ANNUAL REPORT 2012

GENTING
HONG KONG

Genting Hong Kong Limited

(Continued into Bermuda with limited liability)

Stock Code : 678

OUR MISSION

We are a leading global leisure, entertainment and hospitality corporation committed to enhancing shareholder value and maintaining long term sustainable growth in our core businesses.

We will:

*Be **responsive** to the changing demands of our customers and excel in providing quality products and services.*

*Be **committed** to innovation and the adoption of new technology to achieve competitive advantage.*

*Generate a **fair return** to our shareholders.*

*Be a **responsible** corporate citizen, committed to enhancing corporate governance and transparency.*

*Pursue personnel policies which recognise and **reward performance** and contributions of employees and provide proper training, development and opportunities for career advancement.*

CONTENTS


swimming
10am
8pm
dining

CORPORATE PROFILE

ALL-ROUND SURPRISE & THRILLS

Genting Hong Kong is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses:

Star Cruises
Asia-Pacific

Norwegian Cruise Line
(Norwegian)
an affiliate with Apollo and TPG

Resorts World Manila
(RWM)
Manila, Philippines; joint partnership with Alliance Global Group under Travellers International

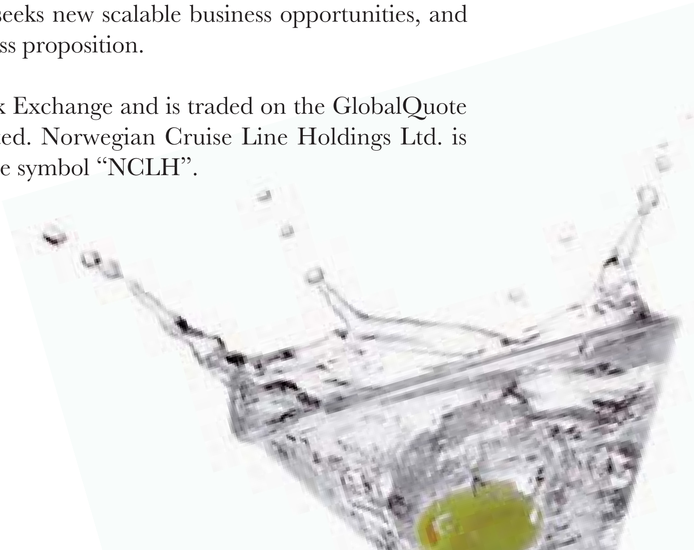
Headquartered in Hong Kong, Genting Hong Kong has a presence in more than 20 locations worldwide with offices and representation in Australia, China, India, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Sweden, Taiwan, Thailand, the United Arab Emirates, the United Kingdom, the United States and Vietnam.

A pioneer in its own right, Genting Hong Kong was incorporated in September 1993 and operated its fleet under Star Cruises, a bold initiative to grow the Asia-Pacific region as an international cruise destination. Star Cruises together with Norwegian is the third largest cruise line operator in the world, with a combined fleet of 18 ships cruising to over 200 destinations, offering approximately 35,000 lower berths.

RWM, Genting Hong Kong's first foray in a land-based attraction, opened its doors to the public in August 2009. The Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world-class leisure alternatives, RWM features 3 hotels including a six star all-suite Maxims Hotel, an iconic shopping mall, 4 high-end cinemas and a multi-purpose performing arts theatre.

Genting Hong Kong's unique venues and itineraries, coupled with a promise to deliver best-in-class services, will ensure an unforgettable experience by all. We will continue to leverage Genting Group's unrivalled regional expertise in land-based resorts development as we expand our own individual footprint. Genting Hong Kong constantly seeks new scalable business opportunities, and ways in which we can excel and improve in our business proposition.

Genting Hong Kong is listed on the Hong Kong Stock Exchange and is traded on the GlobalQuote of the Singapore Exchange Securities Trading Limited. Norwegian Cruise Line Holdings Ltd. is listed on the NASDAQ Global Select Market under the symbol "NCLH".



RESORTS WORLD MANILA

ONE-STOP NON-STOP *VACATION SPOT*

Supported by year-round revelry for guests, Resorts World Manila (RWM), the Philippines' premier one-stop, non-stop tourism destination launched in 2009, recorded US$752.4 million in total revenue as compared to US$659.3 million in 2011. Its unrivalled repute as the leading tourist destination in the country is substantiated by award-winning entertainment and food & beverage offerings, world-class accommodation, recreational activities and warm hospitality from the heart.

Stellar entertainment and events

RWM is truly the place that nothing compares when it comes to top-notch musicals featuring Filipino talent. Its entertainment roundup for 2012 started at the Newport Performing Arts Theatre (NPAT) with "The Sound of Music" which went on to set a record of the longest running Filipino production of a Broadway musical with 128 shows and the only Rodgers and Hammerstein musical with the longest run in Southeast Asia, as acknowledged by Broadway World Philippines. In September, Rodgers and Hammerstein's "The King and I", another triumphant theatre production, premiered with prominent lead cast Leo Tavarro Valdez and Monique Wilson, both of whom are London's West End seasoned thespians. The production is still reaping kudos and accolades from theatre fans in both the homefront and abroad as its run extends to May 2013 at the NPAT.

RWM also presented a slate of international artists including Asian songbirds Eric Moo and Maria Cordero, the cultural spectacle of Cirque Mother Africa, Taiwan's "King of Talk" Jacky Wu, Japan's Drum Tao, Korean R&B heartthrob Bobby Kim, jazz concert pianist David Benoit, and Grammy-award winning instrumentalist Chris Botti, among others.

The year also paved the way to other highlight events such as the Asian Poker Tour and Manila Millions tournaments and RWM's annual signature event Grand Fiesta Manila. Better than ever and aiming to give guests the longest Christmas celebration ever, the six-week Grand Fiesta Manila 2012 was a huge success anchoring on such unique events as the Miss Resorts World Manila fashion and beauty pageant, the unique 3D-Projection show which gave a spectacular new take on the 'Christmas On Display' shows, the first Pinoy Ultimate Jeepney Awards cultural art competition, indoor electric parades, chic fashion show pintadas, New Year's Eve countdown parties and many more.

Resorts World MANILA


cabaret
9pm


9am
golf

Exhilarating accolades

2012 proved to be a banner year for Resorts World Manila with awards and recognitions aplenty throughout the year. "The King and I" won three major awards in the 25th ALIW Awards in November - Best Musical Production, Best Stage Director (Musical) for Freddie Santos, and Best Actor in a Musical for Leo Tavarro Valdez. Joanna Ampil, the female lead in "The Sound of Music" was awarded "Best Actress in a Musical" while Draybers, RWM's resident rock group, was named Best Group Performance in Hotels, Music Lounges and Bars in the same awards. Primo, the all-genre power trio, were awarded the Star Award of Recognition at the 27th Philippine-American Exposition held at the Los Angeles Convention Center in September. Newport Performing Arts Theater was named the Best Theatrical Venue for 2012 by Broadway World Philippines.

French-themed fine dining restaurant Impressions also reaped numerous accolades, having been rated as a Perfect 10 restaurant by Asia Tatler Dining, and awarded the Best French Restaurant in the country by Manila's Best Kept Restaurant Secrets (MBKRS). It was also nominated as one of the best dining spots in 18 Asian countries in the 2012-2013 edition of Miele Guide.

RWM's F&B delegation to the National Food Showdown in September earned the overall winner Golden Plaque for "Compleat Chefs Award", and the "Presidential Award" both in the Professional Division, as they reaped 2 Golds, 10 Silvers, 6 Bronzes, and 7 Recognition Awards. The culinary talent of RWM also won the coveted Gold Medal for 2012 International Food Fair at the 35th World Association of Chefs Societies (WACS) Congress, held last May in Daejon, South Korea, and major medals in the Philippine Culinary Cup held at the SMX Convention Center in August.

Sprawling Expansion

On-going and up-coming expansions will buttress RWM's formidable leadership in years to come. The existing Marriott Hotel Manila broke ground in July for the construction of its Grand Ballroom. Groundbreaking rites were held in November to officiate the RWM Phase 3 Expansion Projects at

the Newport City complex. It was followed by signing ceremonies with various partners, including Starwood Hotels and Resorts Worldwide, the developer of Sheraton®, and Hilton Worldwide. These world-class accommodation brands will add a 350-room Sheraton Hotel and a 350-room Hilton Hotels & Resorts property in RWM. The agreement with Starwood will also usher in the construction of a 600-room Westin Hotel in the anticipated Resorts World Manila Bayshore at the Entertainment City complex in Manila Bay Area.

Corporate Social Responsibility

RWM reinforced its objectives of its Corporate Social Responsibility (CSR) with various charitable projects in 2012. In July, RWM, through the Manila Bayshore Heritage Foundation, Inc., partnered with the Philippine Amusement and Gaming Corporation (PAGCOR), in funding the construction of an estimated 400 classrooms, for beneficiary Addition Hills Elementary School, in Mandaluyong City. The project is part of RWM's commitment to support PAGCOR's advocacy in addressing the education sector's perennial problem on classroom shortages. The new public school shall benefit the overpopulated Barangay Addition Hills, which has the biggest number of students in the whole of Mandaluyong.

RWM teams up with Pasay Social and Welfare Development Unit of the local government of Pasay City and Caritas Manila in September to launch the Livelihood and Employment Assistance Programme (LEAP). The programme will open up opportunities for Pasay City's youths of 21 to 28 years old to find suitable employment in RWM such as in housekeeping and bartending services, among others.

During the Grand Fiesta Manila 2012 celebrations, a special performance of "The King and I" donated proceeds to charity organizations Caritas Manila, Little Sisters Of The Poor, Philippine Christian Foundation, and St Therese Of The Child Jesus. In partnership with Genting Hong Kong, a total of Php10 million were divided among the beneficiaries.

RWM looks forward to welcoming more guests in future with its superb facilities and offerings of world-class entertainment, food, leisure, and lifestyle alternatives all in one grand luxury venue.

FLEET PROFILE


SuperStar Virgo


SuperStar Aquarius


SuperStar Gemini


SuperStar Libra


Star Pisces


MegaStar Taurus


Genting World

STAR CRUISES
The Leading Cruise Line In Asia-Pacific™

Star Cruises is the leading cruise line in Asia-Pacific and has a fleet of 7 ships which includes SuperStar Virgo, SuperStar Gemini, SuperStar Aquarius, SuperStar Libra, Star Pisces, Genting World and MegaStar Taurus, offering various cruise itineraries in the Asia-Pacific region.


Norwegian Epic


Norwegian Star


Norwegian Spirit


Norwegian Sky


Norwegian Pearl


Norwegian Jewel


Norwegian Jade


Norwegian Gem


Norwegian Sun


Norwegian Dawn


Pride of America

Norwegian Breakaway will be delivered in April 2013

NCL
NORWEGIAN
CRUISE LINE®

Norwegian Cruise Line **operates a fleet of 11 ships - Norwegian Epic, Norwegian Gem, Norwegian Jewel, Norwegian Pearl, Norwegian Sun, Norwegian Dawn, Norwegian Star, Norwegian Spirit, Norwegian Jade, Norwegian Sky and Pride of America, calling at destinations in North and South America, Hawaii, Caribbean, Alaska, Europe, Mediterranean and Bermuda.**

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

At Genting Hong Kong, we resolutely stayed committed to creating best-in-class holiday experience for customers, and this dedication resulted in another fruitful year in 2012. Amidst the backdrop of global economic slowdown, volatile operating environment and keen competition in the marketplace, Genting Hong Kong Limited ("GHK" or the "Company") and its subsidiaries (the "Group") continued to demonstrate strict yield management and asset optimization while not compromising the quality of our product offering and services.

The Group's net income after tax rose to US$198.0 million in the financial year ended 31 December 2012 from US$185.4 million in 2011, growing over 6.8% year-on-year, drawing on the collective performance of our business segments.

- *Travellers International Hotel Group, Inc. ("Travellers"), a 50%-owned joint venture that owns and manages Resorts World Manila ("RWM"), reported a net income of US$159.8 million, representing a 42.8% increase.*

- *Norwegian Cruise Line ("Norwegian") has an adjusted EBITDA of US$555.6 million and a net income of US$168.6 million, compared to US$506.0 million and US$126.9 million respectively in 2011.*

- *Star Asia generated net income of US$42.8 million, excluding one-off items, representing a 33.3% increase from US$32.1 million in 2011.*

Growth abound

RWM continues to build on its leading position as the one-stop non-stop vacation destination in the Philippines for its top-notch entertainment and world-class leisure offerings. The resort posted US$752.4 million in total revenue and an EBITDA of US$234.7 million in 2012, supported by aggressive strategies in driving businesses at all fronts. Following the successful and record-breaking musical "The Sound of Music" at Newport Performing Arts Theatre, "The King and I" musical premiered in September and instantly became another top box office draw. The critically-acclaimed performance and the renowned cast won a number of coveted theatre awards. Newport Mall continued to thrive with a stellar selection of retail shops and F&B establishments. In May, GameZoo, a virtual games arcade, was launched to add to RMW's family amusement appeal. Remington Hotel reached full operations with 623 standard rooms and 89 serviced apartments. RWM started its annual Christmas celebration in November with a six-week carnival for domestic and international visitors.

Norwegian's remarkable momentum in 2011 propelled the cruise line into another growth year in 2012. Norwegian's revenue increased 2.6% to US$2,276.2 million from US$2,219.3 million year-on-year and net income increased 32.9% to US$168.6 million from US$126.9 million in 2011. These strong results are no small feat considering the unexpected challenges in the macro environment especially in the U.S. and Europe. The encouraging results can be attributed to Norwegian's continuous drive in disciplined cost control and drawing efficiency from business improvement initiatives and in enhancing the fleet's onboard cruising experience. In 2012, Norwegian boosted the offering on board Pride of America with a US$30 million drydock revitalization exercise. The 2,124 passenger ship received major renovations including the addition of 24 ultra-luxurious suites, four Studio staterooms and four inside staterooms; and the line's signature Brazilian-style steakhouse named Moderno Churrascaria.

Star Asia buttressed its leadership in the Asia-Pacific cruise industry with substantial investments in growth-centric refurbishments and strategic deployments in the region. SuperStar Gemini, formerly Norwegian Dream, underwent a large-scale refurbishment with customization especially for Asian customers. The retail space was redesigned and considerably expanded, including an upscale duty-free retail boulevard that was instantly a hit with passengers. We have taken SuperStar Gemini on a series of inaugural sailings in Penang, Singapore, Hong Kong and Sanya adding new excitement in the marketplace. SuperStar Aquarius' return to Sanya for a second deployment rewarded us with the confidence to continue our pioneering role in the growing Chinese cruise market. We also launched Genting World, formerly known as MegaStar Aries before refurbishment, to cater to premium customers looking for unique cruise holiday with small groups of family and friends. Revenue in 2012 was US$520.4 million, a 5.3% increase from US$494.0 million in 2011. EBITDA increased by 0.4% to US$120.2 million, compared with US$119.7 million.

Capital & Funding

In the second half of 2012, Genting Hong Kong successfully completed two financing activities which included a US$600 million 7-year vessel term loan and revolving credit facility to refinance the existing loan and a US$300 million 3-year term loan and revolving credit facility. The main objectives of the facilities are to improve the Group's overall financial strength and flexibility and to extend the tenure of vessel term loan facility. Genting Hong Kong also received the first tranche payment of US$50.0 million from the sale of Norwegian Sky to Norwegian Cruise Line as well as US$50.1 million from the second redemption of preferred shares from Travellers Group.

Corporate Social Responsibility

The Group is delighted to be in a position to continue contributing to charitable causes and local communities - a mission that is deeply ingrained in our corporate culture across the region. Our CSR campaigns this year included staff-initiated activities such as fund-raising marathons, donations and skill sharing, as well as company-led activities including internship programme for developmentally challenged teenagers, fund-raising event sponsorships and educational ship tours. Our donations this year reached US$420,000 in total. Together with RWM, Genting Hong Kong orchestrated a charity show of "The King and I" to raise US$243,500 (around Php 10 million) for four Filipino charity organizations.

Prospects

Star Asia continues to shape the future of cruise holiday in Asia by upgrading its fleet and developing both its product ranges and services. With our new onboard shopping offerings, we continue to build successful businesses that bring unrivalled experience and value to customers. After refurbishment, SuperStar Gemini will start homeport deployment in Shanghai from April 2013. SuperStar Libra has returned to Penang after a month-long refurbishment and will be offering special cruises to Yangon in 2013.

Travellers remains uniquely and strategically positioned to capitalize on the Philippines' growth opportunities through its existing operations in the phase 3 expansion at Newport City and development of Resorts World Manila Bayshore at the Entertainment City. The expansion at Newport City includes the construction of Marriott Grand Ballroom, which will be a 5,000-seater MICE venue that is linked to the existing Marriott Hotel along with additional new world-class hotels including Hilton and Sheraton. The development of Resorts World Manila Bayshore will include a 5-star 600-room Westin Hotel and an iconic structure, the Grand Opera House with an intention of turning it into the Broadway of Asia.

Norwegian continues to demonstrate impressive growth and profitability. In January 2013, the company launched and closed on a highly successful initial public offering and is now traded on the NASDAQ exchange under the symbol "NCLH". Pursuant to the IPO, GHK's stake in Norwegian has been reduced from 50% to 43.4%. In the coming months the company will introduce three vessels in its historic newbuild program. Norwegian Breakaway, scheduled for delivery in April 2013, will be the largest vessel ever based in New York City and will sail seven-night voyages to Bermuda through the summer beginning in May 2013. Delivery of Norwegian Getaway will follow shortly in January 2014 as the largest ship to homeport year-round in Miami, sailing seven-night Eastern Caribbean voyages. The company also has an order for a "Breakaway Plus" vessel for delivery in fall 2015 and on option for a second delivery in 2017. The delivery of these newbuilds, along with the option for a fourth, constitutes a 60% increase in Norwegian's capacity which will not only grow revenue, but cost efficiencies as well.

Strategy

The Group's key aim is to maintain and strengthen our leadership positions in our core business segments. We do this by offering innovative products and services we provide while keeping our cost structure as efficient as possible.

2013 marks a new era for Genting Hong Kong as we celebrate our 20th anniversary. With a deep understanding of the Asian market, Star Cruises will continue to identify opportunities within our core competencies and capabilities to drive our businesses. These initiatives include:

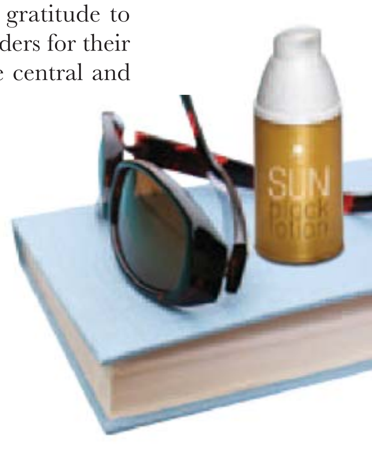
1. Develop new local cruising markets, secure priority or favourable berthing arrangements, and offer new deployment routes;
2. Maximize net yield and occupancy by introducing innovative products and onboard revenue initiatives catering to our customer base;
3. Continue refurbishment and upgrading of fleet; and
4. Continue asset rationalization through repositioning of our ships and disposal of low-yielding assets.

The Philippines continues to be one of the fastest growing gaming markets in Asia after Macau and Singapore. The growth is underpinned by both increased wealth of the local and regional tourists on the back of an improving domestic economy. The Philippines economy which experienced an accelerated full year GDP growth of 6.6% in 2012 continues to expand in the past few years despite global economic slowdown. Building on the success of the existing operations at Newport City, Travellers will carefully execute its growth strategy within a rapidly growing consumption market in the Philippines. Upon the completion of Resorts World Manila Bayshore, Travellers will be the only one of the four licensees in the Philippines to operate integrated resorts in two different locations in Metro Manila. Travellers will be a game changer in the entertainment landscape with the Grand Opera House at Bayshore to be built soon. Being the first mover in the Philippine market with continuous expansion plans and product innovation, we strongly believe Travellers will maintain its competitive advantage in the coming years.

The success of Norwegian's initial public offering was the latest major milestone in the company's 46 year history. It is a leader in the cruise industry, both in terms of innovation and financial performance. Norwegian has poised itself for impressive growth, not only with its disciplined capacity expansion, but also from organic growth in the company's current fleet and continuous improvement initiatives aimed at detecting and maximizing efficiencies to further improve financial performance. Norwegian's product proposition is to provide cruisers a unique and customized experience focused on freedom and flexibility. Norwegian is the only cruise line to offer this Freestyle Cruising offering throughout its entire purpose-built fleet, which not only contributes to enhanced guest satisfaction, but also boosts the company's revenue from onboard spending sources. The company's high-quality service offering, which includes a private ship-within-a-ship group of suites branded as The Haven by Norwegian on several vessels, along with its premium itineraries and segment-leading stateroom mix successfully differentiate the brand from both industry and land-based leisure alternatives.

Acknowledgement

It is my pleasure to represent the Board of Directors and Management to express our sincere gratitude to various local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and cooperation throughout the year. I am grateful of the tremendous support from the central and local governments in the jurisdictions where they operate.



Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

21 March 2013


reading
on deck
8am
3pm
jogging
at gym

GLOBAL HIGHLIGHTS

2012

Travel Weekly Readers Choice Awards 2011

Norwegian Epic is recognized as "Best Overall Individual Cruise Ship" in Travel Weekly's 2011 Readers Choice Awards, one of the most prestigious awards in the travel industry.

Travel + Leisure India & South Asia's India's Best Awards

Star Cruises is voted by holidaymakers and travel industry practitioners the "Best Cruise" in Travel + Leisure India & South Asia's inaugural "India's Best Awards" organized by the South Asian edition of the leading international travel and lifestyle magazine Travel + Leisure.

Asian Excellence Recognition Awards 2012

Genting Hong Kong is named "Best Corporate Social Responsibility" company at Asian Excellence Recognition Awards 2012. Genting Hong Kong is the only travel & leisure company that is named "Best CSR" winner.

Food & Hotel Asia Culinary Challenge 2012 Awards

Star Cruises' chef team wins seven awards at the reputable Food&HotelAsia Culinary Challenge 2012 (FCC) awards. Star Cruises is the only cruise line that is honored at the FCC Awards.

Travel + Leisure SMITTY Awards

Norwegian Cruise Line receives the "Best Use of a Social Media Platform by a Cruise Line" award from the first-ever Social Media in Travel and Tourism Awards (SMITTY) by Travel + Leisure.

SOCIAL MEDIA IN TRAVEL + TOURISM AWARDS

2012 Good to Great Award

Norwegian Cruise Line is honored with the 2012 Good to Great Award® in the category of 1,000+ employees by the Greater Miami Chamber of Commerce.

