement Obligations

As at 31 December 2008

The Group contributes to the statutory defined contribution plans, including provident fund scheme of various countries in which it operates.

As at 31 December 2007 (prior to the deemed disposal of NCLC)

NCLC has a frozen defined contribution plan (the "Plan") for its shoreside employees. Effective 1 January 2002, the Plan was amended to cease future employer contributions. The Plan is subject to the provisions of the U.S. Employment Retirement Income Security Act of 1974 ("ERISA").

In addition, NCLC maintains a 401(k) Plan (the "401(k) Plan"). The 401(k) Plan covers substantially all its shoreside employees. Participants may contribute up to 100% of eligible compensation each pay period, subject to certain limitations. NCLC makes matching contributions equal to 100% of the first 3% and 50% of the next 7% of the participant's contributions and such contributions shall not exceed 6.5% of each participant's compensation. NCLC's matching contributions are vested according to a five-year schedule.

NCLC maintains an unfunded Supplemental Executive Retirement Plan ("SERP Plan"), a defined contribution plan, for certain of its key employees whose benefits are limited under the Plan and the 401(k) Plan. NCLC records an expense for amounts due to the SERP Plan on behalf of each participant that would have been contributed without regard to any limitations imposed by the U.S. Internal Revenue Code.

NCLC's contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Approximately US$0.22 million of the forfeited contribution was utilised in the year ended 31 December 2007. As at 31 December 2007, US$0.04 million was available to reduce future contributions.

In addition, NCLC maintains an unfunded Supplemental Senior Executive Retirement Plan ("SSERP Plan"), a defined benefit plan, for selected senior executives. NCLC has recorded an accrual at 31 December 2007 of approximately US$9.5 million with respect to the SSERP Plan in the accompanying balance sheet. NCLC records an expense related to the SSERP Plan for such amounts based on the following actuarial assumptions: 5% discount rate and 5% annual increase in compensation.

NCLC recorded expenses related to the above described defined contribution plans and SSERP Plan of approximately US$4.2 million for the year ended 31 December 2007. No amounts are required to be or were contributed under the SERP or SSERP Plan by NCLC as at 31 December 2007 as the SERP and SSERP Plans are unfunded.

In addition to the above plans, the Group also contributes to other statutory defined contribution plans, including provident fund scheme of various countries in which it operates.

38. Principal Subsidiaries

The following is a list of principal subsidiary companies as at 31 December 2008:

Name of Company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital (in thousands)	Effective equity interest in percentage	Principal activities
Subsidiaries held directly:					
Star Cruises Asia Holding Ltd.	Bermuda	Bermuda	US$158,032	100.00	Investment holding
Star NCLC Holdings Ltd.	Bermuda	Bermuda	US$10	100.00	Investment holding
Subsidiaries held indirectly:					
Star Cruise Management Limited	Note (1)	Isle of Man	US$2,000	100.00	Investment holding and provision of management services
Cruise Properties Limited	Isle of Man	Isle of Man	RM197,600	100.00	Investment holding
Inter-Ocean Limited	Note (2)	Isle of Man	US$52,000	100.00	Investment holding and cruise services
Star Cruise Services Limited	Note (2)	Isle of Man	US$52,000	100.00	Investment holding and cruise services
Superstar Virgo Limited	Note (2)	Isle of Man	US$25,000	100.00	Bareboat chartering
My Inn (Hangzhou) Hotel Co. Limited	The People's Republic of China	The People's Republic of China	RMB44,850	100.00	Hotel management and accommodation
Suzhou My Inn Hotel Co., Ltd.	The People's Republic of China	The People's Republic of China	US$8,000	100.00	Operation and management of internal facilities of budget hotel and hotel room
Suzhou Trip-X Information Technologies Co., Ltd.	The People's Republic of China	The People's Republic of China	US$10,000	100.00	Software development of tourist information system
Genting Star (Shanghai) Education Information Consulting Co., Limited	The People's Republic of China	The People's Republic of China	US$140	100.00	Education information consulting (except study abroad consulting and agent service)
Treasure Island Entertainment Complex Limited	Macau Special Administrative Region	Macau Special Administrative Region	MOP100	75.00	Development of hospitality facilities
Keen Impact International Limited	Macau Special Administrative Region	British Virgin Islands	US$0.002	75.00	Property owner

RM: Malaysian Ringgit
RMB: Renminbi
MOP: Macau Patacas

Notes:

(1) This company provides ship management and marketing services to cruise ships operating substantially in international waters.