World Travel Awards 2012

Travel + Leisure World's Best Awards

Norwegian Cruise Line is named one of the Top Large-Ship Cruise Lines for Families in the World's Best Awards organized by the Travel+Leisure, a leading international travel and lifestyle magazine.

Asia Tatler Dining - Perfect 10 rating

French-themed fine dining restaurant Impressions at Resorts World Manila garners a 'Perfect 10' rating from Asia Tatler Dining. As one of the most prestigious recognitions in the fine dining industry, the Asia Tatler Dining rates all 10's for Impressions in setting, food, wine and service.

27th Philippine-American Exposition Star Award of Recognition

Primo, the power trio male vocalists at Resorts World Manila, is awarded the Star Award of Recognition at the 27th Philippine-American Exposition at the Los Angeles Convention Center in the U.S.A.

World Travel Awards 2012

Star Cruises is voted by international travel and tourism professionals "Asia's Leading Cruise Line" at World Travel Awards 2012. Norwegian Cruise Line is also voted "Europe's Leading Cruise Line" for the fifth conservative year.

TTG Travel Awards - Travel Hall of Fame

Star Cruises is recognized as a "Travel Hall of Fame" Inductee in the TTG Travel Awards for the fifth year after winning the "Best Cruise Operator in the Asia-Pacific" in the TTG Travel Awards for ten consecutive years.

National Food Showdown awards

Resorts World Manila and Genting-Star Tourism Academy garner an array of awards at the National Food Showdown. RWM is named the Overall Winner in Compleat Chefs Professional Division and Presidential Awards Professional Division, after reaping 2 Golds, 10 Silvers, 6 Bronzes, and 7 Recognition Awards. GSTA bags 6 awards including 2 Golds, 1 Silver and 1 Distinction.

25th ALIW Awards

Resorts World Manila's third musical production "The King and I" is named "Best Musical Production" at the 25th ALIW Awards while actor Leo Tavarro-Valdez and director Direk Freddie Santos snatch up "Best Actor in a Musical" and "Best Stage Director of a Musical" respectively. Joanna Ampil, the female lead in "The Sound of Music" at Resorts World Manila, is awarded "Best Actress in a Musical". Draybers bags "Best Performers in Hotels, Music Lounges, and Bars" in the same awards.

HONOURS

Travel + Leisure
India & South Asia's
India's Best Awards

National Food
Showdown awards

2

Penang Chinese New Year Cultural and Heritage Celebration

During Chinese New Year in 2012, the company sponsors Penang Chinese New Year Cultural and Heritage Celebration 2012 during which over 100,000 visitors throng to the streets of George Town UNESCO World Heritage Site to share the festive revelry. The event is an important cultural event in Penang that highlights Chinese cultural heritage to local as well as international visitors.

3

Smart phone application-Norwegian iConcierge

Norwegian Cruise Line launches the industry's first mobile application "Norwegian iConcierge" which connects Norwegian Epic guests with a vast pool of cruise information and service systems while onboard.

3

Opening of Genting Star Chongli

Genting Star Chongli, the fourth hotel from the Genting Star hotel brand opens in Chongli County, Hebei Province, China, on 31 March. It houses 16 guest rooms of various facilities.

5

Keel laid and first steel cut for Norwegian's new ships

Norwegian Breakaway and Norwegian Getaway, the two new Freestyle Cruising ships for Norwegian Cruise Line, are one step closer to launch after the keel-laying and first steel cut ceremony on 4 May 2012. Norwegian Breakaway will begin sailing in May 2013.

9

Premier of "The King and I"

Headlined by renowned international musical talent, "The King and I" opens on 15 September, to huge fanfare and critical acclaim. Due to popular demand from local and international fans, the musical has been extended until May 2013.

10

Magnificence of Shanghai: An evening with Yu Peng

Genting Hong Kong holds a "Magnificence of Shanghai: an evening with Yu Peng" cruise onboard SuperStar Aquarius in Taiwan in October for guests in a 1930's glamorous Shanghai theme.

11

Celebrates 19 years of cruise fun

Star Cruises celebrates its 19th anniversary with a "IT'S A GREAT WORLD" themed 2-night cruise on SuperStar Virgo in Singapore. The cruise recreates the experiences of the 70s', creating sounds, sights, activities and entertainment for guests to enjoy.

Eric Moo concert series

11

Resorts World Manila Phase 3 Expansion Projects

Resorts World Manila turns a significant new leaf after breaking ground for its Phase 3 Expansion Projects at the Newport City Complex and signing a number of agreements with various partners.

11

SuperStar Aquarius' second deployment in Sanya

SuperStar Aquarius commences her second seasonal deployment in Sanya in November, offering itineraries to Halong Bay and Danang. Star Cruises partners with The Chinese Athletes Educational Foundation to launch fund-raising activities as part of the celebration.

12

Star Cruises 12.12.12 Star Wedding

Multiple couples merrily sound their wedding bells on Star Pisces in Hong Kong on the special day 12 December 2012. Star Pisces partners with a team of wedding service specialists to provide a one-stop wedding for these couples.

11-12

Grand Fiesta Manila 2012

The third Grand Fiesta Manila presents the grandest carnival the Philippines has to offer to the world in culture, art, food, hospitality and entertainment. The 6-week festivity is highlighted by a series of high-caliber concerts, Miss Resorts World Manila 2012 and 4 New Year's Eve countdown parties.

12

Eric Moo concert series

In conjunction with Genting Group, Genting Hong Kong presents "Our Favourite Melodies with Eric Moo" concert series across Asia. Genting Hong Kong donates the proceeds of a charity sale of the sponsored Eric Moo CDs to The Chinese Athletes Educational Foundation during the Shanghai concert on 1 December.

12

Inaugural cruise of SuperStar Gemini

On 28 December 2012, the refurbished SuperStar Gemini commences its inaugural sail from Singapore. The ship completes a multi-faceted major refurbishment to upgrade her navigational systems, onboard facilities and receives a new hull artwork.

ACTIVITIES

Genting Hong Kong management team visits Genting Resort Secret Garden, which opened in December 2012.

Star Cruises Open House

Genting Hong Kong launches "Star Cruises Open House" across the Star Cruises fleet. The initiative shares experience and insights with more than 580 tourism students from 16 institutes in the region. Talks and ship tours are conducted to help students understand hotel operations on cruise ships.

Resorts World Manila supports Manila Bayshore Heritage Foundation

Resorts World Manila, through the Manila Bayshore Heritage Foundation, Inc. teams up with the Philippine Amusement and Gaming Corporation, to fund the construction of classrooms for Addition Hills Elementary School, in Mandaluyong City, Philippines.

Internship program for autistic teenagers

Genting Hong Kong teams up with Heep Hong Society to launch an internship programme for autistic teenagers to nurture their workplace skills and career development. Genting Hong Kong also invites the interns to assist in a group visit of underprivileged families from St. James' Settlement onboard Star Pisces.

RWM Livelihood and Employment Assistance Program

Resorts World Manila teams up with Pasay Social and Welfare Development Unit of the local government of Pasay City and Caritas Manila to launch the RWM Livelihood and Employment Assistance Program (LEAP) to open up opportunities for the city's out-of-school youths to find suitable employment in RWM.

Walk for Sight and Sound 2012

Near 2,000 participants, including Star Cruises Penang operations staff members, join "Walk for Sight and Sound 2012", a blindfolded charity walk on 2 September 2012. The walk is jointly organised by Lions Club of Georgetown Perdana, Majlis Perbandaran Pulau Pinang, Majlis Sukan Negeri Pulau Pinang, and fully supported by the Penang State Government.

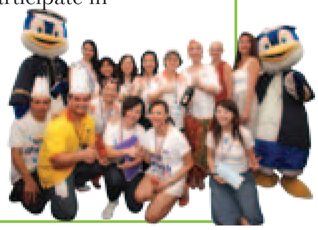
Draybers help raise fund in Hong Kong

Sponsorship to Chinese Athletes Educational Foundation's Olympic Elites Charity Night 2012

Genting Hong Kong sponsors the Chinese Athletes Educational Foundation's Olympic Elites Charity Night 2012. The foundation aims at supporting education for Chinese athletes and developing children education in poverty-stricken areas.

Red Cross International Charity Bazaar

Led by Puan Sri Cecilia Lim, spouse of Chairman and Chief Executive Officer of Genting Hong Kong, Tan Sri Lim Kok Thay, Star Cruises together with its volunteers support and participate in the Singapore Red Cross International Bazaar 2012 to support humanitarian services.



"The King and I" charity show

Genting Hong Kong's Resorts World Manila stages a charity show of "The King and I" musical at the resort on 24 November. A total of PHP10 million proceeds are donated to Caritas Manila, Little Sister of the Poor, The Philippine Christian Foundation and The Shrine of St. Therese of the Child Jesus.

Penang Adventist Charity Cruise

Star Cruises hosts a 4 days 3 nights charity cruise in aid of Penang Adventist Hospital's Cancer Fund on 4 November 2012. About 100 passengers support the philanthropy event that provides financial help to cancer patients' medical treatments.

Draybers help raise fund in Hong Kong

Draybers perform in Hong Kong at the Philippine Association of Hong Kong's annual charity ball and help raise fund for a local Filipino charity in June. At the invitation by the Philippine Consulate General, the band also entertains local Filipinos at the Filipino Community Celebrations and "Concert in the Park 2012".

CSR

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. Lim Lay Leng
Independent Non-executive Director

Mr. Heah Sieu Lay
Independent Non-executive Director

Mr. Au Fook Yew
Non-executive Director

President

Mr. David Chua Ming Huat

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

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

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

The Group, together with its associates, Norwegian Cruise Line Holdings Ltd. ("NCLH") or NCL Corporation Ltd. ("NCLC") (as the case may be, either one referred to as "Norwegian") and its subsidiaries (the "Norwegian Group"), currently having a combined fleet of 18 ships cruising to over 200 destinations in the world, offering close to 35,000 lower berths, and is the third largest cruise operator in the world by lower berths. The Group operates under the principal brand name of Star Cruises while the Norwegian Group operates under Norwegian Cruise Line brand.

Star Cruises operates 7 ships offering various cruise itineraries and calls destinations primarily in the Asia Pacific region. Norwegian Cruise Line operates 11 cruise ships offering cruises in North and South America, Hawaii, Caribbean, Alaska, Europe, Mediterranean and Bermuda.

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. Norwegian Group, reporting under US GAAP, accounts for drydocking costs under the direct expense method and these costs are classified as ship operating expenses. Under HKFRS, the drydocking costs are included as a separate component of the ship costs to be amortised to the subsequent drydocking generally every 2 to 3 years in the depreciation and amortisation.

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.

The Philippine Amusement and Gaming Corporation ("PAGCOR") is a government-owned and controlled corporation organized under the laws of the Republic of the Philippines, specifically, Presidential Decree 1869, as amended, also known as the PAGCOR Charter. Under the said Charter, PAGCOR's primary mandate is to authorize, supervise, license, and regulate the conduct and operations of casino gaming in the Philippines.

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.

The cruise industry in Asia Pacific is less seasonal due to the lower degree of seasonal climate variation in certain parts of Asia Pacific, particularly the Southeast Asia. Demand also varies by ship and itinerary.

OVERVIEW (CONTINUED)

Operating expenses

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel, food expenses 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, 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 2012 ("YEAR 2012") COMPARED WITH YEAR ENDED 31 DECEMBER 2011 ("YEAR 2011")

Turnover

The Group's turnover for 2012 was US$520.4 million, an increase of US$26.4 million from 2011. The increase was mainly attributable to US$16.4 million increase in gaming revenue and US$8.9 million increase in ticket and onboard revenue. m.v. SuperStar Aquarius which began its maiden Sanya route since November 2011 and higher net yield in Taiwan and Malaysia regions contributed to the increased ticket and onboard revenue.

Cost and expenses

Total costs and expenses before finance costs and other items for 2012 amounted to US$457.6 million compared with US$436.6 million in 2011, an increase of US$21.0 million.

Operating expenses excluding depreciation and amortisation increased US$11.1 million (3.9%) to US$297.6 million in 2012 from US$286.5 million in 2011, primarily due to the deployment of m.v. SuperStar Aquarius in Sanya, higher payroll and higher fuel expenditure. In 2012, Star Asia's average fuel price rose approximately 8.2% from US$633 per metric ton in 2011 to US$685 per metric ton in 2012. Excluding fuel expenses, total operating expenses increased by 2.8%, and decreased 1.6% on a per capacity day basis compared with 2011.

Selling, general and administrative expenses excluding depreciation and amortisation increased by US$14.8 million (16.9%) to US$102.7 million in 2012 from US$87.8 million in 2011 mainly due to increase in new hires to support business activities and spending on advertising and promotion.

Depreciation and amortisation expenses from continued operations decreased US$4.9 million (7.9%) primarily due to the disposal of a property in Macau in November 2011.

YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") COMPARED WITH YEAR ENDED 31 DECEMBER 2011 ("YEAR 2011") (CONTINUED)

EBITDA

The Group's EBITDA for the year excluding discontinued operations increased 0.4% to US$120.2 million, compared with US$119.7 million in 2011.

Finance costs

Net finance costs increased US$12.7 million to US$43.0 million in 2012 compared to US$30.3 million in 2011, primarily due to the write-off of US$15.7 million loan arrangement cost pursuant to the repayment of US$500 million term loan and US$5.3 million higher interest expenses resulting from full year coupon of RMB1.38 billion bonds issued in June 2011, and partially offset by US$7.9 million increase in interest income from investments.

Other income, net

Net other income was US$1.8 million in 2012 compared to US$23.3 million in 2011. During 2012, net other income mainly comprised US$0.8 million gain on disposal of available-for-sale investments, US$2.5 million gain on foreign exchange and US$2.0 million dividend income received from an investment, partially offset by US$3.1 million impairment of loan receivables from a third party and US$0.5 million loss on disposal of an associate.

In 2011, net other income mainly comprised the agreed settlement of US$13.3 million in relation to the non-completion by Louis Plc. of the sale and purchase contract for m.v. Norwegian Dream (now known as m.v. SuperStar Gemini) and a realised gain of approximately US$14.3 million on the disposal of interests in Fancy Star Holdings Limited and Keen Impact International Limited, which own the Nova City apartments, for approximately US$71.6 million.

Profit before taxation

Profit before taxation from continuing operations for 2012 was US$184.6 million compared to US$177.8 million for 2011. Profit before taxation including discontinued operations for 2012 was US$199.3 million compared to US$188.0 million for 2011.

Profit attributable to equity owners

Profit attributable to equity owners of the Company including discontinued operations was US$198.4 million for 2012 compared to profit attributable to equity owners of US$182.2 million for 2011.

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, Renminbi, Hong Kong dollar and Malaysia Ringgit. For the Year 2012, cash and cash equivalents decreased to US$450.7 million from US$568.2 million as at 31 December 2011 for the Group. The decrease of US$117.5 million in cash and cash equivalents was mainly due to the net effect of the following items:

(a) The Group's business provided US$65.0 million of net cash from operations for the Year 2012 compared to US$86.2 million for the Year 2011. The decrease of US$21.2 million was primarily due to changes of operating assets and liabilities though there was increase in operating profit to US$62.7 million in Year 2012 compared with US$57.4 million in Year 2011.

(b) The Group's capital expenditure was approximately US$86.6 million during the Year 2012. Majority of the capital expenditure relates to vessel refurbishments and the remaining was drydocking and onboard assets. In the Year 2012, the Group received net proceeds of approximately US$50.0 million from the disposals of a ship. During the Year 2011, the Group's capital expenditure was approximately US$36.1 million.

(c) During the Year 2012, the Group used US$282.0 million to acquire available-for-sale investments. The Group received US$27.8 million from disposal of some available-for-sale investments in Year 2012.

(d) During the Year 2012, the Group made a drawdown of US$655.3 million under the bank loan facilities as corporate and general working capital. The Group also made a repayment of US$573.7 million under existing bank loans in Year 2012.

(e) The Group received US$50.1 million from redemption of preferred shares in Travellers in Year 2012.

(f) During the Year 2011, the Group issued RMB1.38 billion bonds. The net proceeds net of issuance costs of approximately US$212.9 million were used as general working capital purposes.

YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") COMPARED WITH YEAR ENDED 31 DECEMBER 2011 ("YEAR 2011") (CONTINUED)

Gearing ratio

The gearing ratio as at 31 December 2012 was 0.17 times, an increase, from 0.09 times as at 31 December 2011 for the Group. The gearing ratio is defined as net debt divided by total capital. Net debt of approximately US$391.7 million (2011: US$192.7 million) is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. The total capital of the Group is approximately US$2,372.1 million (2011: US$2,186.3 million).

Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2012 are disclosed in note 35 to the consolidated financial statements.

Future commitments and funding sources

As at 31 December 2012, the Group had approximately US$0.84 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 including fixed and floating charges over assets of the Group of US$0.7 billion.

As at 31 December 2012, the Group's liquidity was US$912.5 million consisting of US$450.7 million in cash and cash equivalents and US$461.8 million available under the Group's existing credit facilities.

Prospects

Star Cruises continues to shape the future of cruise holiday in Asia by upgrading its fleet, expanding choice and developing both its product ranges and services. With our new onboard shopping offerings, we continue to build successful businesses that bring unrivalled experience and value to customers. After spending US$56.7 million in drydock and refurbishment, SuperStar Gemini will be homeported in Shanghai from April to October 2013 and offer idyllic sailings to popular destinations in North Asia after a series of successful inaugural sailings in Singapore, Penang and Sanya. The return of SuperStar Libra to Penang after a month-long drydock and refurbishment, will be offering special cruises to Yangon through a wide range of shore excursion selections in 2013. The transformation of SuperStar Gemini and SuperStar Libra along with other vessels will enable us to deliver an all-inclusive cruise experience, offering a variety of entertainment and recreational choices to our customers.

Travellers Group remains uniquely and strategically positioned to capitalise on the growth opportunities in the Philippines through its existing operations Phase 3 expansion at Newport City and the construction of development of Resorts World Manila Bayshore at the Entertainment City. The expansion at Newport City includes Marriott Grand Ballroom, which will be a 5,000-seater MICE venue that is linked to the existing Marriott Hotel along with additional new world-class hotels including Hilton and Sheraton. The development of Resorts World Manila Bayshore will include a 5-star 600-room Westin Hotel and an iconic structure, the Grand Opera House with an intention to make the Philippines as the Broadway of Asia.

After a successful initial public offering ("IPO") in January this year, Norwegian Group continues to demonstrate impressive revenue growth and profitability. Norwegian "Breakaway" and Norwegian "Getaway", will be delivered in April 2013 and January 2014 respectively, along with a "Breakaway Plus" vessel for delivery in fall 2015. Norwegian "Breakaway" will be the largest vessel to homeport year-round in New York City, sailing to Bermuda for the summer beginning in May 2013. Its sister ship Norwegian "Getaway", will be the largest ship to homeport year-round in Miami and will sail Eastern Caribbean voyages beginning in February 2014. The delivery of 3 newbuilds from 2013 to 2015 with an option to build one addition in 2017 will enable Norwegian Group to continue the growth strategy as planned.

YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") COMPARED WITH YEAR ENDED 31 DECEMBER 2011 ("YEAR 2011") (CONTINUED)

Norwegian Group

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

Total revenue increased 2.6% to US$2,276.2 million in 2012 compared to US$2,219.3 million in 2011. Net revenue increased 3.2% in 2012, primarily due to an increase in net yield of 1.6% and an increase in capacity days of 1.6%. The increase in net yield was primarily due to an increase in passenger ticket pricing and the increase in capacity days in 2012 was primarily due to the timing of certain repairs and maintenance.

Total cruise operating expense increased slightly in 2012 compared to 2011 due to an increase in capacity days as described above and higher ship operating expenses. The increase in ship operating expenses was primarily due to an increase in fuel expense as a result of a 16.3% increase in average fuel price to US$664 per metric ton in 2012 from US$571 per metric ton in 2011. Total other operating expense increased slightly compared to 2011 due to an increase in depreciation expense related to the purchase of m.v. Norwegian Sky primarily offset by lower general and administrative expenses as a result of ongoing business improvement initiatives. Net cruise cost increased slightly in 2012 primarily due to an increase in capacity days. On a capacity day basis, net cruise cost decreased 1.0% primarily due to the decrease in general and administrative expenses discussed above substantially offset by an increase in fuel expense. Excluding fuel expense, net cruise cost per capacity day decreased 5.3%.

Interest expense, net of capitalized interest, decreased to US$189.9 million in 2012 from US$190.2 million in 2011 primarily due to lower average interest rates partially offset by the non-cash write-off of deferred financing fees related to the prepayment of certain of credit facilities.

Travellers Group

In 2012, Travellers Group reported US$752.4 million in total revenues, a 14.1% increase compared to US$659.3 million in 2011. EBITDA increased 9.5% to US$234.7 million from US$214.4 million in 2011.

Total operating expenses amounted to US$252.4 million in 2012, compared to US$206.6 million in 2011, which is mainly due to the increase of new hires to support the expansion in operations, as well as marketing and advertising efforts to promote the integrated resort.

Finance costs decreased from US$61.0 million in 2011 to US$33.7 million in 2012, mainly due to recognition of an interest rate swap liability of US$26.9 million in 2011 while only US$8.7 million of additional interest rate swap liability was recognized in 2012.

Net income increased from US$111.9 million in 2011 to US$159.8 million in 2012.

As disclosed in the 2011 Annual Report and 2012 Interim Report, on 29 February 2012, the Bureau of Internal Revenue ("BIR") in the Philippines issued BIR Revenue Memorandum Circular No. 8-2012 which affirmed the non-exemption from corporate income taxation of the PAGCOR by virtue of the amendment of Section 1, RA 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

As confirmed by Travellers Group's external legal counsel on 7 March 2013, there has been no significant development during the year on the uncertainty on whether the non-exemption of corporate income taxation of PAGCOR will be extended to PAGCOR licensees, such as Travellers Group. Hence, no provision has been recognised in the audited consolidated financial statements as at 31 December 2012.

YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") COMPARED WITH YEAR ENDED 31 DECEMBER 2011 ("YEAR 2011") (CONTINUED)

Strategy

The Group's key aim is to maintain and strengthen our leadership positions in our core business segments. We do this by offering innovative products and services we provide while keeping our cost structure as efficient as possible.

2013 marks a new era for Genting Hong Kong as we celebrate our 20th anniversary. With a deep understanding of the Asian market, Star Cruises will continue to identify opportunities within our core competencies and capabilities to drive our businesses. These initiatives include:

1. Develop new local cruising markets, secure priority or favourable berthing arrangements, and offer new deployment routes;
2. Maximize net yield and occupancy by introducing innovative products and onboard revenue initiatives catering to our customer base;
3. Continue refurbishment and upgrading of fleet; and
4. Continue asset rationalization through repositioning of our ships and disposal of low-yielding assets.

The Philippines continues to be one of the fastest growing gaming markets in Asia after Macau and Singapore. The growth is underpinned by both increased wealth of the local and regional tourists on the back of an improving domestic economy. The Philippines economy which experienced an accelerated full year GDP growth of 6.6% in 2012 continues to expand in the past few years despite global economic slowdown. Building on the success of the existing operations at Newport City, Travellers will carefully execute its growth strategy within a rapidly growing consumption market in the Philippines. Upon the completion of Resorts World Manila Bayshore, Travellers will be the only one of the four licensees in the Philippines to operate integrated resorts in two different locations in Metro Manila. Travellers will be a game changer in the entertainment landscape with the Grand Opera House at Bayshore to be built soon. Being the first mover in the Philippine market with continuous expansion plans and product innovation, we strongly believe Travellers will maintain its competitive advantage in the coming years.

The success of Norwegian's initial public offering was the latest major milestone in the company's 46 year history. It is a leader in the cruise industry, both in terms of innovation and financial performance. Norwegian has poised itself for impressive growth, not only with its disciplined capacity expansion, but also from organic growth in the company's current fleet and continuous improvement initiatives aimed at detecting and maximizing efficiencies to further improve financial performance. Norwegian's product proposition is to provide cruisers a unique and customized experience focused on freedom and flexibility. Norwegian is the only cruise line to offer this Freestyle Cruising offering throughout its entire purpose-built fleet, which not only contributes to enhanced guest satisfaction, but also boosts the company's revenue from onboard spending sources. The company's high-quality service offering, which includes a private ship-within-a-ship group of suites branded as The Haven by Norwegian on several vessels, along with its premium itineraries and segment-leading stateroom mix successfully differentiate the brand from both industry and land-based leisure alternatives.

HUMAN RESOURCES

As at 31 December 2012, the Group had approximately 6,456 employees, consisting of approximately 5,168 (or 80%) shipbased officers and crew as well as approximately 1,288 (or 20%) 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 had 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. Upon expiry of the said scheme on 29 November 2010, no further options may be granted thereunder while the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme.

For year ended 31 December 2012, 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 realized 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 statement of financial position date. All such exchange differences are reflected in the consolidated statement of comprehensive income.

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 mainly relates to the Singapore dollar, Renminbi, Malaysian Ringgit 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 when appropriate, to enter into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

Interest rate risk

Majority of the Group's indebtedness and its related interest expenses are denominated in 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 when appropriate, 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.

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 2012, the Group had fuel swap agreements to pay fixed prices for fuel with a total outstanding notional amount of approximately US$38.1 million maturing December 2013.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS' PROFILES

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer
Tan Sri Lim Kok Thay, aged 61, was appointed an Executive Director of the Company in September 1994. He is the Chairman and Chief Executive Officer of the Company, a member of the Remuneration Committee and the Nomination Committee and a director of a number of subsidiaries of the Company. He is also the Chairman of the Board of Directors of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market (43.4% of its ordinary shares is beneficially owned by 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.

Tan Sri Lim is the Executive Chairman of Genting Singapore PLC, a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited and a subsidiary of Genting Berhad ("GENT"); Chairman and Chief Executive of GENT, a company listed on the Main Market of Bursa Malaysia Securities Berhad; Chairman and Chief Executive of Genting Malaysia Berhad ("GENM"), a public listed company in Malaysia in which GENT holds 49.29% equity interest; and a director and Chief Executive of Genting Plantations Berhad, a public listed company in Malaysia and a subsidiary of GENT; Executive Chairman of Genting UK Plc, a public company and an indirect wholly-owned subsidiary of GENM; and a director of Sierra Springs Sdn Bhd, Resorts World Limited ("RWL"), Kien Huat Realty Sdn. Berhad, Kien Huat International Limited, Parkview Management Sdn Bhd, Golden Hope Limited, Joondalup Limited and Cove Investments Limited. GENT, GENM, Sierra Springs Sdn Bhd, RWL, Kien Huat Realty Sdn. Berhad, Kien Huat International Limited, 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. GENT is an investment holding and management company and is principally involved, through its subsidiaries, in leisure and hospitality, gaming and entertainment businesses, development and operation of integrated resort, plantation, the generation and supply of electric power, property development and management, tours and travel related services, genomics research and development, investments and oil and gas exploration and development activities.

In addition, Tan Sri Lim is the Chairman of the Board of Trustees of The Community Chest, Malaysia. He also sits on the Boards of Trustees of several charitable organisations in Malaysia.

Tan Sri Lim was also involved in the development of Resorts World Genting in Malaysia and the overall concept and development of the Burswood Resort in Perth, Australia and the Adelaide casino in South Australia. He 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. Alan Howard Smith
Deputy Chairman and Independent Non-executive Director
Mr. Alan Howard Smith, aged 69, has been an Independent Non-executive Director of the Company since August 2000 and is the Chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company. Mr. Smith was the Vice Chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was Chief Executive of the Jardine Fleming Group from 1983 to 1994 and was Chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform.

Mr. Smith graduated with an LL.B. (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is also a director of Kingway Brewery Holdings Limited, VXL Capital Limited and Wheelock and Company Limited, which are listed on the Stock Exchange; and Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited.

During the last three years, Mr. Smith had also served as a director of several other public companies listed in Hong Kong and overseas. He was a director of Frasers Property (China) Limited, which is listed on the Stock Exchange, during the period from March 2001 to January 2011; United International Securities Limited, which is listed on the Singapore Exchange Securities Trading Limited, during the period from April 1983 to April 2011; Castle Asia Alternative PCC Limited (formerly known as KGR Absolute Return PCC Limited), which was listed on the London Stock Exchange, during the period from October 2005 to April 2011; and Global Investment House (K.S.C.C.), which was listed on the Kuwait Stock Exchange and is listed on the Bahrain and London Stock Exchanges as well as the Dubai Financial Market, during the period from September 2007 to September 2012. Mr. Smith also acts as a director of Asian Credit Hedge Fund Ltd., which had been listed on the Irish Stock Exchange but was voluntarily delisted in July 2012.

DIRECTORS' PROFILES (CONTINUED)

Mr. Lim Lay Leng
Independent Non-Executive Director
Mr. Lim Lay Leng, aged 62, has been an Independent Non-executive Director of the Company since October 2000 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Lim is also an Independent Non-executive Director of Lee Hing Development Limited, which is listed on the Stock Exchange and a director of several private property and investment holding companies in Hong Kong, China and Malaysia. Mr. Lim 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 59, has been an Independent Non-executive Director of the Company since May 2008 and is the Chairman of the Audit Committee of the Company. Mr. Heah is also an 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.

Mr. Au Fook Yew
Non-Executive Director
Mr. Au Fook Yew, aged 63, has first been appointed as an Independent Non-executive Director of the Company in May 2009 and subsequently been re-designated as a Non-executive Director in August 2010. He is also a member of the Audit Committee of the Company. He has served as a Director of Empire Resorts, Inc. (a company listed on NASDAQ Global Market) since August 2009. Golden Hope Limited as trustee of Golden Hope Unit Trust (a substantial shareholder of the Company) indirectly holds approximately 61% of the common stock of Empire Resorts, Inc.. Mr. Au had formerly been the President, Chief Executive Officer and Director of the Company, the Managing Director of Genting Singapore PLC (formerly known as Genting International P.L.C.) and a Director of Genting Berhad, until he resigned in November 2000.

Mr. Au is experienced in the hospitality and service sectors and has been involved in the starting up and re-structuring of companies in these sectors. Mr. Au holds a Bachelor of Science degree in Chemical Engineering from the University of Birmingham, United Kingdom and a Master degree in Business Administration from Harvard Business School, U.S.A..

SENIOR MANAGEMENT PROFILES

Mr. David Chua Ming Huat
President
Mr. David Chua Ming Huat, aged 50, has been appointed as the President of the Company since May 2007 and is a director of a number of subsidiaries of the Company. He is also a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. Before taking up the appointment with the Company, Mr. Chua 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, and had served as a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He possesses a Bachelor of Arts degree in Political Science and Economics from the Carleton University, Ottawa, Canada.

Mr. Blondel So King Tak
Chief Operating Officer
Mr. Blondel So King Tak, aged 52, joined the Company in July 2007 as Chief Financial Officer until September 2009 and has been appointed Chief Operating Officer since October 2009. Mr. So also acts as a director of various subsidiaries of the Company. 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 senior positions in multinational corporations and listed companies. He holds a Bachelor degree in Mathematics from Simon Fraser University, Canada and a Master degree in Corporate Finance from Hong Kong Polytechnic University.

Mr. William Ng Ko Seng
Chief Operating Officer – Cruise
Mr. William Ng Ko Seng, aged 58, has been the Chief Operating Officer – Cruise since October 2009 and a director of a number of subsidiaries of the Company. He joined the Group at its inception in 1994 in Hong Kong and had been an Executive Director of the Company from August 1998 to April 2009 and an Alternate Director to Tan Sri Lim Kok Thay from May 2009 to June 2012. Prior to joining the Group, he had been with the Genting Singapore Group (formerly known as 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.

Mr. Ng 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 in Sydney, Australia.

He is a member in the Advisory Committee and an Adjunct Professor of the School of Hotel and Tourism Management, The Chinese University of Hong Kong since 2000. He has been appointed as the Honorary Vice Chairman of the China Cruise & Yacht Industry Association on 16 October 2011 and as a Member of the Advisory Committee on Cruise Industry in Hong Kong on 28 January 2012.

Ms. Joyce Tan Wei Tze
Chief Financial Officer
Ms. Joyce Tan Wei Tze, aged 40, joined the Company in March 2009 as Senior Vice President of Corporate Finance/Finance until September 2009 and has been appointed Chief Financial Officer since October 2009. Prior to joining the Company, she held various positions in financial 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 is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT PROFILES (CONTINUED)

Ms. Mona Lai Yuen Ching
Senior Vice President of Legal, Company Secretarial & Compliance
Ms. Mona Lai Yuen Ching, aged 45, joined the Company in May 2010 as Senior Vice President of Legal, Company Secretarial & Compliance. Ms. Lai graduated in 1990 with a LL.B Bachelor of Laws Degree, and in 1991 with a LL.M Master of Laws Degree from University of London, King's College and was admitted as solicitor to the High Court of Hong Kong and the Supreme Court of England and Wales in 1995 and 1997 respectively. Ms. Lai has more than 17 years of experience in the legal sector with the first 5 years working as a private practitioner. Prior to joining the Company, Ms. Lai worked in a few large public companies listed on the Stock Exchange as senior legal counsel.

Mr. Kenny Ng Joon Ming
Senior Vice President of Information Technology & Business Process Outsourcing
Mr. Kenny Ng Joon Ming, aged 45, is currently Senior Vice President of Information Technology & Business Process Outsourcing. In this capacity, he is responsible for overseeing the Company's technology systems, leading its Information Technology organization, and managing the Company's Business Process Outsourcing Contact Centre with presence in Manila (Philippines) and Guangzhou (The People's Republic of China), offering voice services to its internal clients in the cruise, hotel and resorts businesses. With over 15 years of experience in Information Technology field, he has served in various positions from infrastructure, communication and business systems, and has led in the development of e-commerce platform and scalable solutions to meet changing needs to support business and distribution channels. Prior to joining the Company, Mr. Ng was attached to the Information Technology Department of Genting Malaysia Berhad. Mr. Ng holds a Master Degree in Business Administration from University of Southern Queensland (USQ), Australia majoring in Information Systems.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

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 and leisure, entertainment and hospitality activities. Details of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

As the Group is principally engaged in the operation of passenger cruise ships in Asia Pacific, no geographical analysis of financial information for the year ended 31 December 2012 has been provided.

RESULTS

The results of the Company and its subsidiaries for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 81 and 82.

DIVIDENDS

The Directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2012.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out on pages 88 to 91.

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 154.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012, save for the issuance by the Company of 260,000 new ordinary shares of US$0.10 each in the Company at an aggregate price of approximately HK$462,800 pursuant to the exercise of options granted under the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002).

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 as at 31 December 2012 is set out on page 155.

Details of the movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL, CONVERTIBLE BONDS AND 3.95% RMB1,380,000,000 BONDS

Details of the movements in share capital, convertible bonds and 3.95% RMB1,380,000,000 bonds of the Company are set out in notes 26, 28 and 29 to the consolidated financial statements, respectively.

INDEBTEDNESS

Details of long-term financing facilities of the Company and its subsidiaries at 31 December 2012 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. Tan Boon Seng *(resigned on 10 January 2013)*
Mr. Lim Lay Leng
Mr. Heah Sieu Lay
Mr. Au Fook Yew
Mr. William Ng Ko Seng *(retired as the Alternate Director to Tan Sri Lim Kok Thay with effect from the closing of the Annual General Meeting of the Company held on 6 June 2012)*

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Alan Howard Smith, Mr. Heah Sieu Lay and Mr. Au Fook Yew will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the three current Independent Non-executive Directors (namely Mr. Alan Howard Smith, Mr. Lim Lay Leng and Mr. Heah Sieu Lay) and the former Independent Non-executive Director (namely Mr. Tan Boon Seng who resigned on 10 January 2013) 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 (the "Listing Rules").

Biographical details of the Directors and senior management are set out on pages 28 to 31.

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 2012 are disclosed in note 34 to the consolidated financial statements.

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

(1) In view of the expiry of the services agreement dated 28 January 2008 between Genting Berhad ("GENT") and the Company on 31 December 2010, the Company entered into new agreements on 20 December 2010 all for a period of 3 years commencing from 1 January 2011 with Genting Management and Consultancy Services Sdn Bhd ("GMC") (a wholly-owned subsidiary of GENT), Genting Malaysia Berhad ("GENM") and Genting Singapore PLC ("GENS") separately in relation to the provision to relevant members of the Group as and when required from time to time of secretarial, share registration, investor and other related services by GMC (the "GENT-GENHK Services Agreement"); air ticket purchasing, leasing of office space, travel and other related services by relevant members of the GENM group (the "GENM-GENHK Services Agreement"); and information technology and implementation, support and maintenance services, and other services in relation to information technology support and central reservation services by relevant members of the GENS group (the "GENS-GENHK Services Agreement") respectively.

Following the disposal from the GENS group to the GENM group of certain of its wholly-owned subsidiaries which were providing information technology services to the Group on 31 October 2011, the Company had entered into a supplemental agreement with GENM on 31 October 2011 (the "GENM-GENHK Supplemental Agreement") to amend the GENM-GENHK Services Agreement (together with the GENM-GENHK Supplemental Agreement, the "Amended GENM-GENHK Services Agreement") for the purpose of expanding the scope of services covered by the GENM-GENHK Services Agreement to include information technology services. The maximum aggregate annual consideration (the "Annual Cap") for the transactions under the Amended GENM-GENHK Services Agreement for each of the financial years ended/ending 31 December 2011, 31 December 2012 and 31 December 2013 has been increased to include annual consideration expected to be payable for such additional services.

To allow for the provision of leasing services as well as other administrative and support services by the GENS group to the Group as might be required by the Group from time to time, the Company had entered into a supplemental agreement with GENS on 30 March 2012 (the "GENS-GENHK Supplemental Agreement") to amend the GENS-GENHK Services Agreement (together with the GENS-GENHK Supplemental Agreement, the "Amended GENS-GENHK Services Agreement") for the purpose of expanding the scope of services. The Annual Cap for the transactions under the Amended GENS-GENHK Services Agreement for each of the financial years ended/ending 31 December 2012 and 31 December 2013 remains unchanged.

Transactions under the GENT-GENHK Services Agreement, the Amended GENM-GENHK Services Agreement and the Amended GENS-GENHK Services Agreement are collectively referred to as the "GENT/GENM/GENS (Payable) Transactions".

GENT is a company listed on the Main Market of Bursa Malaysia Securities Berhad and in which Tan Sri Lim Kok Thay (the Chairman, Executive Director and Chief Executive Officer and a substantial shareholder of the Company) has a deemed interest and is also the Chairman and Chief Executive and a shareholder. GENM is a company listed on the Main Market of Bursa Malaysia Securities Berhad and GENS is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. As at the date of this report, GENT held approximately 49.29% and 52.01% equity interest in GENM and GENS respectively while GENM held approximately 18.39% equity interest in the Company. Apart from its deemed interest in the Company through GENM, GENT also held approximately 0.26% equity interest in the Company through a wholly-owned subsidiary. Tan Sri Lim Kok Thay is also the Chairman and Chief Executive and a shareholder of GENM and the Executive Chairman and a shareholder of GENS.

CONNECTED TRANSACTIONS (CONTINUED)

The Annual Cap for the transactions contemplated under the GENT-GENHK Services Agreement, the Amended GENM-GENHK Services Agreement and the Amended GENS-GENHK Services Agreement respectively for each of the three financial years ending 31 December 2013 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2011 US$	2012 US$	2013 US$
Annual amounts paid/payable by the Group under the GENT-GENHK Services Agreement	0.5 million	0.5 million	0.5 million
Annual amounts paid/payable by the Group under the Amended GENM-GENHK Services Agreement	3 million	4 million	5 million
Annual amounts paid/payable by the Group under the Amended GENS-GENHK Services Agreement	2 million	2 million	2 million

For the year ended 31 December 2012, the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the GENT-GENHK Services Agreement, the Amended GENM-GENHK Services Agreement and the Amended GENS-GENHK Services Agreement was approximately US$0.01 million, US$1.8 million and US$0.04 million respectively and has not exceeded the Annual Cap of US$0.5 million, US$4 million and US$2 million respectively.

(2) The Company entered into two agreements on 31 March 2011 both for a period of 3 years commencing from 1 January 2011 with GENM and GENS separately in relation to the provision by the Group of leasing of office space and equipment, tourism consultancy and other related services and administrative services to the GENM group as and when required from time to time (the "GENHK-GENM Services Agreement"); and air ticket purchasing, travel related services, administrative services including human resources and payroll related services, leasing of office space and equipment and other related services to the GENS group as and when required from time to time (the "GENHK-GENS Services Agreement") respectively.

Transactions under the GENHK-GENM Services Agreement and the GENHK-GENS Services Agreement are collectively referred to as the "GENM/GENS (Receivable) Transactions".

The Annual Cap for the transactions contemplated under the GENHK-GENM Services Agreement and the GENHK-GENS Services Agreement respectively for each of the three financial years ending 31 December 2013 was/is expected to be as follows:

	For the year ended/ending 31 December		
	2011 US$	2012 US$	2013 US$
Annual amounts received/receivable by the Group under the GENHK-GENM Services Agreement	1 million	1.2 million	1.5 million
Annual amounts received/receivable by the Group under the GENHK-GENS Services Agreement	3 million	3.5 million	4 million

For the year ended 31 December 2012, the aggregate amount received/receivable by the Group in respect of the transactions contemplated under the GENHK-GENM Services Agreement and the GENHK-GENS Services Agreement was approximately US$0.02 million and US$0.2 million respectively and has not exceeded the Annual Cap of US$1.2 million and US$3.5 million respectively.

CONNECTED TRANSACTIONS (CONTINUED)

(3) 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" ("WC Programme") (save for Malaysia). 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"; and

(ii) the Joint Promotion and Marketing Agreement and an addendum among certain wholly-owned subsidiaries of the Company, GENM and a wholly-owned subsidiary of GENS 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 GENM 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 GENS 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.

On 30 December 2008, certain wholly-owned subsidiaries of the Company, certain subsidiaries of WCIL, GENM and certain wholly-owned subsidiaries of GENS entered into supplemental agreements (the "Amendment Agreements I") 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.

In view of the expiry of the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement (as amended by the Amendment Agreements I) on 31 December 2010, certain wholly-owned subsidiaries of the Company, certain subsidiaries of WCIL, GENM and certain wholly-owned subsidiaries of GENS entered into supplemental agreements (the "Amendment Agreements II") on 23 December 2010 to fix the term of the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement (as amended by the Amendment Agreements I) for a further period of three years from 1 January 2011 to 31 December 2013 pursuant to Rule 14A.35 of the Listing Rules.

Upon completion of the disposal of 50% equity interest in WCIL by each of the Group and the GENS group to Resorts World Inc Pte. Ltd. ("RWI") on 4 November 2011, WCIL becomes a wholly-owned subsidiary of RWI. RWI is a company incorporated in Singapore and currently is a 50:50 jointly controlled company of Genting Intellectual Property Pte. Ltd. (a wholly-owned subsidiary of GENT) and KHRV Limited (a company wholly-owned by Golden Hope Limited ("Golden Hope") as trustee of the Golden Hope Unit Trust ("GHUT")). Golden Hope as trustee of the GHUT is a substantial shareholder of the Company.

As announced in the Company's announcement dated 6 June 2012, in view of the anticipated continuing increase in the amount of transactions as a result of active marketing efforts contemplated 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) as amended by the Amendment Agreements I and the Amendment Agreements II, the original Annual Caps for each of the two financial years ending 31 December 2013 have been revised.

CONNECTED TRANSACTIONS (CONTINUED)

The Annual Caps of each of (i) the amounts paid/payable by the Group and (ii) the amounts received/receivable by the Group under the terms of the WC Merchant Agreement, the Onshore WC Merchant Agreements and the JPM Agreement as amended by the Amendment Agreements I and the Amendment Agreements II, 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 from time to time (transactions under all these agreements and addenda are collectively referred to as the "WC/JPM Transactions"), for the three financial years ending 31 December 2013 were/are expected to be as follows:

	For the year ended/ending 31 December		
	2011 US$	2012 US$	2013 US$
Annual amounts paid/payable by the Group under the WC/JPM Transactions	2 million	5 million	5 million
Annual amounts received/receivable by the Group under the WC/JPM Transactions	1.5 million	5 million	5 million

For the year ended 31 December 2012, (i) the aggregate amount paid/payable by the Group in respect of the WC/JPM Transactions was approximately US$1.4 million and has not exceeded the Annual Cap of US$5 million and (ii) the aggregate amount received/receivable by the Group in respect of the WC/JPM Transactions was approximately US$1.9 million and has not exceeded the Annual Cap of US$5 million.

(4) On 21 January 2010, Crystal Aim Limited ("CAL") entered into a services agreement (the "RWS Services Agreement") with Resorts World at Sentosa Pte. Ltd. ("RWS") for a period commencing from 25 January 2010 (or such other date as agreed by the parties) up to 31 December 2011 in relation to the provision of certain services by CAL in respect of an integrated resort located at Sentosa, Singapore known as Resorts World Sentosa owned and operated by RWS, including but not limited to handling of English speaking inbound and outbound operation administration calls and provision of any reservations and booking services of tour packages, hotel rooms and any tickets for local and overseas customers of RWS, and handling of all amendment and cancellation related activities of any reservations and booking services (the "RWS Transactions").