(2) These companies provide cruise services substantially in international waters.

39. Significant Subsequent Events

(a) The distribution of m.v. Norwegian Sky (previously known as m.v. Pride of Aloha) by NCLC to the Group took place in January 2009. On 2 January 2009, the Group entered into a bareboat charter agreement with NCLC for the charter hire of m.v. Norwegian Sky for a period of approximately 2 years, at US$24.8 million per annum.

(b) In February 2009, the options granted to the independent third parties to subscribe for 255 million ordinary shares of the Company were not exercised during the exercisable period and were subsequently lapsed.

(c) On 25 March 2009, the Group contracted for the sale of m.v. Wasa Queen for an amount of US$4.0 million and the ship has been delivered to her new owner on 8 April 2009.

(d) On 31 March 2009, the Group entered into an agreement with a financial institution for a facility of up to US$25 million to finance a certain portion of land premium and as working capital of a subsidiary.

(e) On 1 April 2009, the Group accepted an unsecured and interest bearing short-term loan facility of US$50 million from a substantial shareholder of the Company.

(f) In March 2009, NCLC amended certain terms of substantially all of its debt agreements, which include the extension of the maturity periods, deferral of principal amortisation and accelerated principal payments if NCLC reaches certain liquidity thresholds and certain other additional covenants. In connection with the amendments, the Group and Apollo and its affiliates have subscribed for their proportionate share of the ordinary shares of NCLC for an aggregate subscription price of US$100 million in April 2009. The Group paid for its share of subscription price of US$50 million on 6 April 2009, funded by an unsecured and interest bearing short-term shareholder's loan of US$50 million which was accepted on 1 April 2009, as highlighted in (e) above.

40. Approval of Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors on 9 April 2009.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STAR CRUISES LIMITED
(Continued into Bermuda with limited liability)

We have audited the consolidated financial statements of Star Cruises Limited (the "Company") and its subsidiaries, jointly controlled entities and associates (together, the "Group") set out on pages 63 to 131, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated and Company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2009

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000
Results					
Turnover	**436,587**	2,576,240	2,343,055	1,967,353	1,699,007
Results from operations before impairment loss	(15,633)	84,619	95,452	145,937	134,827
Impairment loss	(99,873)	(5,165)	(30,600)	(1,400)	(14,500)
	(115,506)	79,454	64,852	144,537	120,327
Interest income	**3,233**	4,482	6,670	8,484	2,985
Finance costs	**(28,610)**	(234,295)	(200,944)	(155,930)	(110,005)
Share of loss of jointly controlled entities	**(104,098)**	—	—	—	—
Share of profit/(loss) of associates	**1,454**	(907)	(82)	(5,219)	—
Other income/(expenses), net	**146,525**	(44,840)	(26,556)	28,675	(23,920)
Profit/(Loss) before taxation	(97,002)	(196,106)	(156,060)	20,547	(10,613)
Taxation	(3,528)	(4,780)	(136)	(2,641)	(971)
Profit/(Loss) for the year	(100,530)	(200,886)	(156,196)	17,906	(11,584)
Attributable to:					
Equity holders of the Company	(79,510)	(200,806)	(156,196)	17,906	(11,584)
Minority interest	(21,020)	(80)	—	—	—
	(100,530)	(200,886)	(156,196)	17,906	(11,584)
Basic earnings/(loss) per share (US cents)	(1.07)	(2.77)	(2.76)	0.32	(0.21)
Diluted earnings/(loss) per share (US cents)	(1.07)	N/A*	N/A*	0.32	N/A*
Assets and Liabilities					
Total assets	**2,568,065**	6,428,589	6,139,675	5,410,879	4,985,113
Total liabilities	**(635,773)**	(4,389,217)	(4,196,376)	(3,510,998)	(3,159,603)
Total equity	**1,932,292**	2,039,372	1,943,299	1,899,881	1,825,510

* Diluted loss per share for the years ended 31 December 2007, 2006 and 2004 are not shown, as the diluted loss per share is less than the basic loss per share.

PROPERTIES SUMMARY

AS AT 31 DECEMBER 2008

	Location	Lot No.	Approximate land area	Approximate gross built-up area	Lease term (years)	Usage
1.	Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2930 (previously Lot PT 740)	137,962ft^2 (12,817m^2)	96,123ft^2 (8,930m^2)	90	J
2.	An adjoining site to the Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2931 (previously Lot PT 741)	40,462ft^2 (3,759m^2)	—	90	J
3.	Star Cruises Terminal (Building), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 78146 (previously Lot PT 64547)	252,728ft^2 (23,479m^2)	292,888ft^2 (27,210m^2)	99	T
4.	Star Cruises Terminal (Car Park), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 78147 (previously Lot PT 64548)	270,489ft^2 (25,129m^2)	—	99	T
5.	Star Cruises Terminal (Jetty), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 63807	262,103ft^2 (24,350m^2)	104,050ft^2 (9,666.5m^2)	99	J
6.	Star Cruises Jetty, Kijal, Kemaman, Terengganu Darul Iman, Malaysia	Lot PT 4580	65,122ft^2 (6,050m^2)	8,124ft^2 (754.75m^2)	30	J
7.	1750 Xin Zha Road, Jing An District, Shanghai 200040 China	Lot No: 39	219m^2	364.8m^2	50	O
8.	Cuiyan Road, Suzhou Industrial Park, Suzhou, China	Lot No: 75034	4,220m^2	—	40	O/H
9.	A piece of land located at “Terreno a aterrar junto à Praca de Ferreira do Amaral” in Macau which is generally known as “1 Lago Nam Van, Macao”	Reclamation Area (Lot A)	8,100m^2	—	25	H/C

	Location	Lot No.	Approximate land area	Approximate gross built-up area	Lease term (years)	Usage
10.	A building designated as Tower 6 (described as Sub-condominium E) of 132 residential units and 132 car parking spaces, registered at the Real Estate Registry of Macau under n.º 23204-V and 23204-II, respectively, of Nova City Complex, Avenida de Kwong Tung S/N, Taipa, Macau	Tower 6, Nova City Complex	—	15,164.49m^2	25	R

Notes:

i. The Group owns 100% of each of the properties listed in items 1 to 8 above. The Group owns 75% of the property listed in items 9 and 10 above by virtue of the Group's equity interest in the company which owns the property.

ii. Usage:

J — Jetty
T — Passenger Terminal
O — Office
H — Hotel
C — Casino (subject to approval of the Government of the Macau)
R — Residential

STAR CRUISES WORLDWIDE OFFICES *and* REPRESENTATIVES

CORPORATE HEADQUARTERS

Suite 1501 Ocean Centre,
5 Canton Road, Tsimshatsui,
Kowloon,
Hong Kong S.A.R.

Tel: (852) 2378 2000
Fax: (852) 2314 3809

Australia

Level 8, 401 Sussex Street, Sydney,
2000 NSW, Australia

Tel: (61) 2 9212 6288
Fax: (61) 2 9212 6188

China

Beijing (Representative office)

Unit 1203, Level 12,
China World Tower 1,
No. 1 Jian Guo Men Wai Avenue,
Beijing 100004 P.R.C.

Tel: (86) 10 6505 6223
Fax: (86) 10 6505 6221

Guangzhou (Representative office)

Room 4001-02,
China Shine Plaza,
No.9 Lin He Xi Road, Tian He District,
Guangzhou, Guangdong, P.R.C.

Tel: (86) 20 3811 6388
Fax: (86) 20 3811 6488

Shanghai (Travel agency)

No 1750 Xin Zha Road,
JingAn District Shanghai,
200040 P.R.C.