On 29 December 2011, the Company entered into a first supplemental agreement with RWS (the "First Supplemental Agreement") to renew the RWS Services Agreement and continuing connected transactions thereunder for a further period of one year from 1 January 2012 to 31 December 2012.

CAL is a wholly-owned subsidiary of the Company and RWS is a wholly-owned subsidiary of GENS.

The Annual Cap for the RWS Transactions under the term of the RWS Services Agreement (as amended by the First Supplemental Agreement) for the financial year ended 31 December 2012 would not exceed US$4 million.

For the year ended 31 December 2012, the aggregate amount received/receivable by CAL in respect of the RWS Transactions was approximately US$1.3 million and has not exceeded the Annual Cap of US$4 million.

As announced in the Company's announcement dated 31 December 2012, in view of the expiry of the RWS Services Agreement (as amended by the First Supplemental Agreement) on 31 December 2012, the Company entered into a second supplemental agreement with RWS on 31 December 2012 (the "Second Supplemental Agreement") to renew the RWS Services Agreement (as amended by the First Supplemental Agreement) and continuing connected transactions thereunder for a further period of 3 years from 1 January 2013 to 31 December 2015.

The Annual Cap for the transactions contemplated under the RWS Services Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) for each of the three financial years ending 31 December 2015 will not exceed US$4 million, US$5 million and US$5 million respectively. Details of the Second Supplemental Agreement and transactions contemplated thereunder have been set out in the announcement issued by the Company on 31 December 2012 and will be disclosed in subsequent published annual reports and accounts of the Company for each of the said financial years in accordance with the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(5) On 2 November 2011, Star Cruises China Holdings Limited ("SCCH") entered into a hotel pre-opening technical services agreement (the "Technical Services Agreement") with 3rd Valley (Zhang Jia Kou) Resort Corporation ("3rd Valley") in respect of the provision of consultancy services by SCCH for the development, construction and completion of a first class international hotel (the "Hotel") to be constructed in Zhang Jia Kou City, Hebei Province, the People's Republic of China for total service fees of RMB2,866,300 during the term of the Technical Services Agreement. The term of the Technical Services Agreement is from the date of the agreement until 3 months after the Hotel commences to earn revenue or income from its operation. The Hotel has commenced its operation in December 2012.

On 16 April 2012, SCCH entered into a hotel management agreement (the "Hotel Management Agreement") with 3rd Valley in respect of the provision of management services and other services (including reservation and if required, marketing services) by SCCH for the Hotel. The Hotel Management Agreement has an initial term of 10 years commencing from 16 April 2012 and, subject to mutual agreement of the parties, may be renewed on the same terms and conditions for 3 successive periods of 5 years each.

Transactions under the Technical Services Agreement and the Hotel Management Agreement are collectively referred to as the "3rd Valley Transactions".

SCCH is an indirect wholly-owned subsidiary of the Company. 3rd Valley is a company in which Golden Hope as trustee of the GHUT has 30% indirect equity interest and Datuk Lim Chee Wah (a brother of Tan Sri Lim Kok Thay) has 44.9% indirect equity interest.

To comply with the Listing Rules, an independent financial adviser ("IFA") has been appointed to advise the Board in respect of the duration of the Hotel Management Agreement which is longer than three years. Taking into account the factors as set out in the Company's announcement dated 16 April 2012, the IFA considered that it is normal business practice for contracts of similar nature to the Hotel Management Agreement with the duration of more than three years and that the duration of the Hotel Management Agreement is in line with normal business practice for contracts of similar nature.

The Annual Cap of the service fees received/receivable by SCCH under the Hotel Management Agreement (in aggregate with the service fees received/receivable by SCCH under the Technical Services Agreement) for each of the three financial years ending 31 December 2014 was/is expected to be US$1.5 million. Upon expiry of the Annual Caps or such other circumstances as set out in the Listing Rules, the Company will re-comply with all applicable requirements thereunder.

For the year ended 31 December 2012, the aggregate amount received/receivable by SCCH in respect of the 3rd Valley Transactions was approximately US$0.4 million and has not exceeded the Annual Cap of US$1.5 million.

The Audit Committee comprising all Non-executive Directors (including all Independent Non-executive Directors) of the Company has reviewed the GENT/GENM/GENS (Payable) Transactions, the GENM/GENS (Receivable) Transactions, the WC/JPM Transactions, the RWS Transactions and the 3rd Valley Transactions (collectively, the "Non-exempt Continuing Connected Transactions") and confirmed that the Non-exempt Continuing Connected Transactions have been entered into:

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

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) 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 Company's auditor was engaged to report on the Group's Non-exempt Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the Non-exempt Continuing Connected Transactions disclosed by the Group in pages 34 to 38 of this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTIONS (CONTINUED)

(c) Transactions set out in items (q) and (y) of these related party transactions, constitute connected transactions 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 notes 34(q) and (y) to the consolidated financial statements.

(d) Transactions set out in items (d), (e), (f), (i) to (m) and (x) of these related party transactions, which also constitute continuing connected transactions under the Listing Rules, are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules as these transactions were entered into on normal commercial terms and the respective aggregate annual consideration under these continuing connected transactions for the year ended 31 December 2012 is less than the relevant de minimis threshold of 0.1% or 1% of the applicable percentage ratios (as prescribed in the Listing Rules).

(e) Transaction relating to the provision of financial assistance by World Arena Corporation and Silverland Concept Corporation (both are indirect substantial shareholders of Treasure Island Entertainment Complex Limited ("TIECL", an indirect 75% subsidiary of the Company)) to TIECL as set out in item (z) of these related party transactions, which also constitutes continuing connected transactions under the Listing Rules, is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules as the subject financial assistance was provided to TIECL on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance.

(f) Other related party transactions entered into by the Group during the year ended 31 December 2012 as set out in note 34 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Company, is the Chairman and Chief Executive and a shareholder of Genting Berhad ("GENT") and Genting Malaysia Berhad ("GENM"), both of which are substantial shareholders of the Company and companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Executive Chairman, a shareholder, a share option holder and a holder of the rights to participate in the performance shares of Genting Singapore PLC ("GENS"), a company listed on the Main Board of Singapore Exchange Securities Trading Limited. GENM is involved in a tourist resort business at Genting Highlands and its principal activities cover leisure and hospitality services, which comprise gaming, hotel, entertainment and amusement. The principal activities of GENM's subsidiaries include operation of casinos, property development and management, leisure and hospitality services, investments, timeshare ownership scheme, tours and travel related services, provision of sales and marketing services and information technology related services. GENS group's principal activities include the development and operation of integrated resorts, operation of casinos, provision of sales and marketing support services to leisure and hospitality related businesses and investments. As at the date of this report, GENT held approximately 49.29% and 52.01% equity interest in GENM and GENS respectively.

The Group is principally engaged in the business of cruise and cruise-related operations and leisure, entertainment and hospitality activities.

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

INTERESTS OF DIRECTORS

As at 31 December 2012, 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	362,703,613	36,298,108 *(1)*	2,034,082,196 *(2)*	4,972,982,524 *(3)*	5,918,613,153 *(4)*	76.148

Notes:

As at 31 December 2012:

(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 2,034,082,196 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 1,431,059,180 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 corporations 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 IFG International Trust Company Limited (now known as First Names Trust Company (Isle of Man) Limited) respectively), had a deemed interest in 4,972,982,524 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 held through share options, convertible bonds or other equity derivatives. Interests of the Director set out in this subsection (A) need to be aggregated with his interests in the underlying shares held through share options, convertible bonds or other equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the Director 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 held through share options, convertible bonds or other equity derivatives

Share options were granted to a Director under 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 2012, the Director had personal interests in the following underlying shares of the Company held through share options granted under 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	7,632,740	0.098	Beneficial owner

Further details of share options granted to the Director under 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 Director set out in this subsection (B) need to be aggregated with his interests in the shares of the Company set out in subsection (A) above in order to give the total interests of the Director 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 corporations of the Company

		Nature of interests/capacity in which such interests were held				
Name of associated corporation	Name of Director	Interest of spouse	Interests of controlled corporation	Founder/ Beneficiary of discretionary trusts	Total	Percentage of issued ordinary shares
		Number of ordinary shares *(Notes)*				
Starlet Investments Pte. Ltd. ("Starlet") *(1)*	Tan Sri Lim Kok Thay	250,000 *(2)*	250,000 *(3)*	250,000 *(4)*	500,000 *(13 and 14)*	100
SC Alliance VIP World Philippines, Inc. ("SC Alliance") *(5)*	Tan Sri Lim Kok Thay	2,000 *(6)*	2,000 *(7)*	2,000 *(8)*	2,000 *(13 and 14)*	40
Star Cruises Hong Kong Management Services Philippines, Inc. ("SCHKMS") *(9)*	Tan Sri Lim Kok Thay	5,000 *(10)*	5,000 *(11)*	5,000 *(12)*	5,000 *(13 and 14)*	100

INTERESTS OF DIRECTORS (CONTINUED)

(C) Interests in the shares of associated corporations of the Company (Continued)

Notes:

As at 31 December 2012:

(1) Starlet was a company in which each of a subsidiary of the Company and International Resort Management Services Pte. Ltd. ("IRMS") had a 50% interest. IRMS was owned as to 80% by Tan Sri Lim Kok Thay and 20% by his spouse, Puan Sri Wong Hon Yee.

(2) As the spouse of Puan Sri Wong Hon Yee, Tan Sri Lim Kok Thay had a family interest in 250,000 ordinary shares of Starlet directly held by IRMS in which Puan Sri Wong Hon Yee had a 20% interest.

(3) Tan Sri Lim Kok Thay was deemed to have a corporate interest in 250,000 ordinary shares of Starlet directly held by IRMS.

(4) As founder and a beneficiary of a discretionary trust, Tan Sri Lim Kok Thay had a deemed interest in 250,000 ordinary shares of Starlet.

(5) SC Alliance was owned as to 40% by Starlet.

(6) As the spouse of Puan Sri Wong Hon Yee, Tan Sri Lim Kok Thay had a family interest in 2,000 ordinary shares of SC Alliance directly held by Starlet in which IRMS had a 50% interest, IRMS was in turn owned as to 20% by Puan Sri Wong Hon Yee.

(7) Tan Sri Lim Kok Thay was deemed to have a corporate interest in 2,000 ordinary shares of SC Alliance directly held by Starlet in which IRMS had a 50% interest, by virtue of his interests in a chain of corporations holding Starlet.

(8) As founder and a beneficiary of a discretionary trust, Tan Sri Lim Kok Thay had a deemed interest in 2,000 ordinary shares of SC Alliance.

(9) SCHKMS was owned as to (i) 60% by SC Alliance which was in turn owned as to 40% by Starlet; and (ii) 40% by Starlet.

(10) As the spouse of Puan Sri Wong Hon Yee, Tan Sri Lim Kok Thay had a family interest in 5,000 ordinary shares of SCHKMS directly and indirectly held by Starlet in which IRMS had a 50% interest, IRMS was in turn owned as to 20% by Puan Sri Wong Hon Yee.

(11) Tan Sri Lim Kok Thay was deemed to have a corporate interest in 5,000 ordinary shares of SCHKMS comprising (i) 3,000 ordinary shares directly held by SC Alliance; and (ii) 2,000 ordinary shares directly held by Starlet, by virtue of his interests in a chain of corporations holding SC Alliance and Starlet.

(12) As founder and a beneficiary of a discretionary trust, Tan Sri Lim Kok Thay had a deemed interest in 5,000 ordinary shares of SCHKMS.

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

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

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

(a) as at 31 December 2012, 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 Post-listing Employee Share Option Scheme are set out in note 36 to the consolidated financial statements. The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options can be granted under the scheme but the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme. Details of the movement in the share options granted to the Directors of the Company and the employees of the Group under the Post-listing Employee Share Option Scheme during the year and outstanding as at 31 December 2012 were as follows:

Post-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2012	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 31/12/2012	Date granted	Exercise price per share	Exercisable period
Tan Sri Lim Kok Thay (Director)	3,163,699	–	(3,163,699)	–	–	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	28/05/2009 – 27/05/2018
	10,796,439	**–**	**(3,163,699)**	**–**	**7,632,740**			
Mr. William Ng Ko Seng (Alternate Director to Tan Sri Lim Kok Thay up to 6 June 2012) *(Note 1)*	584,069	–	(584,069)	–	–	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	1,500,000	–	–	–	1,500,000	27/05/2008	HK$1.7800	28/05/2009 – 27/05/2018
	2,084,069	**–**	**(584,069)**	**–**	**1,500,000**			
All other employees	52,902,188	–	(52,902,188)	–	–	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
	542,757	–	–	–	542,757	08/09/2003	HK$2.8142	09/09/2005 – 08/09/2013
	9,344,776	–	(7,204)	–	9,337,572	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	22,605,000	(260,000) *(Note 2)*	–	–	22,345,000	27/05/2008	HK$1.7800	28/05/2009 – 27/05/2018
	12,395,000	–	(245,000)	–	12,150,000	16/11/2010	HK$3.7800	16/11/2011 – 15/11/2020
	97,789,721	**(260,000)**	**(53,154,392)**	**–**	**44,375,329**			
Grand Total	**110,670,229**	**(260,000)**	**(56,902,160)**	**–**	**53,508,069**			

Notes:

(1) Mr. William Ng Ko Seng had retired as the Alternate Director to Tan Sri Lim Kok Thay with effect from the closing of the Annual General Meeting of the Company held on 6 June 2012.

(2) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$2.4227.

SHARE OPTIONS (CONTINUED)

Post-listing Employee Share Option Scheme (Continued)

The share options under the Post-listing Employee Share Option Scheme granted on (i) 8 September 2003 vest in seven tranches over a period of ten years from the date of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the date of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years; (ii) 23 August 2004 become exercisable in part or in full for a period of eight years commencing from two years after the date of offer; (iii) 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; and (iv) 16 November 2010 vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2011 to 2015. All the share options under the Post-listing Employee Share Option Scheme are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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

	Nature of interests/capacity in which such interests were held						
Name of shareholder *(Notes)*	**Beneficial owner**	**Interests of spouse**	**Interests of controlled corporation**	**Trustee**	**Beneficiary of trust**	**Total**	**Percentage of issued ordinary shares**
			Number of ordinary shares *(Notes)*				
Parkview Management Sdn Bhd (as trustee of a discretionary trust) *(1)*	—	—	1,451,155,180 *(11)*	1,451,155,180 *(13)*	—	1,451,155,180 *(20)*	18.67
Kien Huat International Limited *(2)*	—	—	1,451,155,180 *(11)*	—	—	1,451,155,180	18.67
Kien Huat Realty Sdn. Berhad *(3)*	—	—	1,451,155,180 *(11)*	—	—	1,451,155,180	18.67
Genting Berhad *(4)*	—	—	1,451,155,180 *(11)*	—	—	1,451,155,180	18.67
Genting Malaysia Berhad *(5)*	—	—	1,431,059,180 *(12)*	—	—	1,431,059,180	18.41
Sierra Springs Sdn Bhd *(6)*	—	—	1,431,059,180 *(12)*	—	—	1,431,059,180	18.41
Resorts World Limited *(6)*	1,431,059,180	—	—	—	—	1,431,059,180	18.41
IFG International Trust Company Limited (now known as First Names Trust Company (Isle of Man) Limited) (as trustee of a discretionary trust) *(7)*	—	—	3,521,827,344 *(14)*	3,521,827,344 *(15)*	3,521,827,344 *(17)*	3,521,827,344 *(20)*	45.31
Cove Investments Limited *(8)*	—	—	—	—	3,521,827,344 *(18)*	3,521,827,344	45.31
Golden Hope Limited (as trustee of Golden Hope Unit Trust) *(9)*	—	—	—	3,521,827,344 *(16)*	—	3,521,827,344	45.31
Joondalup Limited *(10)*	546,628,908	—	—	—	—	546,628,908	7.03
Puan Sri Wong Hon Yee	—	5,918,613,153 *(19(a))*	36,298,108 *(19(b))*	—	—	5,918,613,153 *(20)*	76.15

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

Notes:

As at 31 December 2012:

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

(2) Kien Huat International Limited ("KHI") was a private company, the voting shares of which are wholly-owned by Parkview as trustee of the Discretionary Trust 1.

(3) Kien Huat Realty Sdn. Berhad ("KHR") was a private company, the voting shares of which are wholly-owned by KHI.

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

(5) Genting Malaysia Berhad ("GENM") was a company listed on the Main Market of Bursa Malaysia of which GENT controlled 49.29% of its equity interest.

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

(7) IFG International Trust Company Limited (now known as First Names Trust Company (Isle of Man) Limited) ("IFG") was the trustee of a discretionary trust (the "Discretionary Trust 2"), the beneficiaries of which were Tan Sri KT Lim and certain members of his family. IFG 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).

(8) Cove Investments Limited ("Cove") was wholly-owned by IFG as trustee of the Discretionary Trust 2.

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

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

(11) Each of Parkview as trustee of the Discretionary Trust 1, KHI, KHR and GENT had a corporate interest in 1,451,155,180 ordinary shares (comprising the same block of 1,431,059,180 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 GENT).

(12) Each of GENM and Sierra Springs had a corporate interest in the same block of 1,431,059,180 ordinary shares held directly by RWL.

(13) The interest in 1,451,155,180 ordinary shares was held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprised the same block of 1,431,059,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by GOHL.

(14) IFG 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.

(15) IFG 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.

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

(17) IFG 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.

(18) 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.

(19) (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 5,918,613,153 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.

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

(21) All the above interests represented long positions in the shares of the Company and excluded those in the underlying shares held through share options, convertible bonds or other equity derivatives.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

(B) Interests in the underlying shares of the Company held through share options, convertible bonds or other equity derivatives

Name of shareholder	Number of underlying ordinary shares	Percentage of issued ordinary shares	Nature of interests
Puan Sri Wong Hon Yee	7,632,740 *(Note)*	0.098	Interests of spouse

Note:

As at 31 December 2012, Puan Sri Wong as the spouse of Tan Sri KT Lim, was deemed to have a family interest in 7,632,740 underlying ordinary shares of the Company by virtue of the share options granted to Tan Sri KT Lim under 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 2012, 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

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

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.

EMOLUMENT POLICY (CONTINUED)

Annual Bonus

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

Share Option Scheme

The Company adopted a Post-listing Employee Share Option Scheme to motivate employees and to allow them to participate in the growth and success of the Group. Options at market value at the date of grant had been offered from time to time to eligible employees entitling them to subscribe for shares in the share capital of the Company. Upon expiry of the said scheme on 29 November 2010, no further options may be granted thereunder while the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme.

Retirement Benefits

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

CORPORATE GOVERNANCE

In the opinion of the Directors, during the year ended 31 December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") as contained in Appendix 14 of the Listing Rules (the "Code Provisions"), save for certain deviations from the relevant Code Provisions A.2.1, A.6.7, E.1.2 and F.1.3 as listed below:

(a) Code Provision A.2.1 states that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

(b) Code Provision E.1.2 states that, inter alia, the Chairman of the Board should attend the annual general meeting and invite the Chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend and in their absence, another member of the Committee or failing this his duly appointed delegate, to attend and be available to answer questions at the annual general meeting. Code Provision A.6.7 states that, inter alia, Independent Non-executive Directors and other Non-executive Directors, as equal Board members, should also attend general meetings.

(c) Code Provision F.1.3 states that the Company Secretary should report to the Board Chairman and/or the Chief Executive.

Considered reasons for the aforesaid deviations as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 50 to 80.

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 four Non-executive Directors of the Company (including three Independent Non-executive Directors of the Company, namely Mr. Heah Sieu Lay, Mr. Alan Howard Smith and Mr. Lim Lay Leng, and one Non-executive Director, namely Mr. Au Fook Yew).

PUBLIC FLOAT

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

GENERAL DISCLOSURE PURSUANT TO THE LISTING RULES

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

Facility Agreements of the Group

In August 2012, the Group entered into a new secured term loan and revolving credit facility in an aggregate amount of US$600 million, of which US$400 million and US$75 million has been drawndown in September 2012 and October 2012 respectively, with a term of 7 years after the first utilisation of the facilities by the Company under the facility agreement (the "US$600 million Facility Agreement") for repayment, in September 2012, of all the outstanding loan balance under the US$600 million secured term loan and revolving credit facility granted pursuant to the facility agreement entered into by the Group in November 2010.

In October 2012, the Group entered into another new secured term loan and revolving credit facility in an aggregate amount of US$300 million, with a term of 3 years from the date of the facility agreement (the "US$300 million Facility Agreement"). As at 31 December 2012, no amount has been drawndown from this loan facility.

Pursuant to the US$600 million Facility Agreement and the US$300 million Facility Agreement, the Lim Family (as defined therein, including Tan Sri Lim Kok Thay (the Chairman and Chief Executive Officer of the Company), his spouse, his direct lineal descendants, the personal estate of any of the above persons and any trust created for the benefit of one or more of the above persons and their respective estates) is required, together or individually, directly or indirectly, to hold the largest percentage of the issued share capital of, and equity interest in, the Company. The Lim Family's holding shall include any interest which the Lim Family, together or individually, is deemed to hold in accordance with Part XV of the Securities and Futures Ordinance, Hong Kong (Disclosure of Interests) and in addition, any interest in the Company held by GENT, GENM and their respective Affiliates (as defined in the US$600 million Facility Agreement and the US$300 million Facility Agreement respectively).

As at 31 December 2012, the aggregate principal amount under the above facility agreements was US$900 million and the aggregate outstanding loan balance thereunder was approximately US$475 million.

SIGNIFICANT SUBSEQUENT EVENTS

NCLH has completed its IPO on 24 January 2013 and its ordinary shares are listed on the NASDAQ Global Select Market and NCLH has become the owner of 100% of the ordinary shares of NCLC. The percentage of ordinary shares of NCLH beneficially owned by the Group has been diluted from 50% to 43.4% as a result of the IPO, and the Group has estimated a deemed disposal gain to be approximately US$83 million. Upon completion of the IPO, Norwegian Group ceased to be a jointly controlled entity of the Group and became an associate of the Group.

On 1 February 2013, Norwegian Group also entered into an agreement to sell US$300 million aggregate principal amount of 5.00% senior unsecured notes due February 2018 (the "Notes"). The Notes were issued at an issue price of 99.451%. Norwegian Group intends to use the net proceeds, together with borrowings under its senior secured revolving credit facilities, to redeem its US$450 million 11.75% senior secured notes due 2016.

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, 21 March 2013

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 2012 has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") (the "Listing Rules"), save for certain deviations from the relevant Code Provisions A.2.1, A.6.7, E.1.2 and F.1.3 listed below.

A. Directors

A.1 The Board

Principle

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

The Board should regularly review the contribution required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

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 and when 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	Minutes of Board and Board Committees meetings shall be kept by a duly appointed secretary of the meeting and shall be open for inspection on reasonable notice by any Director.	No	Minutes of the meetings of the Board, the Audit Committee, the Nomination 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 Corporate Human Resources Department who is the Secretary of the Remuneration Committee. Such minutes are available for inspection on reasonable notice by any Director.

(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.1.5	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.1.6	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 perform their duties.
A.1.7	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 be dealt with by a physical Board meeting rather than a written resolution.	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 and the Bermuda laws allow the attendance of the Company's Directors by means of, inter alia, telephone or electronic facilities and such attendance shall be counted as attendance at a physical Board meeting.
A.1.8	Issuer shall arrange appropriate insurance cover in respect of legal action against its Directors.	No	All Directors are provided with appropriate insurance cover in respect of legal action against them.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of every issuer - the management of the Board and the day-to-day management of business. There should be a clear division of these responsibilities 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 shall be separate and shall not be performed by the same individual.	Yes	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 experience in the leisure and entertainment industry. 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 Senior Management team of the Group, assists 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 five experienced Non-executive Directors (including four Independent Non-executive Directors, ("INEDs")) during the year under review representing more than two-thirds 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.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.2 Chairman and Chief Executive (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
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, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.
A.2.4	The Chairman provides leadership for the Board and shall ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.	No	The Board, under the leadership of the Chairman, works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Comments on the draft notice and agenda of regular Board meetings and matters proposed to be included in such drafts by any Director will be duly considered before finalization.
A.2.5	The Chairman shall ensure that good corporate governance practices and procedures are established.	No	The Board establishes and maintains good corporate governance practices and procedures.
A.2.6	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the issuer.	No	All Directors are encouraged to make a full and active contribution to the Board's affairs and to voice their concerns if they have different views. Directors are given sufficient time for discussion at Board meetings. All Directors endeavour to act in the best interests of the Company.
A.2.7	The Chairman shall at least annually hold meetings with the Non-executive Directors (including INEDs) without the Executive Directors present.	No	During the year under review, the Board comprised six Directors, with one Executive Director (who was also the Chairman and Chief Executive Officer of the Company), one Non-executive Director and four INEDs. The Chairman, being the only Executive Director of the Company, holds regular meetings at least on a quarterly basis with the Non-executive Directors (including INEDs).

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.2 Chairman and Chief Executive (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.8	The Chairman shall ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.	No	Shareholders' Communication Policy has been established by the Board to ensure that an effective system of communication with shareholders is in place. Shareholders are encouraged to participate in general meetings whereat members of the Board and Board Committees are available to answer their questions.
A.2.9	The Chairman shall promote a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors.	No	All Directors are encouraged to openly share their views on the Company's affairs and issues and they are entitled to have access to Senior Management who will respond to queries raised by the Directors as promptly and fully as possible. The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.

A.3 Board composition

Principle

The Board should have a balance of skills and experience appropriate for the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It 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 identified in all corporate communications that disclose the names of Directors.	No	During the year under review, the Board comprised six Directors, with one Executive Director, one Non-executive Director and four 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 Director, Non-executive Director and INEDs, is disclosed in all corporate communications.
A.3.2	Issuer shall maintain on the websites of its own and the Exchange an updated list of its Directors identifying their roles and functions and whether they are INEDs.	No	An updated list of the Company's Directors identifying their roles and functions and whether they are INEDs is available on the websites of the Company and the Exchange.

(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. There should be plans in place for orderly succession for appointments. 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 formal letter of appointment had been entered into between the Company and each of the Non-executive Directors (including INEDs) whereby the term of office of each Non-executive Director (including 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.
A.4.2	All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after 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 appointment.
A.4.3	Re-appointment of any INED who has served more than 9 years should be subject to a separate resolution to be approved by shareholders and the papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.	No	During the year under review, retiring INEDs, who had served on the Board for more than 9 years, being eligible and offered themselves for re-election, were elected individually by shareholders at the AGM. Circular to shareholders accompanying the relevant resolutions for their re-appointment had included the reasons why the Board considered that they remained to be independent and should be re-elected.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.5 Nomination Committee

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	A Nomination Committee shall be established and be chaired by the Chairman of the Board or an INED and comprises a majority of INEDs.	No	The Board has established a Nomination Committee which is chaired by an INED. A majority of the members of the Nomination Committee are INEDs.
A.5.2	The Nomination Committee shall have specific written terms of reference to include the prescribed specific duties.	No	The Nomination Committee has specific written terms of reference which contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(C)(3) of this Report for the principal duties of the Nomination Committee.
A.5.3	The Nomination Committee shall make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Nomination Committee (including its role and functions) are available on the websites of the Exchange and the Company.
A.5.4	The Nomination Committee shall be provided with sufficient resources to perform its duties.	No	The Nomination Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
A.5.5	Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it shall set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why it believes the individual shall be elected and considers him to be independent.	No	For the proposed re-appointment of the retiring INEDs at the AGM, the Company has included in the circular to shareholders accompanying the notice of the relevant general meeting the reasons why the Board considers them to be independent and recommends them to be re-elected.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.6 Responsibilities of Directors

Principle

Every Director must always know his responsibilities as a Director of an issuer and its conduct, business activities and development. 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.6.1	Every newly appointed Director shall receive a comprehensive, formal and tailored induction on appointment. Subsequently, he shall receive 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 "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry, and the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" published by the Hong Kong Institute of Directors. They are also furnished with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities.
A.6.2	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 interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	No	Non-executive Directors (including the INEDs) of the Company continue to perform these functions.
A.6.3	Every Director shall give sufficient time and attention to the issuer's affairs.	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.6 Responsibilities of Directors (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.4	Written guidelines shall be established for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. "Relevant Employee" includes any employee or a Director or employee of a subsidiary or holding company 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 2012 as its code of conduct regarding securities transactions by its Directors. 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.6.5	All Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. The issuer shall be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	No	All Directors are provided with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes, at the Company's expenses, to update and enhance their knowledge and skills for performing Directors' roles and responsibilities. The Company maintains and updates a record of training received by the Directors. Please refer to sections (III)(A)(8) to (10) of this Report for further details.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.6 Responsibilities of Directors (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.6	Each Director shall disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments. The identity of the public companies or organizations and an indication of the time involved shall also be disclosed.	No	Each Director is required, on appointment, to disclose to the Board his directorships in public companies or organizations and other significant commitments, and provides continuous updates, on a regular basis, for any change therein, with an indication of the time involved.
A.6.7	INEDs and other Non-executive Directors, as equal Board members, shall give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They shall also attend general meetings and develop a balanced understanding of the views of shareholders.	Yes	All INEDs and the Non-executive Director of the Company have given the Board and any Board Committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation at meetings of the Board and relevant Board Committees. In respect of the Company's 2012 AGM, certain Directors of the Company (including an INED and the Non-executive Director) were unable to attend due to other engagements. Three INEDs had attended the said general meeting and were available to answer questions. No other general meeting was held during the year under review.
A.6.8	INEDs and other Non-executive Directors, shall make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	No	During the year under review, the Board comprised six Directors, with one Executive Director, one Non-executive Director and four 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. Adequate business documents and information about the Group are provided to all Directors in a timely manner. The INEDs and Non-executive Director are able to provide independent, constructive and informed comments and decisions on the development of the Company's strategy and policies.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.7 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.7.1	For regular Board meetings, and as far as practicable in all other cases, Board papers shall be sent, in full, to all Directors at least 3 days (or other agreed period) before a Board or Board Committee meeting.	No	Board papers in respect of regular Board meetings, and as far as practicable in all other cases, are sent to all Directors or Board Committee members (as the case may be) at least 3 days (or other agreed period) before the relevant meeting.
A.7.2	Management shall supply the Board and its committees with adequate information in a timely manner. The Board and individual Directors 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.7.3	All Directors are entitled to have access to Board papers and related materials. Queries raised by Directors shall receive a prompt and full response, if 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 as promptly and fully as possible.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

B. Remuneration of Directors and Senior Management and Board Evaluation

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

Principle

An issuer should disclose its Directors' remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain Directors to run the company successfully without paying more than necessary. No Director should be involved in deciding his own remuneration.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
B.1.1	The Remuneration Committee shall consult the Chairman and/or Chief Executive about their remuneration proposals for other Executive Directors and have access to independent professional advice if necessary.	No	The Chairman and Chief Executive Officer of the Company is one of the Remuneration Committee members and shall participate in formulating proposals on the remuneration of other Executive Directors, if any, 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.1.2	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 all the specific duties as prescribed by the CG Code. Please refer to section (III)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.3	The Remuneration Committee shall make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the websites of the Exchange and the Company.
B.1.4	The Remuneration Committee shall be provided with sufficient resources to perform 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.
B.1.5	Issuers shall disclose details of any remuneration payable to members of Senior Management by band in their annual reports.	No	Remuneration paid to members of Senior Management has been disclosed by band in the Company's Annual Report. Please refer to note 13 headed "Emoluments of Directors and Senior Management" of the Notes to the Consolidated Financial Statements in the Company's Annual Report.

(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 issuer's performance, position and prospects.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.1	Management shall provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.	No	The Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2	Management shall provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board and each Director to discharge their duties.	No	Upon effectiveness of this code provision from April 2012 onwards, all Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties.
C.1.3	The Directors shall acknowledge in this Report their responsibility for preparing the accounts. 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 2012, 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.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. Accountability and Audit (Continued)

C.1 Financial reporting (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.4	The Directors shall include in the separate statement containing a discussion and analysis of the issuer group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	No	The Company's corporate strategy and long term business model are explained in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report.
C.1.5	The Board shall present a balanced, clear and understandable assessment in annual and interim reports, other price sensitive announcements and other financial disclosures.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications.

C.2 Internal controls

Principle

The Board should ensure that the issuer maintains sound and effective internal controls to safeguard 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 the issuer's and its subsidiaries' internal control systems 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 Group 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.2.2	The Board's annual review shall, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	No	The periodic reviews of the Board conducted through the Audit Committee as mentioned above have also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. Accountability and Audit (Continued)

C.3 Audit Committee

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.3.1	Minutes of Audit Committee meetings shall be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meetings shall be sent to all committee members 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 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 its Audit Committee for a period of 1 year from the date of his ceasing: (a) to be partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	No	None of the five Directors who served on the Audit Committee during the year under review were former partners of the external auditors.
C.3.3	The Audit Committee's terms of reference shall include at least the prescribed specific duties.	No	Terms of reference of the Audit Committee contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.
C.3.4	The Audit Committee shall make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Audit Committee (including its role and functions) are available on the websites of the Exchange and the Company.

(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.3.5	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 reasons 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 perform 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.
C.3.7	The terms of reference of the Audit Committee shall also require it to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and to act as the key representative body for overseeing the issuer's relations with the external auditor.	No	Terms of reference of the Audit Committee contain all the specific duties as 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)

D. Delegation by the Board

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for Board approval. The Board should give clear directions to Management on the matters that must be approved by it before decisions are made on the issuer's behalf.

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 management's powers.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval.
D.1.2	The issuer shall formalise the functions reserved to the Board and those delegated to Management and review those arrangements periodically.	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.
D.1.3	The issuer shall disclose the respective responsibilities, accountabilities and contributions of the Board and Management.	No	Please refer to sections (III)(A)(1) and (2) of this Report for the respective responsibilities, accountabilities and contributions of the Board and Management.
D.1.4	Issuers shall have formal letters of appointment for Directors who shall clearly understand delegation arrangements in place.	No	A formal letter of appointment setting out the key terms and conditions of appointment had been entered into between the Company and individual Directors. Each Director understands the delegation arrangements in place.

(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 their authority and duties.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.2.1	The Board shall give sufficiently clear terms of reference to 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 Nomination Committee, the Share Option Committee and any other Board Committees established for investment and/or specific transaction purposes.
D.2.2	The terms of reference of Board Committees shall require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.	No	This term has been included in the terms of reference of the relevant Board Committees.

D.3 Corporate Governance Functions

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.3.1	The terms of reference of the Board (or a committee(s) performing the corporate governance functions) shall include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Board contain all the specific corporate governance duties as prescribed by the CG Code. Please refer to section (III)(A)(6) of this Report for the principal corporate governance duties of the Board.
D.3.2	The Board shall perform or delegate to a committee or committees to perform the prescribed corporate governance duties.	No	The Board is responsible for performing the corporate governance duties as prescribed by the CG Code.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them 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 to avoid "bundling" resolutions unless they are interdependent and linked and in such case, the reasons and material implications should be explained in the notice of meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting. During the year under review, as the resolutions involving reduction of share premium of the Company and related arrangements were interdependent or linked forming one significant proposal for approval at the AGM, they were covered under one single resolution and the reasons and material implications thereof were explained in the notice of meeting.
E.1.2	Chairman of the Board shall attend the annual general meeting and invite the Chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend and in their absence, invite another member of the committee or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Management shall ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.	Yes	The Chairman of the Board (who is also a member of the Remuneration and Nomination Committees) and two other Directors of the Company were unable to attend the Company's 2012 AGM due to other engagements. The Chairman of the Audit Committee chaired the said general meeting pursuant to the Company's Bye-laws and he, together with other members of the Audit, Remuneration and Nomination Committees and the external auditor of the Company, was available to answer questions at the general meeting.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

E. Communication with Shareholders (Continued)

E.1 Effective communication (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.1.3	The issuer shall arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	No	During the year under review, more than 20 clear business days' notice period had been given for the 2012 AGM. No other general meeting was convened during year 2012.
E.1.4	The Board shall establish a shareholders' communication policy and review it regularly to ensure its effectiveness.	No	Shareholders' Communication Policy has been established and will be reviewed regularly by the Board to ensure its effectiveness.

E.2 Voting by poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.2.1	The Chairman of a meeting shall provide an explanation on the detailed procedures for conducting a poll and answer questions from shareholders on voting by poll.	No	During the year under review, procedures for conducting a poll were properly explained during the Company's general meeting proceedings.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

F. Company Secretary

Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive on governance matters and should also facilitate induction and professional development of Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
F.1.1	The Company Secretary shall be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	No	The Company Secretary is an employee of the Company and has general knowledge of its affairs.
F.1.2	The Board shall approve the selection, appointment or dismissal of the Company Secretary.	No	The selection, appointment or dismissal of the Company Secretary shall be approved by the Board as appropriate at Board meeting, as and when the occasion arises.
F.1.3	The Company Secretary shall report to the Board Chairman and/or the Chief Executive.	Yes	Currently, the Company Secretary of the Company reports to the Board of Directors on Board matters and to the Head of Legal, Company Secretarial & Compliance on company secretarial and administrative matters. The Board is of the view that the above arrangement shall be maintained for effective performance of the roles and responsibilities of the Company Secretary.
F.1.4	All Directors shall have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, 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.

(II) STATE OF INTERNAL CONTROLS

(A) Board responsibilities

The Board has the ultimate responsibilities for the Group's system of internal controls and, through the Audit Committee, has reviewed the adequacy and effectiveness of the system including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. 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 Group's objectives.

(II) STATE OF INTERNAL CONTROLS (CONTINUED)

(B) Key internal control process

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

(1) The Company has in place a formal organization structure that clearly defines the Group's 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 Group 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 budgets.

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

(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 Head of Legal, Company Secretarial and Compliance, the Company Secretary and Internal Auditors to support the Board on proper management of effective corporate governance practices and requirements.

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

The programme is backed by Risk Management Policy which requires business units to perform self risk assessment. 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 step 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 Group has reporting mechanisms in place for improprieties or suspected fraudulent acts. There is a whistleblower system and all reported cases are deliberated by the Whistleblower Committee.

(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 periodic reviews have also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The review is supported by periodic reports received from management, external and internal auditors.

(II) STATE OF INTERNAL CONTROLS (CONTINUED)

(C) Statement from Directors

During the year, there was no significant control failing that materially impacted the business or operations of the Group. The Board is of the view that the Group 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 14 to the Listing Rules.

(A) Board of Directors

(1) The Board oversees and enhances the overall management and development of the Group's businesses, including considering and setting the overall strategies and objectives of the Company while allowing Management substantial autonomy to run and develop the business of the Group.

(2) The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval. There is a formal schedule of matters reserved for the Board's decision, including:

(a) Overall strategic direction;

(b) Annual operating plan;

(c) Annual capital expenditure plan;

(d) Major acquisitions and disposals;

(e) Major capital projects; and

(f) Monitoring of the Group's operating and financial performance.

(3) The Board is collectively responsible for performing the corporate governance duties, including, inter alia, developing, reviewing and monitoring compliance with the Company's policies and practices on corporate governance to ensure that they accord with the appropriate standards for good corporate governance.

(4) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2012 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 2012 to 31 December 2012 (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 year, except that due to inadvertent oversight, Resorts World Limited, an associate of Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Company, without notifying the designated director of the Company for the purpose of acknowledgement of the Chairman and his associates' dealings, disposed 1,900,000 shares of the Company during the period from 4 July 2012 to 11 July 2012. The Company shall iterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to dealings by the Directors and their respective associates in order to ensure the Directors' compliance.

(III) OTHER INFORMATION (CONTINUED)

(A) Board of Directors (Continued)

(5) During the year under review, four Board meetings and one general meeting were held and details of individual Directors' attendance of respective meetings are set out below:

	Board Meeting Attendance	AGM Attendance
Executive Director:		
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	4/4	0/1
INEDs:		
Mr. Alan Howard Smith *(Deputy Chairman)*	4/4*	0/1
Mr. Tan Boon Seng**	4/4*	1/1
Mr. Lim Lay Leng	4/4	1/1
Mr. Heah Sieu Lay	4/4	1/1
Non-executive Director:		
Mr. Au Fook Yew	3/4	0/1

* Two Board meetings were participated by means of telephone as allowed by the Company's Bye-laws.

** Resigned as an Independent Non-executive Director on 10 January 2013.

(6) The principal corporate governance functions of the Board include the following:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Company's policies and procedures with regard to conflict of interest and compliance applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

(7) During the year 2012, in accordance with the new provisions of the CG Code effective 1 April 2012, the Board has, inter alia:

(a) reviewed and updated the terms of reference of the Audit Committee and the Remuneration Committee;

(b) established the Nomination Committee with written terms of reference; and

(c) devised the Shareholders' Communication Policy to ensure that all the Company's shareholders are provided with ready, equal and timely access to relevant information about the Company.

(8) All Directors are committed to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities, and would update and confirm to the Company, on a regular basis, the related programmes attended and training received by them. The Company maintains and updates a record of training received by each Director accordingly.

(III) OTHER INFORMATION (CONTINUED)

(A) Board of Directors (Continued)

(9) New Directors, on appointment, will be given a comprehensive formal induction covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. All Directors are also furnished with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, and corporate governance practices, etc.. During the year 2012, the updates covered a broad range of topics including, inter alia, directors' duties, dealing in securities by directors, disclosure obligation of price-sensitive/inside information, and environmental, social and governance reporting. As part of the continuous professional development programmes, the Company has organized and funded an on-site visit to the Group's facilities at Resorts World Manila, the Philippines in November 2012 for the Directors to inspect and monitor its operations and progress of development. From April 2012 onwards, all Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties.

(10) The participation by individual Directors in the continuous professional development programmes in 2012 is summarized as follows:

	Type of trainings
Executive Director:	
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	A, B, C
INEDs:	
Mr. Alan Howard Smith *(Deputy Chairman)*	A, B, C, D
Mr. Tan Boon Seng**	A, C
Mr. Lim Lay Leng	A, B, C
Mr. Heah Sieu Lay	A, B, C
Non-executive Director:	
Mr. Au Fook Yew	A, B, C

** Resigned as an Independent Non-executive Director on 10 January 2013.

A: attending in-house briefings and/or reading relevant material

B: attending training relevant to the issuer's business/paying visits to the issuer's facilities

C: reading material relevant to the director's duties and responsibilities

D: attending training/seminars on applicable rules and regulations update

(B) Remuneration Committee

(1) During the year under review, one Remuneration Committee meeting was 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)*	1/1
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	1/1
Mr. Lim Lay Leng *(INED)*	1/1
Mr. Tan Boon Seng *(INED)***	1/1

** Resigned as an Independent Non-executive Director on 10 January 2013 and ceased to act as a member of the Remuneration Committee with effect from the same date.

(III) OTHER INFORMATION (CONTINUED)

(B) Remuneration Committee (Continued)

(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 and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to review and determine the remuneration packages of individual Executive Directors and Senior Management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointments); to review and make recommendations to the Board on the remuneration of Non-executive Directors (including INEDs); and to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(d) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

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

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

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

(3) During the year 2012, the Remuneration Committee has, inter alia:

(a) considered, reviewed and, where applicable, determined the specific remuneration packages (including annual bonus, benefits in kind, pension rights and compensation payments, if any) of the Executive Director and certain Senior Management; and

(b) recommended the Directors' fee for the year 2011 which has been approved by the shareholders of the Company at the 2012 AGM.

(4) No Director or any of his associates is involved in deciding his own remuneration.

(C) Nomination Committee

(1) The Nomination Committee was established during the year 2012 pursuant to the CG Code. Prior to its establishment, the role and functions of the Nomination Committee were taken up by the Board as a whole.

(2) During the year under review, one Nomination Committee meeting was held and details of attendance of the Nomination Committee members are set out below:

	Attendance
Mr. Alan Howard Smith *(Chairman of the Nomination Committee and INED)*	1/1
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	1/1
Mr. Lim Lay Leng *(INED)*	1/1
Mr. Tan Boon Seng *(INED)***	1/1

** Resigned as an Independent Non-executive Director on 10 January 2013 and ceased to act as a member of the Nomination Committee with effect from the same date.

(III) OTHER INFORMATION (CONTINUED)

(C) Nomination Committee (Continued)

(3) The principal duties of the Nomination Committee include the following:

(a) to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually; and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify and nominate candidates to the Board for its approval for appointment to the Board;

(c) to assess the independence of INEDs on their appointments, re-appointments or when their independence is called into question, to review the annual confirmations of the INEDs on their independence; and to make relevant disclosure in accordance with the requirements under the Listing Rules;

(d) to review the contribution required from a Director to perform his responsibilities and to assess whether the Director is spending sufficient time to fulfill his duties;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer; and

(f) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

(4) During the financial year under review, there have not been any changes to the Board composition.

(5) During the year 2012, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of INEDs on their re-appointments and considered the re-appointments of the retiring Directors, taking into account, inter alia, the skills and experience of the Directors and in the case of the INEDs, in addition, each of the factors for assessing independence of a Director as set out in the Listing Rules. On recommendation of the Nomination Committee, the Board has recommended Tan Sri Lim Kok Thay, 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 2012 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders.