Tel: (86) 21 5228 0101
Fax: (86) 21 3218 1998

India

Mumbai

101, Parvati Industrial Estate
Sun Mill Compound
Lower Parel (W)
Mumbai 400 013

Tel: (91) 22 4345 5100
Fax: (91) 22 4345 5111

New Delhi

212, Rectangle – 1,
D4, Saket District Centre,
Saket, New Delhi – 110 017

Tel: (91) 11 2956 1831/32/33
Fax: (91) 11 2956 1834

Indonesia

Wisma Nusantara 8th Floor,
Jl. MH Thamrin No. 59,
Jakarta 10350, Indonesia

Tel: (62) 21 3190 1978
Fax: (62) 21 3190 2782

Japan

8F Palazzo Siena
2-4-6 Higashi Shinbashi Minato-ku
Tokyo 105-0021 Japan

Tel: (81) 3 6403 5188
Fax: (81) 3 6403 5189

Malaysia

Kuala Lumpur

21st Floor, Wisma Genting,
28 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia

Tel: (60) 3 2302 8888
Fax: (60) 3 2302 8000

Port Klang

Star Cruises Terminal,
Pulau Indah,
Pelabuhan Barat,
42009 Pelabuhan Klang,
Selangor Darul Ehsan,
Malaysia

Tel: (60) 3 3101 1313
Fax: (60) 3 3101 1406

Philippines

5th Floor Star Cruises Centre,
100 Andrews Avenue,
Newport Pasay City,
Metro Manila Philippines 1309

Tel: (63) 2 836 6830
Fax: (63) 2 836 6835

Singapore

9 Penang Road,
#11-08 Park Mall,
Singapore 238459

Tel: (65) 6226 1168
Fax: (65) 6220 6993

Sweden

Star Cruises AB,
Vasagatan 15-17
SE-111 20 Stockholm
Sweden

Tel: (46) 8 615 4340
Fax: (46) 8 615 4349

Taiwan

Unit A, 11th Floor,
No. 230, Section 4,
Zhongxiao East Road,
Taipei 106, Taiwan R.O.C.

Tel: (886) 2 2781 9968
Fax: (886) 2 2781 9978

United Arab Emirates

W3, Suite 513,
Dubai Airport Free Zone.
Dubai,
P.O. Box 26527
UAE

Tel: (971) 4 299 5556/60
Fax: (971) 4 299 7600

NORWEGIAN CRUISE LINE HEADQUARTERS

Norwegian Cruise Line,
7665 Corporate Center Drive,
Miami, Florida 33126,
United States of America

Toll Free: 1-800-327-9020
Tel: (1) 305 436 4000
Fax: (1) 305 436 4126

SCHEDULED PORTS *of* CALL *by* CRUISE LINE 2009

STAR CRUISES

The Leading Cruise Line In Asia-Pacific

ASIA

Hong Kong
Ishigaki, Japan
Kaohsiung, Taiwan
Keelung, Taiwan
Langkawi, Malaysia
Malacca, Malaysia
Naha, Japan
Penang, Malaysia
Phuket, Thailand
Port Klang, Malaysia
Pulau Redang, Malaysia
Singapore
Tanjong Belungkor, Singapore
Yonaguni, Japan

NCL
NORWEGIAN CRUISE LINE
FREESTYLE CRUISING

ALASKA

Juneau, Alaska
Ketchikan, Alaska
Skagway, Alaska

NORTH AMERICA

Astoria, Oregon
Baltimore, Maryland
Bar Harbor, Maine
Boston, Massachusetts
Charleston, South Carolina
Charlottetown, Prince Edward Island
Halifax, Nova Scotia
Los Angeles, California
Miami, Florida
New Orleans, Louisiana
New York, New York
Newport, Rhode Island
Philadelphia, Pennsylvania
Orlando* (Port Canaveral), Florida
Portland, Maine
Prince Rupert, British Columbia
Quebec City, Quebec
Saint John, Bay of Fundy, New Brunswick
San Francisco, California
Seattle, Washington
Sept-Isles, Quebec
St. John's, Newfoundland
Sydney, Nova Scotia
Vancouver, British Colombia
Victoria, British Columbia