Following re-appointment of the retiring Directors at the 2012 AGM of the Company, the Board has:

(a) re-appointed Tan Sri Lim Kok Thay as Chairman of the Company and Mr. Alan Howard Smith as Deputy Chairman of the Company, to hold office until the conclusion of the 2013 AGM of the Company pursuant to the Company's Bye-laws;

(b) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay, Mr. Lim Lay Leng and Mr. Tan Boon Seng as members of the Remuneration Committee to hold office until the conclusion of the 2013 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Remuneration Committee;

(c) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay, Mr. Lim Lay Leng and Mr. Tan Boon Seng as members of the Nomination Committee to hold office until the conclusion of the 2013 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Nomination Committee; and

(d) re-appointed Mr. Heah Sieu Lay, Mr. Alan Howard Smith, Mr. Tan Boon Seng, Mr. Lim Lay Leng and Mr. Au Fook Yew as members of the Audit Committee to hold office until the conclusion of the 2013 AGM of the Company and re-appointed Mr. Heah Sieu Lay as the Chairman of the Audit Committee.

(III) OTHER INFORMATION (CONTINUED)

(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 *(Chairman of the Audit Committee)*	2/2
Mr. Alan Howard Smith	2/2*
Mr. Tan Boon Seng**	2/2*
Mr. Lim Lay Leng	2/2
Non-executive Director:	
Mr. Au Fook Yew	2/2

* An Audit Committee meeting was participated by means of telephone as allowed by the Company's Bye-laws.

** Resigned as an Independent Non-executive Director on 10 January 2013 and ceased to act as a member of the Audit Committee with effect from the same date.

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

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

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and to ensure co-ordination where more than one audit firm is involved;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to act as the key representative body for overseeing the Company's relations with the external auditor;

(e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them before submission to the Board, focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgemental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

(f) in regard to (e) above,

(i) members of the Committee should liaise with the Board and Senior Management and the Committee must meet, at least twice a year, with the auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

(III) OTHER INFORMATION (CONTINUED)

(D) Audit Committee (Continued)

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

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

(j) to discuss the internal control system with Management to ensure that Management has performed its duty to have an effective internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(k) to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

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

(m) to review arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(n) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and Management's response to these findings; and

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

(3) During the year 2012, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2011 and for the six months ended 30 June 2012;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the Group's systems of internal controls including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(e) reviewed connected transactions and related party transactions as set out in the section headed "Connected Transactions" in the Report of the Directors 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;

(h) discussed periodically with internal and external auditors to ensure co-ordination between them;

(i) discussed periodically with management and internal audit team to ensure that the Group's internal audit function was adequately resourced and had appropriate standing within the Company; and

(j) reported to the Board conclusions of its review and recommendations on the matters set out in (a) to (g) above.

(III) OTHER INFORMATION (CONTINUED)

(E) Auditors' Remuneration

A remuneration of US$0.93 million was paid/payable to the Company's external auditors for the provision of audit services in 2012. During the same year, the fees paid/payable to the external auditors for non-audit related activities amounted to US$0.93 million of which US$0.22 million related to tax services fees and US$0.71 million related to system enhancement services fees.

(F) Shareholders' Rights

(1) Procedures to convene Special General Meeting ("SGM")

(a) Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request to convene a SGM to the Corporate Headquarters of the Company, for the attention of the Company Secretary.

(b) The written request must state the purposes of the meeting, signed by the shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

(c) The request will be verified with the Company's Share Registrars and Transfer Agent (as appropriate) and upon their confirmation that the request is proper and in order, the Company Secretary will seek approval of the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

(d) If the Board does not within twenty-one days from the date of the deposit of the properly made requisition proceed duly to convene a general meeting, the shareholders who make such requisition, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date and any reasonable expenses so incurred shall be reimbursed by the Company.

(e) The minimum notice period to be given to shareholders for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

(i) fourteen days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

(ii) twenty-one days' notice in writing if the proposal constitutes a special resolution of the Company;

provided that at least ten business days' notice in writing shall be given for any SGM.

(2) Procedures for submitting enquiries to the Company/the Board

(a) Shareholders are encouraged to check the Corporate Information page on the Company's website particularly the Investor Relations section before submitting an enquiry because the information being sought is often available on the website.

(b) Shareholders should direct their questions about their shareholdings to the Company's Share Registrars or Transfer Agent.

(c) In order to enable the Company to respond to shareholders' enquiries more efficiently, the enquiries should be made in writing to help avoid miscommunication and directed to the officer in charge of Investor Relations at the Corporate Headquarters of the Company in Hong Kong whose contact details are given in the Corporate Information section of the Company's Annual Report.

(III) OTHER INFORMATION (CONTINUED)

(F) Shareholders' Rights (Continued)

(3) Procedures for making proposals at shareholders' meetings

(a) Shareholders holding not less than one-twentieth of the paid-up capital of the Company, or of not less than one hundred in number, can deposit a written request to the Corporate Headquarters of the Company, for the attention of the Company Secretary, at the expense of the requisitionists, to:

(i) move a resolution at an annual general meeting; and/or

(ii) circulate any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (the "Statement").

(b) The written request, which may consist of several documents in like form, must be signed by all requisitionists, and, in the case of a requisition requiring notice of a resolution as referred to in paragraph (F)(3)(a)(i) above, must state the resolution, and, in the case of any requisition as referred to in paragraph (F)(3)(a)(ii) above, be accompanied by the Statement.

(c) The written request must be deposited at the Corporate Headquarters of the Company not less than six weeks before the next annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

(d) The request will be verified in the same manner as set out in paragraph (F)(1)(c) above, and if the request is verified as proper and in order, it will duly be processed provided that the requisitionists have deposited with the requisition a sum of money reasonably sufficient to meet the Company's expenses in serving notice of the resolution (where applicable) and circulating the Statement in accordance with the statutory requirements to all the shareholders.

(G) Investor Relations

During the year under review, certain amendments were made to the Company's Bye-laws as approved by the shareholders of the Company at the 2012 AGM by passing a special resolution in order to (i) expressly provide that the Company may by ordinary resolution declare distribution out of the Contributed Surplus Account of the Company; (ii) allow the Board to resolve to make distribution out of the Contributed Surplus Account of the Company; and (iii) remove the obsolete requirements for (a) notice of declaration of an interim dividend be given by advertisement in Hong Kong; and (b) newspaper advertisement for book closures, given that relevant announcements will be published on the websites of the Exchange and the Company in accordance with the Listing Rules.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	GROUP 2012 US$'000	GROUP 2011 US$'000
Continuing operations			
Turnover	5	520,381	494,008
Operating expenses			
Operating expenses excluding depreciation and amortisation		(297,552)	(286,492)
Depreciation and amortisation	8	(50,567)	(56,433)
		(348,119)	(342,925)
Selling, general and administrative expenses			
Selling, general and administrative expenses excluding depreciation and amortisation		(102,652)	(87,821)
Depreciation and amortisation	8	(6,866)	(5,897)
		(109,518)	(93,718)
		(457,637)	(436,643)
		62,744	57,365
Share of profit of jointly controlled entities	18	162,893	127,933
Share of profit/(loss) of associates	19	203	(404)
Other income, net	7	1,847	23,291
Finance income		12,032	4,182
Finance costs	6	(55,073)	(34,518)
		121,902	120,484
Profit before taxation	8	184,646	177,849
Taxation	9	(1,313)	(2,532)
Profit for the year from continuing operations		183,333	175,317
Discontinued operations			
Profit for the year from discontinued operations	10	14,672	10,110
Profit for the year		198,005	185,427
Other comprehensive income/(loss):			
Foreign currency translation differences		25,065	10,918
Fair value gain on derivative financial instruments		1,761	5,314
Fair value loss on available-for-sale investments		(40,656)	(2,403)
Realised loss of derivative financial instruments transferred to profit or loss		(3,013)	(5,085)
Share of other comprehensive income/(loss) of a jointly controlled entity		2,825	(11,365)
Other comprehensive loss for the year		(14,018)	(2,621)
Total comprehensive income for the year		183,987	182,806

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2012

	Note	GROUP 2012 US$'000	2011 US$'000
Profit attributable to:			
Owners of the Company		**198,361**	182,204
Non-controlling interest		**(356)**	3,223
		198,005	185,427
Profit attributable to owners of the Company arises from:			
Continuing operations		**183,689**	172,094
Discontinued operations	10	**14,672**	10,110
		198,361	182,204
Total comprehensive income attributable to:			
Owners of the Company		**184,343**	179,583
Non-controlling interest		**(356)**	3,223
		183,987	182,806
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**169,671**	169,473
Discontinued operations	10	**14,672**	10,110
		184,343	179,583
Earnings per share from continuing and discontinued operations attributable to owners of the Company			
– Basic (US cents)			
Continuing operations	11	**2.36**	2.21
Discontinued operations	11	**0.19**	0.13
		2.55	2.34
– Diluted (US cents)			
Continuing operations	11	**2.28**	2.14
Discontinued operations	11	**0.17**	0.12
		2.45	2.26

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2012

	Note	GROUP 2012 US$'000	GROUP 2011 US$'000	COMPANY 2012 US$'000	COMPANY 2011 US$'000
ASSETS					
NON-CURRENT ASSETS					
Deferred tax assets	31	**135**	325	**—**	—
Property, plant and equipment	14	**1,015,775**	1,185,948	**176**	39
Land use right	15	**1,281**	1,195	**—**	—
Interest in subsidiaries	17	**—**	—	**1,288,336**	1,288,336
Interest in jointly controlled entities	18	**1,367,312**	1,236,315	**—**	—
Interest in associates	19	**115**	7,916	**—**	—
Available-for-sale investments	20	**206,218**	3,907	**—**	—
Other assets	23	**107,068**	10,614	**11,653**	7,000
		2,697,904	2,446,220	**1,300,165**	1,295,375
CURRENT ASSETS					
Consumable inventories	21	**12,001**	7,557	**—**	—
Trade receivables	22	**92,260**	46,876	**—**	—
Prepaid expenses and other receivables	23	**171,850**	49,492	**13,122**	7,666
Available-for-sale investments	20	**16,041**	—	**—**	—
Derivative financial instruments	30	**—**	1,049	**—**	1,049
Amounts due from subsidiaries	24	**—**	—	**1,677,911**	1,426,992
Amounts due from related companies	34	**3,817**	923	**—**	—
Restricted cash		**5,461**	1,968	**—**	—
Cash and cash equivalents	25	**450,683**	568,172	**186,498**	215,918
		752,113	676,037	**1,877,531**	1,651,625
TOTAL ASSETS		**3,450,017**	3,122,257	**3,177,696**	2,947,000

STATEMENT OF FINANCIAL POSITION (CONTINUED)

For the year ended 31 December 2012

	Note	GROUP 2012 US$'000	GROUP 2011 US$'000	COMPANY 2012 US$'000	COMPANY 2011 US$'000
EQUITY					
Capital and reserves attributable to the Company's equity owners					
Share capital	26	**777,249**	777,223	**777,249**	777,223
Reserves:					
Share premium	26	**13**	1,510,802	**13**	1,510,802
Contributed surplus		**936,823**	—	**936,823**	—
Additional paid-in capital		**105,174**	101,664	**100,974**	99,259
Convertible bonds – equity component	28	**5,929**	5,929	**5,929**	5,929
Foreign currency translation adjustments		**29,225**	4,160	**—**	—
Available-for-sale investments reserve		**(40,144)**	512	**—**	—
Cash flow hedge reserve		**(5,896)**	(5,674)	**(145)**	1,107
Retained earnings/ (Accumulated losses)		**516,379**	(255,982)	**132,264**	(574,493)
		2,324,752	2,138,634	**1,953,107**	1,819,827
Non-controlling interests		**47,346**	47,702	**—**	—
TOTAL EQUITY		**2,372,098**	2,186,336	**1,953,107**	1,819,827
LIABILITIES					
NON-CURRENT LIABILITIES					
Loans and borrowings	27	**712,022**	689,606	**708,569**	689,606
Deferred tax liabilities	31	**36**	16	**—**	—
		712,058	689,622	**708,569**	689,606
CURRENT LIABILITIES					
Trade creditors	32	**42,705**	31,256	**—**	—
Current income tax liabilities		**1,606**	2,836	**—**	—
Provision, accruals and other liabilities	33	**175,280**	130,471	**12,075**	9,596
Current portion of loans and borrowings	27	**130,402**	71,281	**128,394**	52,544
Derivative financial instruments	30	**246**	—	**246**	—
Amounts due to subsidiaries	24	**—**	—	**375,305**	375,427
Amounts due to related companies	34	**764**	771	**—**	—
Advance ticket sales		**14,858**	9,684	**—**	—
		365,861	246,299	**516,020**	437,567
TOTAL LIABILITIES		**1,077,919**	935,921	**1,224,589**	1,127,173
TOTAL EQUITY AND LIABILITIES		**3,450,017**	3,122,257	**3,177,696**	2,947,000
NET CURRENT ASSETS		**386,252**	429,738	**1,361,511**	1,214,058
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,084,156**	2,875,958	**2,661,676**	2,509,433

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	GROUP 2012 US$'000	GROUP 2011 US$'000
OPERATING ACTIVITIES			
Cash generated from continuing operations	(a)	**85,804**	91,502
Interest paid		**(39,111)**	(26,896)
Interest received		**12,027**	2,608
Income tax paid		**(2,320)**	(2,340)
Net cash inflow from continuing operating activities		**56,400**	64,874
Net cash inflow from discontinued operating activities	10	**8,573**	21,358
Net cash inflow from operating activities		**64,973**	86,232
INVESTING ACTIVITIES			
Net cash inflow arising on disposal of subsidiaries	(b)	**—**	71,612
Purchase of property, plant and equipment		**(86,573)**	(36,109)
Proceeds from sale of property, plant and equipment		**30**	2,923
Proceeds from disposal of an associate		**7,672**	—
Proceeds from disposal of available-for-sale investments		**27,780**	—
Acquisition of equity interest in a jointly controlled entity		**—**	(203)
Acquisition of equity interest in associates		**(208)**	(8,107)
Acquisition of available-for-sale investments		**(282,048)**	—
Dividends received		**4,739**	—
Repayment of loan from a third party		**1,200**	—
Loans to third parties		**(1,007)**	(11,000)
Settlement of promissory notes		**1,187**	18,635
Receipts from redemption of preferred shares in a jointly controlled entity		**50,080**	49,233
Net cash (outflow)/inflow from continuing investing activities		**(277,148)**	86,984
Net cash inflow from discontinued investing activity	10	**50,000**	—
Net cash (outflow)/inflow from investing activities		**(227,148)**	86,984
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**655,340**	357,968
Repayments of loans and borrowings		**(573,683)**	(321,258)
Payment of loan arrangement fees		**(35,025)**	(11,800)
Proceeds from issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme		**60**	240
Proceeds from issuance of RMB1.38 billion bonds, net of issuance costs		**—**	212,934
Restricted cash		**(3,560)**	(1,968)
Net cash inflow from financing activities		**43,132**	236,116
Effect of exchange rate changes on cash and cash equivalents		**1,554**	(594)
Net (decrease)/increase in cash and cash equivalents		**(117,489)**	408,738
Cash and cash equivalents at beginning of year		**568,172**	159,434
Cash and cash equivalents at end of year	25	**450,683**	568,172

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

Notes to Consolidated Statement of Cash Flows

(a) Cash generated from continuing operations

	GROUP	
	2012 US$'000	2011 US$'000
OPERATING ACTIVITIES		
Profit before taxation from continuing operations	184,646	177,849
Depreciation and amortisation		
– relating to operating function	50,567	56,433
– relating to selling, general and administrative function	6,866	5,897
	57,433	62,330
Finance costs	55,073	34,518
Finance income	(12,032)	(4,182)
Share of profit of jointly controlled entities	(162,893)	(127,933)
Share of (profit)/loss of associates	(203)	404
Gain on disposal of subsidiaries	—	(14,322)
Loss on deemed disposal of a jointly controlled entity	—	726
Loss on disposal of an associate	512	—
Gain on disposal of available-for-sale investments	(771)	—
Gain on disposal of property, plant and equipment	(23)	(2)
Damages claim from a litigation	—	(13,300)
Impairment of loan receivable from a third party	3,111	—
Dividend income from an associate	(1,990)	—
(Gain)/Loss on derivative financial instruments	(58)	140
Others	1,272	21,315
	124,077	137,543
Decrease/(Increase) in:		
Trade receivables	(48,518)	(44,803)
Consumable inventories	(4,444)	(1,032)
Prepaid expenses and other receivables	(10,654)	6,122
Other assets	11,844	2,124
Increase/(Decrease) in:		
Trade creditors	11,449	(7,635)
Provisions, accruals and other liabilities	(223)	(3,165)
Amounts due to related companies	(2,901)	2,500
Advance ticket sales	5,174	(152)
Cash generated from continuing operations	85,804	91,502

Notes to Consolidated Statement of Cash Flows (Continued)

(b) Net cash inflow arising on disposal of subsidiaries

In November 2011, the Group disposed of its interests in the entire issued share capital of Fancy Star Holdings Limited ("FSHL") and Keen Impact International Limited ("KIIL") for approximately US$71.6 million and realised a gain on disposal of the subsidiaries of approximately US$14.3 million.

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

	As at date of disposal US$'000
Property, plant and equipment	206
Land use right	41,878
Investment property	15,162
Cash and bank balances	44
Net assets disposed off	57,290
Gain on disposal of subsidiaries	14,322
Sales proceeds	71,612
Sales proceeds have been received as follows:	
Cash received	71,612
Less : Mortgage loan and loan interest accrued	(31,937)
	39,675

(c) Non-cash transaction

The Group entered into the following non-cash investing activity which is not reflected in the consolidated statement of cash flows.

- In June 2012, the Group disposed the vessel, m.v. Norwegian Sky for a consideration of approximately US$259.3 million. US$209.3 million had not been received in cash at the end of the reporting period.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2012

GROUP	Attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Additional paid-in capital US$'000	Convertible bonds – equity component US$'000	Foreign currency translation adjustments US$'000	Cash flow hedge reserve US$'000	Available-for-sale investments reserve US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2012	777,223	1,510,802	–	101,664	5,929	4,160	(5,674)	512	(255,982)	2,138,634	47,702	2,186,336
Comprehensive income:												
Profit for the year	–	–	–	–	–	–	–	–	198,361	198,361	(356)	198,005
Other comprehensive income/ (loss) for the year:												
Foreign currency translation differences	–	–	–	–	–	25,065	–	–	–	25,065	–	25,065
Fair value gain on derivative financial instruments	–	–	–	–	–	–	1,761	–	–	1,761	–	1,761
Realised loss of derivative financial instruments transferred to profit or loss	–	–	–	–	–	–	(3,013)	–	–	(3,013)	–	(3,013)
Share of other comprehensive income of a jointly controlled entity	–	–	–	1,795	–	–	1,030	–	–	2,825	–	2,825
Fair value loss on available-for-sale investment	–	–	–	–	–	–	–	(40,656)	–	(40,656)	–	(40,656)
Total comprehensive income/(loss)	–	–	–	1,795	–	25,065	(222)	(40,656)	198,361	184,343	(356)	183,987
Transactions with owners:												
Issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme	26	34	–	–	–	–	–	–	–	60	–	60
Share premium reduction	–	(1,510,823)	936,823	–	–	–	–	–	574,000	–	–	–
Amortisation of share option expense	–	–	–	1,715	–	–	–	–	–	1,715	–	1,715
At 31 December 2012	777,249	13	936,823	105,174	5,929	29,225	(5,896)	(40,144)	516,379	2,324,752	47,346	2,372,098

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$'000	Cash flow hedge reserve US$'000	Available-for-sale investments reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
	Attributable to owners of the Company										
At 1 January 2011	777,133	1,510,652	97,653	5,929	(6,758)	6,067	2,915	(438,186)	1,955,405	44,479	1,999,884
Comprehensive income:											
Profit for the year	—	—	—	—	—	—	—	182,204	182,204	3,223	185,427
Other comprehensive income/(loss) for the year:											
Foreign currency translation differences	—	—	—	—	10,918	—	—	—	10,918	—	10,918
Fair value gain on derivative financial instruments	—	—	—	—	—	5,314	—	—	5,314	—	5,314
Realised loss of derivative financial instruments transferred to profit or loss	—	—	—	—	—	(5,085)	—	—	(5,085)	—	(5,085)
Share of other comprehensive income of a jointly controlled entity	—	—	605	—	—	(11,970)	—	—	(11,365)	—	(11,365)
Fair value loss on available for sale investment	—	—	—	—	—	—	(2,403)	—	(2,403)	—	(2,403)
Total comprehensive income/(loss)	—	—	605	—	10,918	(11,741)	(2,403)	182,204	179,583	3,223	182,806
Transaction with owners:											
Issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme	90	150	—	—	—	—	—	—	240	—	240
Amortisation of share option expense	—	—	3,406	—	—	—	—	—	3,406	—	3,406
At 31 December 2011	777,223	1,510,802	101,664	5,929	4,160	(5,674)	512	(255,982)	2,138,634	47,702	2,186,336

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

COMPANY	Share capital US$'000	Share premium[1] US$'000	Contributed surplus US$'000	Additional paid-in capital[1] US$'000	Convertible bonds – equity component US$'000	Cash flow hedge reserve US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
At 1 January 2012	777,223	1,510,802	–	99,259	5,929	1,107	(574,493)	1,819,827
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	132,757[2]	132,757
Other comprehensive income/ (loss) for the year:								
Fair value gain on derivative financial instruments	–	–	–	–	–	1,761	–	1,761
Realised loss of derivative financial instruments transferred to profit or loss	–	–	–	–	–	(3,013)	–	(3,013)
Total comprehensive income/(loss)	–	–	–	–	–	(1,252)	132,757	131,505
Transaction with owners:								
Issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme	26	34	–	–	–	–	–	60
Share premium reduction	–	(1,510,823)	936,823	–	–	–	574,000	–
Amortisation of share option expense	–	–	–	1,715	–	–	–	1,715
At 31 December 2012	777,249	13	936,823	100,974	5,929	(145)	132,264	1,953,107

COMPANY	Share capital US$'000	Share premium[1] US$'000	Additional paid-in capital[1] US$'000	Convertible bonds – equity component US$'000	Cash flow hedge reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2011	777,133	1,510,652	95,852	5,929	878	(533,170)	1,857,274
Comprehensive loss:							
Loss for the year	—	—	—	—	—	(41,323)[2]	(41,323)
Other comprehensive income/(loss) for the year:							
Fair value gain on derivative financial instruments	—	—	—	—	5,314	—	5,314
Realised loss of derivative financial instruments transferred to profit or loss	—	—	—	—	(5,085)	—	(5,085)
Total comprehensive income/(loss)	—	—	—	—	229	(41,323)	(41,094)
Transaction with owners:							
Issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme	90	150	—	—	—	—	240
Amortisation of share option expense	—	—	3,407	—	—	—	3,407
At 31 December 2011	777,223	1,510,802	99,259	5,929	1,107	(574,493)	1,819,827

Notes:

1. These reserves are non-distributable as dividends to owners of the Company.
2. The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of US$132.8 million (2011: loss attributable to owners of the Company of US$41.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Genting Hong Kong Limited (the "Company") is an exempted company continued into Bermuda with limited liability and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and traded on the GlobalQuote 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 and leisure, entertainment and hospitality activities.

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 financial 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 to existing standard effective in 2012

From 1 January 2012, the Group has adopted the following amendments to existing standard, which is relevant to its operations.

HKAS 12 (Amendment), 'Deferred tax recovery of underlying assets' (effective from 1 January 2012). HKAS 12 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measure using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, HK(SIC) 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn. The amendments do not have a material impact on the Group's consolidated financial statements.

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

(i) HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

New and amended standards that have been issued and not yet effective and have not been early adopted (Continued)

(ii) HKFRS 9, 'Financial instruments' (effective from 1 January 2013). This standard introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The Group will apply HKFRS 9 from 1 January 2013. It is not expected to have a material impact on the Group's consolidated financial statements.

(iii) HKFRS 10, 'Consolidated financial statements' (effective from 1 January 2013). The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group has already commenced an assessment of the impact to the Group's financial statements and anticipated that it will not lead to major changes in the classification of the Group's investments.

(iv) HKAS 27 (revised 2011), 'Separate financial statements' (effective from 1 January 2013). HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The standard is not expected to have a material impact on the Group's consolidated financial statements.

(v) HKFRS 11, 'Joint arrangements' (effective from 1 January 2013). HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group has already commenced an assessment of the impact to the Group's financial statements and anticipated that it will not lead to major changes in the classification of the Group's investments.

(vi) HKAS 28 (revised 2011), 'Associates and joint ventures' (effective from 1 January 2013). HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The revised standard is not expected to have a material impact on the Group's consolidated financial statements.

(vii) HKFRS 12, 'Disclosure of interests in other entities' (effective from 1 January 2013). HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not expected to have a material impact on the Group's consolidated financial statements.

(viii) HKFRS 13, 'Fair value measurements' (effective from 1 January 2013). HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

New and amended standards that have been issued and not yet effective and have not been early adopted (Continued)

(ix) HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment is not expected to have a material impact on the Group's consolidated financial statements.

(x) HKFRS 7 (Amendment), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities' (effective from 1 January 2013). The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment is not expected to have a material impact on the Group's consolidated financial statements.

(xi) HK(IFRIC) - Int 20, 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013). It sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under IFRS/HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable components of an ore body. The interpretation is not relevant to the Group.

(xii) HKAS 32 (Amendment), 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities' (effective from 1 January 2014). The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendment is not expected to have a material impact on the Group's consolidated financial statements.

(xiii) HKFRS 9, 'Financial Instruments' (effective from 1 January 2015). HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The impact on the Group's consolidated financial statements is still in the process of review.

(xiv) HKFRS 7 and HKFRS 9 (Amendments), 'Mandatory effective date and transition disclosures' (effective from 1 January 2015). HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The standard and amendment are not expected to have a material impact on the Group's consolidated financial statements.

Apart from the impact mentioned above and certain presentational changes, the adoption of these new/revised HKFRS standards and interpretations has no significant impact on the Group's financial statements. Where necessary, comparative information has been reclassified and expanded from previously reported consolidated financial statements to take into account any presentational change made in these financial statements .

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 statement of financial position, 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 non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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 statement of comprehensive income, 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.

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 arising from acquisition of subsidiaries are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(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 postacquisition results of jointly controlled entity in the consolidated statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative postacquisition 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.

The financial information of jointly controlled entities was prepared using accounting policies of the respective countries and appropriate adjustments were made to conform the accounting policies adopted by the Group.

(c) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US 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 statement of comprehensive income.

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

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

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

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

(iv) on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to profit or loss; and

(v) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences, are reattributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposal (that is, reduction in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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, revenue is recognised when it is probable that future economic benefits will flow to the Group, 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 is the aggregate of gaming wins and losses. Commission rebated directly or indirectly through gaming promoters to customers, cash discounts and other cash incentives to customers related to gaming play are recorded as a reduction of gross gaming revenue.

(e) Dividend income

Dividend income is recognised when the right to receive dividend is established.

(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.

(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 financial position 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 substantively enacted by the financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Current and deferred income tax (Continued)

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 and exclude restricted cash.

(k) 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 statement of comprehensive income 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.

(l) 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.

(m) 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 statement of comprehensive income. 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 statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 financial position 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 statement of financial position (notes (m) and (j)).

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 statement of financial position 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 statement of comprehensive income. 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 statement of comprehensive income within other income/(expense), net, in the year in which they arise.

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

The Group assesses at each financial position 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 statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment testing of trade receivables is described in note (m).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 statement of comprehensive income over the lease periods.

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

When assets are leased out under an operating leases, the assets are included in the statement of financial position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

(q) Property, plant and equipment

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

Cruise ships and 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
Aircraft	15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Property, plant and equipment (Continued)

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

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

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

(r) Investment properties

Investment properties are properly held either to earn income or capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight-line basis over their estimated useful lives of 25 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the consolidated statement of comprehensive income.

(s) Earnings per share

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

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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 financial position date, the Company revises its estimates of the number of shares under the options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, 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 statement of comprehensive income 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 statement of comprehensive income.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 financial position date.

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

(w) 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.

(x) 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 statement of comprehensive income in the year in which they are incurred.

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

(y) Impairment of assets

At each financial position 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 profit and loss. 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 arising from acquisition of subsidiaries are not reversed. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss in the year in which the reversals are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman who makes strategic decisions.

(aa) 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 and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group enters into derivative financial instruments, primarily foreign currency forward contracts, fuel swaps and interest rate swaps to limit its exposures to fluctuations in foreign currency exchange rates, fluctuation in the fuel oil prices and to modify its exposure to interest rate movements and to manage its interest costs.

(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, Renminbi, Malaysia Ringgit 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 when appropriate.

At 31 December 2012, if the Singapore dollar, Renminbi and Malaysia Ringgit 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, Renminbi and Malaysia Ringgit denominated trade receivables would be as follows:

	GROUP	
	2012 US$'000	2011 US$'000
Foreign exchange losses/gains	**2,231**	670

Since Hong Kong dollar is pegged to U.S. dollar, management considered that the Group does not have any material foreign exchange exposure in this regard.

The Company is not exposed to any material foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale investments. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(iii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, damages claim receivables and advances to third parties, as well as sales of services made on deferred credit terms. For cash and cash equivalents and deposits with banks, the Group deposits the cash with reputable financial institutions with Moody's long-term obligation ratings ranging from A1 to A3. The Group seeks to control credit risk by setting credit limits and ensuring that the advances are made to third parties and services are made to customers with an appropriate credit history following background checks and investigations of their creditworthiness. The Group also manages its credit risk by performing regular reviews of the ageing profile of trade receivables, damages claim receivables and advances to third parties. The Group considers the risk of material loss in the event of non-performance by a debtor to be unlikely. In addition, certain debtors provide security to the Group in the form of bank and assets guarantees.

At Company level, credit risk arises from damages claim receivables and amounts due from subsidiaries. The Company also manages its credit risk by performing regular reviews of the ageing profile of damages claim receivables and amounts due from subsidiaries.

(iv) 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 sufficient cash (2012: US$450.7 million and 2011: US$568.2 million) and committed credit lines available (2012: US$461.8 million and 2011: US$123.8 million).

Management also monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents based on expected cash flows to ensure that it will have sufficient cash flows to meet its working capital, loan repayments and covenant requirements. This is generally carried out on a 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 financial position liquidity ratios against internal and external financing requirements; and maintaining debt financing plans.

On 29 August 2012, the Group entered into a loan agreement with a syndicate of financial institutions for a secured term loan and revolving credit facility of US$600 million to refinance the existing facilities, to repay maturing loans and as general corporate and working capital of the Group.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the financial position 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
2012				
Loans and borrowings	**133,764**	**261,438**	**244,000**	**225,000**
Derivative financial instruments	**246**	—	—	—
Trade creditors	**42,705**	—	—	—
Accruals and other liabilities	**149,734**	—	—	—
Amounts due to related companies	**764**	—	—	—
2011				
Loans and borrowings	74,303	50,000	504,531	150,000
Trade creditors	31,256	—	—	—
Accruals and other liabilities	81,860	—	—	—
Amounts due to related companies	771	—	—	—

COMPANY

	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
2012				
Loans and borrowings	**131,756**	**261,438**	**240,547**	**225,000**
Derivative financial instruments	**246**	—	—	—
Accruals and other liabilities	**12,075**	—	—	—
Amounts due to subsidiaries	**375,305**	—	—	—
2011				
Loans and borrowings	55,566	50,000	504,531	150,000
Accruals and other liabilities	9,596	—	—	—
Amounts due to subsidiaries	375,427	—	—	—

Certain short-term financial instruments

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

Loans and borrowings

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

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Carrying amount	842,424	760,887	836,963	742,150
Fair value	842,424	760,887	836,963	742,150

The difference, if any, between the fair value and carrying amount of the loans and 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 loans and borrowings is estimated based on rates currently available for the same or similar terms and remaining maturities.

(v) Cash flow interest rate risk

The Group's and the Company's interest-rate risk arises from loans and 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 when appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises loans and 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.

For the year ended 31 December 2012, if the interest rates on variable-rate borrowings had been higher or lower by one percent, profit before taxation would have decreased or increased by the amounts shown below:

	GROUP	
	2012 US$'000	2011 US$'000
Increase/Decrease in profit before taxation	5,450	4,500

	COMPANY	
	2012 US$'000	2011 US$'000
Increase/Decrease in profit before taxation	5,450	4,500

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 equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents.

The gearing ratio as at 31 December 2012 was as follows:

	GROUP	
	2012 US$'000	2011 US$'000
Total borrowings (note 27)	**842,424**	760,887
Less: cash and cash equivalents (note 25)	**(450,683)**	(568,172)
Net debt	**391,741**	192,715
Total equity	**2,372,098**	2,186,336
Gearing ratio	**17%**	9%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	GROUP	
	2012 US$'000	2011 US$'000
Level 1		
Assets		
Available-for-sale investments	**222,259**	3,907
Level 2		
Assets		
Derivatives used for hedging	**—**	1,049
Liabilities		
Convertible bonds	**99,488**	97,708
Derivatives used for hedging	**246**	—
Total liabilities	**99,734**	97,708

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active market is based on quoted market prices at the financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not trade in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the used of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar financial instruments
- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the financial position date, with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

(d) 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.

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(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 statement of comprehensive income as gains or losses on derivative financial instruments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(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 statement of comprehensive income. Amounts accumulated in equity are recognised in the consolidated statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income.

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

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

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 financial position 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 2012 was US$1.0 billion (2011: US$1.2 billion). More details are given in note 14.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of trade receivables

Management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. Management assesses the recoverable amount of each individual trade receivables whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Management reassesses the provision at each financial position date.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) 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.

(f) Contingencies

Periodically, the Group assesses potential liabilities related to any lawsuits or claims or any asserted claims brought against the Group including its jointly controlled entities and its associates, 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.

A circular issued by the Bureau of Internal Revenue in February 2012 in the Philippines reaffirmed the non-exemption from corporate income taxation of the Philippine Amusement and Gaming Corporation ("PAGCOR"). This may give rise to an uncertainty on whether this non-exemption will be extended to PAGCOR licensees, such as our jointly controlled entity. After due consideration of the relevant provisions in the Provisional License Agreement between PAGCOR and our jointly controlled entity and in consultation with external legal advice, it is believed that remedies are adequate and available to our jointed controlled entity. Hence, no provision has been recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Loyalty points fair value assessment

The Group recognises the fair values of the customer loyalty award credits, based on the published redemption terms, historical redemption pattern of customers and fair value of cabins onboard and other goods and services as at year end. The Group reassess the measurement basis used for calculating the fair value of customer loyalty award credits for redemption of cabin onboard on regular basis.

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the operation of passenger cruise ships. Senior management reviews the performance and makes operating decisions and resources allocation based on the Group's internal reports. The Group's business is considered from a cruise operation and a non-cruise operation perspective. Accordingly, two reportable segments namely, cruise and cruise related activities and others are identified.

Cruise and cruise related revenues comprise sales of passenger tickets which include air transportation to and from the cruise ship, gaming revenue and revenues from onboard services and other related services, including food and beverage and entertainment. Other operations of the Group comprise hotel operations and others, none of which are of a significant size to be reported separately.

Charter hire operations were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 10.

Restatement of 2011 segment information is related to the reclassification of the results, assets and liabilities of m.v. SuperStar Gemini from the segment "Others" to the segment "Cruise and cruise related activities" upon its deployment in December 2012.

The significant increase in assets, loans and borrowing for the segment "Others" in 2012 is mainly attributable to the reclassification of RMB1.38 billion bonds from "Cruise and cruise related activities" in 2011 to "Others" in 2012 to appropriately reflect the nature of the facility.

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The segment information of the Group for the year ended 31 December 2012 and 2011 from continuing operations are as follows:

2012	Cruise and cruise related activities US$'000	Others US$'000	Total US$'000
Passenger ticket revenue	124,665	—	124,665
Onboard and other revenues	48,075	—	48,075
Gaming revenue	341,037	—	341,037
Others	—	6,604	6,604
Total turnover	513,777	6,604	520,381
Segment results for continuing operations	69,149	(6,405)	62,744
Share of profit of jointly controlled entities			162,893
Share of profit of associates			203
Other income, net			1,847
Finance income			12,032
Finance costs			(55,073)
Profit before taxation			184,646
Taxation			(1,313)
Profit from continuing operations for the year			183,333
Segment assets	2,018,210	1,431,807	3,450,017
Total assets			3,450,017
Segment liabilities	228,436	5,453	233,889
Loans and borrowings (including current portion)	622,764	219,660	842,424
	851,200	225,113	1,076,313
Tax liabilities			1,606
Total liabilities			1,077,919
Capital expenditure	125,004	2,519	127,523
Depreciation and amortisation for continuing operations	56,081	1,352	57,433

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

2011 (restated)	Cruise and cruise related activities US$'000	Others US$'000	Total US$'000
Passenger ticket revenue	119,245	—	119,245
Onboard and other revenues	44,626	—	44,626
Gaming revenue	324,648	—	324,648
Others	—	5,489	5,489
Total turnover	488,519	5,489	494,008
Segment results for continuing operations	60,538	(3,173)	57,365
Share of profit of jointly controlled entities			127,933
Share of loss of associates			(404)
Other income, net			23,291
Finance income			4,182
Finance costs			(34,518)
Profit before taxation			177,849
Taxation			(2,532)
Profit from continuing operations for the year			175,317
Segment assets	2,188,441	933,816	3,122,257
Total assets			3,122,257
Segment liabilities	169,294	2,904	172,198
Loans and borrowings (including current portion)	742,150	18,737	760,887
	911,444	21,641	933,085
Tax liabilities			2,836
Total liabilities			935,921
Capital expenditure	33,491	2,618	36,109
Depreciation and amortisation for continuing operations	59,715	2,615	62,330

No geographical information is shown as the turnover and operating profit of the Group are substantially derived from activities in Asia-Pacific region.

6. FINANCE COSTS

	GROUP	
	2012 US$'000	2011 US$'000
Amortisation of:		
– bank loans arrangement fees and commitment fee	**5,368**	3,851
Interest on:		
– bank loans and others	**14,096**	14,482
– convertible bonds	**9,279**	9,094
– RMB bonds	**10,579**	5,236
Loans arrangement fees written off	**15,751**	1,855
Total finance costs	**55,073**	34,518

7. OTHER INCOME, NET

	GROUP	
	2012 US$'000	2011 US$'000
Gain on disposal of available-for-sale investments (note (a))	**771**	—
Gain on disposal of property, plant and equipment	**23**	2
Loss on disposal of an associate (note (b))	**(512)**	—
Gain on disposal of subsidiaries (note (c))	**—**	14,322
Damages claim from a litigation (note (d))	**—**	13,300
Loss on deemed disposal of a jointly controlled entity (note (e))	**—**	(726)
Impairment of loan receivable from a third party	**(3,111)**	—
Dividend income from an investment	**1,990**	—
Gain/(Loss) on derivative financial instruments:		
– Forward contracts	**—**	(301)
– Fuel swaps	**58**	161
Gain/(Loss) on foreign exchange	**2,477**	(3,118)
Other income/(expenses), net	**151**	(349)
	1,847	23,291

Notes:

(a) In December 2012, the Group disposed off its available-for-sale investments for approximately US$27.8 million and recorded a realised gain on disposal of approximately US$0.8 million.

(b) In May 2012, the Group disposed off its entire interest in Resorts World Inc Pte. Ltd. for approximately US$7.7 million and recorded a loss of disposal of the associate of approximately US$0.5 million.

(c) In November 2011, the Group disposed off its interests in the entire issued share capital of Fancy Star Holdings Limited and Keen Impact Investment Limited for approximately US$71.6 million and realised a gain on disposal of the subsidiaries of US$14.3 million.

(d) In June 2011, the Group agreed to an out-of-court settlement of US$13.3 million in relation to the non-completion by Louis Plc. of the sale and purchase contract for m.v. Norwegian Dream (now known as m.v. SuperStar Gemini).

(e) In June 2011, the Group diluted its equity interest in Star Cruises Hong Kong Management Services Philippines, Inc. from 64% to 32% and recorded a loss on deemed disposal of the jointly controlled entity of approximately US$0.7 million.

8. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations is stated after charging the following:

	GROUP	
	2012 US$'000	2011 US$'000
Total depreciation and amortisation analysed into:	**57,433**	62,330
– relating to operating function	**50,567**	56,433
– relating to selling, general and administrative function	**6,866**	5,897
Staff costs (see note 12)	**113,842**	103,924
Fuel costs	**60,461**	55,888
Operating leases – land and buildings	**4,356**	4,987
Auditors' remuneration – audit fees	**930**	890
Advertising expenses	**20,218**	11,569

9. TAXATION

	GROUP	
	2012 US$'000	2011 US$'000
Overseas taxation		
– Current taxation	**1,251**	2,334
– Deferred taxation	**107**	84
	1,358	2,418
(Over)/Under provision in respect of prior years		
– Current taxation	**(130)**	200
– Deferred taxation	**85**	(86)
	1,313	2,532
Deferred taxation (charged)/credited in respect of temporary differences (see note 31)	**(192)**	2

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	
	2012 US$'000	2011 US$'000
Profit before taxation	**184,646**	177,849
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(6,270)**	(3,145)
Tax effects of:		
– Income not subject to taxation purposes	**(752)**	(554)
– Expenses not deductible for taxation purposes	**2,188**	1,499
– Utilisation of previously unrecognised tax losses and deductible temporary differences	**(40)**	32
– Deductible temporary differences not recognised	**6,268**	4,432
– Others	**(36)**	154
(Over)/Under provision in respect of prior years	**(45)**	114
Total tax expense	**1,313**	2,532

10. DISCONTINUED OPERATIONS

On 1 June 2012, the Group as seller entered into a memorandum of agreement with Norwegian Sky, Ltd., buyer nominated by NCL (Bahamas) Ltd., the charterer of m.v. Norwegian Sky, in relation to the disposal of the vessel at a consideration of approximately US$259.3 million. The disposal was completed on 6 June 2012.

The results of the discontinued operations (i.e. charter hire) included in the consolidated statement of comprehensive income and statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2012 US$'000	2011 US$'000
Profit for the year from discontinued operations		
Turnover	8,730	21,527
Operating expenses	(162)	(119)
Depreciation	(1,794)	(11,248)
	6,774	10,160
Finance income	5	35
Finance costs	—	(85)
Gain on disposal of assets constituting the discontinued operations	7,893	—
Profit before tax	14,672	10,110
Taxation	—	—
Profit for the year from discontinued operations	14,672	10,110
Cash flows from discontinued operations		
Operating activities		
Net cash inflow from operating activities	8,573	21,358
Investing activity		
Proceeds from disposal of assets	50,000	—
Net cash inflows	58,573	21,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. EARNINGS PER SHARE

Earnings per share is computed as follows:

	GROUP	
	2012 US$'000	2011 US$'000
BASIC		
Profit attributable to owners of the Company from continuing operations	**183,689**	172,094
Profit attributable to owners of the Company from discontinued operations	**14,672**	10,110
Earnings attributable to owners of the Company for the year	**198,361**	182,204
Weighted average outstanding ordinary shares, in thousands	**7,772,340**	7,771,842
Basic earnings per share from continuing operations in US cents	**2.36**	2.21
Basic earnings per share from discontinued operations in US cents	**0.19**	0.13
Basic earnings per share for the year in US cents	**2.55**	2.34
DILUTED		
Profit attributable to owners of the Company from continuing operations	**183,689**	172,094
Profit attributable to owners of the Company from discontinued operations	**14,672**	10,110
Earnings attributable to owners of the Company for the year	**198,361**	182,204
Interest expense on convertible bonds	**9,281**	9,094
Earnings used to determine diluted earnings per share	**207,642**	191,298
Weighted average outstanding ordinary shares, in thousands	**7,772,340**	7,771,842
Effect of dilutive ordinary shares, in thousands:		
– options	**13,423**	15,594
– convertible bonds	**685,841**	685,841
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**8,471,604**	8,473,277
Diluted earnings per share from continuing operations in US cents	**2.28**	2.14
Diluted earnings per share from discontinued operations in US cents	**0.17**	0.12
Diluted earnings per share for the year in US cents	**2.45**	2.26

12. STAFF COSTS

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

	GROUP	
	2012 US$'000	2011 US$'000
Wages and salaries	109,732	98,714
Termination benefits	46	35
Social security costs	629	481
Non-cash share option expenses	1,643	3,406
Post-employment benefits	1,792	1,288
	113,842	103,924

13. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2012 are set out as follows:

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonus US$'000	Other benefits[a] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Non-cash share option expenses US$'000	Total US$'000
2012								
Tan Sri Lim Kok Thay	48	1,562	650	9	–	2,269	72	2,341
Mr. Alan Howard Smith	64	–	–	–	–	64	–	64
Mr. Tan Boon Seng	60	–	–	–	–	60	–	60
Mr. Lim Lay Leng	60	–	–	–	–	60	–	60
Mr. Heah Sieu Lay	58	–	–	–	–	58	–	58
Mr. Au Fook Yew	54	–	–	–	–	54	–	54
	344	1,562	650	9	–	2,565	72	2,637

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonus US$'000	Other benefits[a] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Non-cash share option expenses US$'000	Total US$'000
2011								
Tan Sri Lim Kok Thay	18	1,313	568	10	5	1,914	545	2,459
Mr. Alan Howard Smith	67	–	–	–	–	67	–	67
Mr. William Ng Ko Seng	–	365	207	102	2	676	117	793
Mr. Tan Boon Seng	54	–	–	–	–	54	–	54
Mr. Lim Lay Leng	63	–	–	–	–	63	–	63
Mr. Heah Sieu Lay	61	–	–	–	–	61	–	61
Mr. Au Fook Yew	54	–	–	–	–	54	–	54
	317	1,678	775	112	7	2,889	662	3,551

Note:

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

13. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

	GROUP	
	2012 US$'000	2011 US$'000
Fees	48	18
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	5,796	5,240
Contributions to provident fund	8	11
Non-cash share option expenses	377	2,362
	6,229	7,631
Number of Directors included in the five highest paid individuals	1	2

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

	Number of individuals	
	2012	2011
HK$5,000,001 - HK$10,000,000	3	3
HK$10,000,001 - HK$15,000,000	1	—
HK$15,000,001 - HK$20,000,000	1	1
HK$20,000,001 - HK$25,000,000	—	1

The emoluments of the members of senior management fall within the following bands:

	Number of members	
	2012	2011
HK$2,000,001 - HK$5,000,000	3	4
HK$5,000,001 - HK$8,000,000	2	1
HK$10,000,001 - HK$13,000,000	1	—
HK$20,000,001 - HK$23,000,000	—	1

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

GROUP

	Cruise ships, passenger ferry and ship improvements US$'000	Finance leasehold land, land, jetties, buildings, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Equipment and other construction in progress US$'000	Aircraft US$'000	Total US$'000
Cost						
At 1 January 2012	1,434,675	322,562	194,350	6,639	—	1,958,226
Exchange differences	—	2,035	1,005	—	—	3,040
Transfer to a related company	—	—	4	—	—	4
Additions	29,140	1,236	20,638	57,209	19,300	127,523
Write off	—	(12)	(68)	—	—	(80)
Disposals	(279,845)	—	(1,809)	—	—	(281,654)
Adjustments to drydocking	3,634	—	—	—	—	3,634
At 31 December 2012	1,187,604	325,821	214,120	63,848	19,300	1,810,693
Accumulated depreciation						
At 1 January 2012	(580,078)	(76,493)	(115,707)	—	—	(772,278)
Exchange differences	(17)	(591)	(886)	—	—	(1,494)
Transfer to a related company	—	—	(4)	—	—	(4)
Charge for the year	(45,711)	(1,673)	(10,998)	—	(812)	(59,194)
Write off	—	2	63	—	—	65
Disposals	36,338	—	1,649	—	—	37,987
At 31 December 2012	(589,468)	(78,755)	(125,883)	—	(812)	(794,918)
Net book value						
At 31 December 2012	598,136	247,066	88,237	63,848	18,488	1,015,775

At 31 December 2012, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$0.7 billion (2011: US$1.1 billion).