HAWAII

Hilo, Hawaii
Honolulu, Oahu
Kahului, Maui
Kona, Hawaii
Lahaina, Maui
Nawiliwili, Kauai

CARRIBEAN/BERMUDA/BAHAMAS

Basseterre, St. Kitts
Belize City, Belize
Bridgetwon, Barbados
Castries, St. Lucia
Grand Bahama Island, Bahamas
George Town, Grand Cayman
Great Stirrup Cay, Bahamas
Hamilton, Berumda
King's Wharf, Bermuda
Nassau, Bahamas
Oranjestad, Aruba
Philipsburg, St. Maarten
Roatan, Bay Islands, Honduras
Roseau, Dominica
Samana, Dominican Republic
Santo Tomas de Castilla, Guatemala
St. George's, Bermuda
St. John's, Antigua
St. Thomas, US Virgin Islands
Tortola, British Virgin Islands
Willemstad, Curacao

SOUTH AMERICA

Arica, Chile
Buenos Aires, Argentina
Lima* (Callao), Peru
Coquimbo, Chile
Iquique, Chile
Manta, Ecuador
Montevideo, Uruguay
Puerto Chacabuco, Chile
Puerto Madryn, Argentina
Puerto Montt, Chile
Punta Arenas, Chile
Ushuaia, Argentina
Santiago* (Valparaiso), Chile

PANAMA CANAL & MEXICO

Acapulco, Mexico
Cabo San Lucas, Mexico
Cartagena, Colombia
Costa Maya, Mexico
Cozumel, Mexico
Huatulco, Mexico
La Baie, Quebec
Mazatlan, Mexico
La Paz* (Pichilingue), Mexico
Puerto Quetzal, Guatemala
Puerto Vallarta, Mexico
Puntarenas, Costa Rica
Topolobampo, Mexico
Trujillo* (Salaverry), Peru

ANTARCTICA

Stanley, Falkland Islands

EUROPE/BLACK SEA

Ajaccio, Corsica
Amsterdam, Netherlands
Barcelona, Spain
Belfast, Northern Ireland
Seville* (Cadiz), Spain
Cagliari, Italy
Cannes, France
Constanta, Romania
Rome* (Civitavecchia), Italy
Cobh, Ireland
London* (Dover), England
Dublin, Ireland
Dubrovnik, Croatia
Falmouth, England
Gibraltar, United Kingdom
Greenock, Scotland
Guernsey, Channel Islands
Invergordon, Scotland
Iraklion, Greece
Istanbul, Turkey
Ephesus* (Izmir), Turkey
Funchal, Maderia
Olympia* (Katakolon), Greece
Las Palmas, Gran Canaria
Paris* (Le Havre), France
Lerwick, Shetland Islands
Lisbon, Portugal
Florence/Pisa* (Livorno), Italy
Granada* (Malaga), Spain
Messina, Italy
Mykonos, Greece
Nafplion, Greece
Naples, Italy
Odessa, Ukraine
Olbia, Italy
Palma, Majorca, Spain
Athens* (Piraeus), Greece
Ponta Delgada, Azores
Reykjavik, Iceland
Rhodes, Greece
Rotterdam, Netherlands
Santorini, Greece
South Queensferry, Scotland
Southampton, England
St. Petersburg, Russia
Tallinn, Estonia
Valletta, Malta
Varna, Bulgaria
Venice, Italy
Vigo, Spain
Nice* (Villefranche), France
Berlin* (Warnemunde), Germany
Yalta, Ukraine
Brussels/Brugge* (Zeebrugge), Belgium

SCANDINAVIA & RUSSIA

Aalesund, Norway
Bergen, Norway
Copenhagen, Denmark
Geiranger, Norway
Hellesylt, Norway
Helsinki, Finland
Honningsvaag, Norway
Kristiansund, Norway
Oslo, Norway
Stavanger, Norway
Stockholm, Sweden
Trondbeim, Norway

AFRICA

Agadir, Morocco
Alexandria, Egypt
Casablanca, Morocco

* Ship will berth in port in parenthesis. ** Ports of call are correct at time of print and are subject to change.

STAR CRUISES LIMITED

Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong SAR