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Cruise ships, passenger ferry and ship improvements US$'000	Finance leasehold land, land, jetties, buildings, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Equipment and other construction in progress US$'000	Total US$'000
Cost					
At 1 January 2011	1,416,259	319,465	164,629	6,617	1,906,970
Exchange differences	—	(385)	338	—	(47)
Transfer to a related company	—	—	1	—	1
Additions	7,024	3,482	25,581	22	36,109
Write off	—	—	(147)	—	(147)
Disposals	—	—	(33)	—	(33)
Disposal of subsidiaries	—	—	(268)	—	(268)
Classified from/(to) non-current assets held-for-sale	13,761	—	4,249	—	18,010
Adjustments to drydocking	(2,369)	—	—	—	(2,369)
At 31 December 2011	1,434,675	322,562	194,350	6,639	1,958,226
Accumulated depreciation					
At 1 January 2011	(511,639)	(75,023)	(101,245)	—	(687,907)
Exchange differences	18	(28)	(369)	—	(379)
Transfer to a related company	—	—	4	—	4
Charge for the year	(60,336)	(1,442)	(10,244)	—	(72,022)
Write off	—	—	64	—	64
Disposals	—	—	11	—	11
Disposal of subsidiaries	—	—	61	—	61
Classified from/(to) non-current assets held-for-sale	(8,121)	—	(3,989)	—	(12,110)
At 31 December 2011	(580,078)	(76,493)	(115,707)	—	(772,278)
Net book value					
At 31 December 2011	854,597	246,069	78,643	6,639	1,185,948

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The categories of "cruise ships, passenger ferry and ship improvements" and "equipment and motor vehicles" include a cruise ship and its related onboard equipment leased by the Group under operating lease with the following carrying amounts:

GROUP

	2012 US$'000	2011 US$'000
Cost		
At 1 January	280,696	280,696
Disposals	(280,696)	—
At 31 December	—	280,696
Accumulated depreciation		
At 1 January	(35,386)	(24,138)
Charge for the year	(1,794)	(11,248)
Disposals	37,180	—
At 31 December	—	(35,386)
Net book value		
At 31 December	—	245,310

COMPANY

	Office equipment and motor vehicles 2012 US$'000	 2011 US$'000
Cost		
At 1 January	211	195
Additions	179	16
Disposals	(145)	—
At 31 December	245	211
Accumulated depreciation		
At 1 January	(172)	(127)
Charge for the year	(42)	(45)
Disposals	145	—
At 31 December	(69)	(172)
Net book value		
At 31 December	176	39

15. LAND USE RIGHT

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

	GROUP	
	2012 US$'000	2011 US$'000
Hong Kong:	**—**	—
Outside Hong Kong:		
Long leasehold (not less than 50 years)	**—**	99
Medium leasehold (less than 50 years but not less than 10 years)	**1,281**	1,096
	1,281	1,195

	GROUP	
	2012 US$'000	2011 US$'000
At 1 January	**1,195**	44,397
Amortisation of prepaid operating lease for the year	**(33)**	(1,088)
Disposal	**—**	(41,878)
Classified to property, plant and equipment	**—**	(41)
Translation differences	**119**	(195)
At 31 December	**1,281**	1,195

16. INVESTMENT PROPERTY

	GROUP	
	2012 US$'000	2011 US$'000
Apartments, at cost		
At 1 January	**—**	17,927
Disposals	**—**	(17,927)
At 31 December	**—**	—
Accumulated depreciation and impairment loss		
At 1 January	**—**	2,329
Charge for the year	**—**	436
Disposals	**—**	(2,765)
At 31 December	**—**	—
Net book value		
At 31 December	**—**	—

17. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2012 US$'000	2011 US$'000
Unlisted shares	1,838,317	1,838,317
Less: Impairment loss in a subsidiary	(549,981)	(549,981)
	1,288,336	1,288,336

A list of principal subsidiaries is included in note 37 to the consolidated financial statements.

18. INTEREST IN JOINTLY CONTROLLED ENTITIES

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

	GROUP	
	2012 US$'000	2011 US$'000
At 1 January	1,236,315	1,123,213
Unlisted investment in a jointly controlled entity	—	203
Share of profit of jointly controlled entities	163,426	128,349
Share of reserves of a jointly controlled entity	2,825	(11,365)
Loss on deemed disposal of a jointly controlled entity	—	(726)
Redemption of preferred shares	(50,080)	(10,189)
Dividend declared/paid	—	(2,219)
Share of tax refund of a jointly controlled entity	1,750	—
Unrealised gain on disposal of property, plant and equipment	(7,893)	—
Translation differences	20,769	9,146
Others	200	(97)
At 31 December	1,367,312	1,236,315

18. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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:

2012

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/ (Loss) US$'000	Effective equity interest in percentage
NCL Corporation Ltd. ("NCLC")	Bermuda	2,827,841	1,857,623	1,138,123	81,506	50
Travellers International Hotel Group, Inc. ("Travellers")	Republic of the Philippines	582,796	324,528	376,186	78,021	50
Genting Management Services, Inc. ("GMS")	Republic of the Philippines	612	6	—	(7)	64
Genting-Star Tourism Academy Inc. ("GSTA")	Republic of the Philippines	902	503	641	(533)*	69
Star Cruises Hong Kong Management Services Philippines, Inc. ("SCHKMS")	Republic of the Philippines	4,177	295	5,117	3,900	32
Starlet Investments Pte. Ltd. ("Starlet")	Singapore	1,971	1	—	6	50
		3,418,299	2,182,956	1,520,067	162,893	

2011

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/ (Loss) US$'000	Effective equity interest in percentage
NCLC	Bermuda	2,730,871	1,857,493	1,109,662	69,745	50
Travellers	Republic of the Philippines	526,627	309,555	329,675	53,588	50
GMS	Republic of the Philippines	4,227	3,557	1,584	1,053	64
GSTA	Republic of the Philippines	1,122	409	733	(324)*	69
SCHKMS	Republic of the Philippines	3,336	47	4,014	3,968	32*
Starlet	Singapore	203	3	—	(6)	50
WorldCard International Limited ("WCIL")	Isle of Man	—	—	—	(91)*	—
		3,266,386	2,171,064	1,445,668	127,933	

* During the year ended 31 December 2012, the Group has accrued for its share of loss in GSTA in the aggregate amount of US$533,000 (2011: US$324,000), which is in excess of its investments in GSTA. As at 31 December 2012, the carrying value of GSTA has been recorded in accruals and other liabilities as the Group has constructive obligations towards this jointly controlled entity.

In November 2011, the Group disposed of its 50% equity interest in WCIL for a total consideration of US$1 to Resorts World Inc Pte. Ltd.

During the year ended 31 December 2011, the Group accounted for its share of loss from WCIL of approximately US$91,000, being the Group's portion of WCIL's results from 1 January 2011 to the date of disposal.

In June 2011, the Group diluted its equity interest of SCHKMS from 64% to 32% and recorded a loss on deemed disposal of the jointly controlled entity of approximately US$0.7 million.

19. INTEREST IN ASSOCIATES

The movements of the interest in associates are as follows:

	GROUP 2012 US$'000	GROUP 2011 US$'000
At 1 January	7,916	209
Acquisition of an associate during the year	208	—
Additional investments during the year	—	8,107
Disposal of an associate	(8,183)	—
Share of profit/(loss) of associates	174	(400)
At 31 December	115	7,916

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

2012

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/ (Loss) US$'000	Effective equity interest in percentage
PT. Graha Sahari Multitalenta ("PTGSM")	Republic of the Indonesia	91	20	8	(98)	29
SC Alliance VIP World Philippines, Inc. ("SCAVW")	Republic of the Philippines	1,241	1,278	—	4	20
Star Alliance VIP World, Inc. ("Star Alliance")	Republic of the Philippines	—	3	—	29*	40
Resorts World Inc Pte. Ltd. ("RWI")	Singapore	—	—	718	268**	—
		1,332	1,301	726	203	

** In May 2012, the Group disposed of its entire interest in RWI for approximately US$7.7 million and recorded a loss on disposal of the associate of approximately US$0.5 million.

19. INTEREST IN ASSOCIATES (CONTINUED)

2011

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Turnover US$'000	Profit/ Loss) US$'000	Effective equity interest in percentage
SCAVW	Republic of the Philippines	—	3	—	—	20
Star Alliance	Republic of the Philippines	—	1	—	(3)*	40
Cruise City Holdings Limited ("Cruise City")	British Virgin Islands	—	—	—	(1)*	—
RWI	Singapore	8,341	789	551	(400)	20
		8,341	793	551	(404)	

* During the year ended 31 December 2012, the Group has accrued for its share of profit in Star Alliance of US$29,000 (2011: loss of US$3,000), which is in excess of the Group's investment in Star Alliance. As at 31 December 2012, the carrying value of Star Alliance has been recorded in the accruals and other liabilities as the Group has constructive obligations towards this associate.

In March 2011, Cruise City has been dissolved by liquidation.

20. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2012 US$'000	2011 US$'000
At 1 January	**3,907**	6,310
Exchange difference	**3,799**	—
Additions	**282,048**	—
Disposals	**(26,839)**	—
Fair value losses recognised in equity	**(40,656)**	(2,403)
At 31 December	**222,259**	3,907
Less: non-current portion	**(206,218)**	(3,907)
Current portion	**16,041**	—

20. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Available-for-sale investments include the following;

	GROUP	
	2012 US$'000	2011 US$'000
Listed investments:		
Equity securities – listed outside Hong Kong	185,954	3,907
Debt securities – listed outside Hong Kong	10,937	—
Debt securities – listed in Hong Kong	9,327	—
Unlisted investments:		
Certificate of deposits	16,041	—
	222,259	3,907

Available-for-sale investments are denominated in the following currencies:

	GROUP	
	2012 US$'000	2011 US$'000
Australian dollar	183,406	—
Chinese Renminbi	36,305	—
Sri Lankan Rupee	2,548	3,907
	222,259	3,907

21. CONSUMABLE INVENTORIES

	GROUP	
	2012 US$'000	2011 US$'000
Food and beverages	3,339	2,060
Supplies and consumables	8,662	5,497
	12,001	7,557

22. TRADE RECEIVABLES

	GROUP	
	2012 US$'000	2011 US$'000
Trade receivables	95,428	48,427
Less: Provision for impairment	(3,168)	(1,551)
	92,260	46,876

22. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables is as follows:

	GROUP	
	2012	2011
	US$'000	US$'000
Current to 30 days	**53,851**	35,480
31 days to 60 days	**3,898**	1,016
61 days to 120 days	**23,446**	3,974
121 days to 180 days	**8,559**	3,807
181 days to 360 days	**3,495**	2,620
Over 360 days	**2,179**	1,530
	95,428	48,427

Credit terms generally range from payment in advance to 45 days credit (31 December 2011: payment in advance to 45 days).

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

	GROUP	
	2012	2011
	US$'000	US$'000
Hong Kong dollar	**46,407**	33,104
Singapore dollar	**35,705**	9,444
Chinese Renminbi	**5,080**	2,587
Malaysia Ringgit	**3,835**	1,366
Other currencies	**1,233**	375
	92,260	46,876

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

	GROUP	
	2012	2011
	US$'000	US$'000
At 1 January	**1,551**	37
Provision during the year	**1,617**	1,514
At 31 December	**3,168**	1,551

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 2012, the trade receivables that were past due but not impaired was US$38.4 million (2011: US$11.4 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. OTHER ASSETS, PREPAID EXPENSES AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Other debtors, deposits and prepayments	35,325	27,221	6,557	1,306
Promissory notes and interest receivables	6,777	7,911	—	—
Damages claim receivables	7,000	9,500	7,000	9,500
Loans to third parties	9,296	11,614	—	—
Loan arrangement fees for facilities not drawndown	11,218	—	11,218	—
Receivable from a jointly controlled entity relating to disposal of m.v. Norwegian Sky (note (a))	209,302	—	—	—
Amounts due from a jointly controlled entity	—	3,860	—	3,860
	278,918	60,106	24,775	14,666
Less: non-current portion	(107,068)	(10,614)	(11,653)	(7,000)
Current portion	171,850	49,492	13,122	7,666

Note:

(a) Out of the total consideration US$259.3 million in relation to the disposal of m.v. Norwegian Sky, US$50 million has been received by the Group. The remaining US$209.3 million will be settled in 7 equal principal installment payments plus interest at 1.25% to 2.5% per annum up until 31 May 2016. Respective receivables from a jointly controlled entity of US$92.6 million (non-current portion) and US$116.7 million (current portion) have been recognised as at 31 December 2012.

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Deposits with banks	279,266	395,027	184,500	213,380
Cash and bank balances	171,417	173,145	1,998	2,538
	450,683	568,172	186,498	215,918

25. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Chinese Renminbi	**204,468**	228,270	**184,503**	214,857
Hong Kong dollar	**93,570**	110,887	**170**	291
US dollar	**76,388**	136,254	**—**	619
Singapore dollar	**23,311**	25,451	**1,825**	151
Malaysia Ringgit	**20,610**	27,656	**—**	—
Australia dollar	**13,209**	1,449	**—**	—
New Taiwan dollar	**6,692**	7,529	**—**	—
Indian Rupee	**4,786**	17,061	**—**	—
Euro dollar	**4,309**	4,370	**—**	—
Others	**3,340**	9,245	**—**	—
	450,683	568,172	**186,498**	215,918

The effective interest rate on deposits with banks and its average maturity days are as follows:

	GROUP		COMPANY	
	2012	2011	**2012**	2011
Effective interest rate per annum	**3.3%**	1.5%	**3.3%**	1.5%
Average maturity days	**78 days**	92 days	**113 days**	110 days

26. SHARE CAPITAL

	Authorised share capital			
	Preference shares of US$0.10 each		Ordinary shares of US$0.10 each	
	No. of shares	**US$'000**	**No. of shares**	**US$'000**
At 1 January 2012 and 31 December 2012	**10,000**	**1**	**19,999,990,000**	**1,999,999**
At 1 January 2011 and 31 December 2011	10,000	1	19,999,990,000	1,999,999

26. SHARE CAPITAL (CONTINUED)

	Issued and fully paid ordinary shares of US$0.10 each	
	No. of shares	US$'000
At 1 January 2012	**7,772,230,872**	**777,223**
Issue of ordinary shares pursuant to the Post-listing Employee Share Option Scheme	**260,000**	**26**
At 31 December 2012	**7,772,490,872**	**777,249**
At 1 January 2011	7,771,326,406	777,133
Issue of ordinary shares pursuant to the Post-listing Employee Share Option Schemes	904,466	90
At 31 December 2011	7,772,230,872	777,223

The net proceeds from the issuance of ordinary shares pursuant to share options have been used for general corporate and working capital purposes of the Group. As at 31 December 2012, there were no unapplied proceeds from this issuance of shares.

On 6 June 2012, the Company has passed a special resolution to approve the entire sum standing to the credit of the share premium account of the Company be reduced to nil ("Reduction"); the credit amount arising from the Reduction be transferred to the contributed surplus account of the Company and an amount of US$574 million standing to the credit of the contributed surplus account be applied to set off against the accumulated losses of the Company.

27. LOANS AND BORROWINGS

Loans and borrowings consist of the following:

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
SECURED:				
US$600 million secured term loan and revolving credit facility 2010	**—**	432,053	**—**	432,053
US$600 million secured term loan and revolving credit facility 2012	**453,356**	—	**453,356**	—
US$70 million revolving credit facility	**69,866**	—	**69,866**	—
HK$195 million secured term loan	**—**	16,769	**—**	—
RMB12.5 million entrustment loans (i)	**4,016**	1,968	**—**	—
RMB14 million entrustment loans (i)	**1,445**	—	**—**	—
UNSECURED:				
Convertible bonds (see note 28)	**99,488**	97,708	**99,488**	97,708
RMB1.38 billion 3.95%bonds (see note 29)	**214,253**	212,389	**214,253**	212,389
Total liabilities	**842,424**	760,887	**836,963**	742,150
Less: Current portion	**(130,402)**	(71,281)	**(128,394)**	(52,544)
Long-term portion	**712,022**	689,606	**708,569**	689,606

Note:

(i) The entrustment loans are equivalent to the amount of restricted cash.

27. LOANS AND BORROWINGS (CONTINUED)

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

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
US dollars	**622,710**	529,761	**622,710**	529,761
Chinese Renminbi	**219,714**	214,357	**214,253**	212,389
Hong Kong dollars	**—**	16,769	**—**	—
	842,424	760,887	**836,963**	742,150

As at 31 December 2012, the outstanding balances of loans and borrowings denominated in Hong Kong dollar was nil (2011: HK$130 million).

As at 31 December 2012, the outstanding balances of loans and borrowings denominated in Renminbi was approximately RMB1.41 billion (2011: RMB1.39 billion).

As at 31 December 2012, the net carrying amount of the Group's loans and borrowings, including interest accrued and net of transaction costs incurred would be US$0.84 billion (2011: US$0.76 billion).

As at 31 December 2012, the net carrying amount of the Company's loans and borrowings, including interest accrued and net of transaction costs incurred would be US$0.84 billion (2011: US$0.74 billion).

As at 31 December 2012, approximately 34% of the Group's loans and borrowings was fixed rated (2011: 38%) and 66% was variable rated (2011: 62%).

The following is a schedule of repayments of the loans and borrowings in respect of the outstanding borrowings as at 31 December 2012:

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Within one year	**130,402**	71,281	**128,394**	52,544
In the second year	**258,225**	46,986	**258,225**	46,986
In the third to fifth years	**234,352**	495,481	**230,899**	495,481
After the fifth year	**219,445**	147,139	**219,445**	147,139
	842,424	760,887	**836,963**	742,150

The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates at the financial position dates are as follows:

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
6 months or less	**523,222**	448,822	**523,222**	432,053

The secured loans and borrowings were secured by, amongst other securities, a mortgage over each associated vessel with an aggregate carrying amount of US$731.5 million.

27. LOANS AND BORROWINGS (CONTINUED)

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

	GROUP		COMPANY	
	2012	2011	**2012**	2011
Bank borrowings in US dollars	**3.2%**	3.0%	**3.2%**	3.0%
Bank borrowing in Hong Kong dollars	**—**	2.8%	**—**	—
Bank borrowing in Renminbi	**0.4%**	0.4%	**—**	—
Convertible bonds	**9.4%**	9.4%	**9.4%**	9.4%
RMB1.38 billion 3.95% bonds	**4.9%**	4.9%	**4.9%**	4.9%

28. CONVERTIBLE BONDS

US$150 million 7.5% unsecured Convertible Bonds due 2016

In August 2009, the Company issued US$150 million 7.5% Convertible Bonds (the "Bonds due 2016") due in August 2016. The issue price of the Bonds due 2016 was 100% of their principal amount. The Bonds due 2016 carried interest at the rate of 7.5% per annum payable semi-annually in arrears. Subject to certain conditions, the Bonds due 2016 carried a right of conversion into fully-paid ordinary shares of the Company at an initial conversion price of HK$1.13 (US$0.15 based on a fixed rate of exchange applicable on conversion of the Bonds due 2016 of HK$7.75 = US$1.00) per share, subject to adjustments under certain specified circumstances.

On or at any time after 20 August 2014, the Company may, subject to satisfaction of certain conditions, redeem all or a portion of the Bonds due 2016 at their Early Redemption Amount (as defined in the Terms and Conditions of the Bonds due 2016) 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 130% of the conversion price in effect on the relevant trading day. In addition, if at any time the aggregate principal amount of the Bonds due 2016 outstanding is less than 10% of US$150 million, the Company shall have the option to redeem such outstanding Bonds due 2016 in whole but not in part at the Early Redemption Amount plus any accrued but unpaid interest.

The Bonds due 2016 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 due 2016), at the Early Redemption Amount together with any accrued but unpaid interest.

Unless previously converted, redeemed or purchased and cancelled as set out in the Terms and Conditions of the Bonds due 2016, the Bonds due 2016 would be redeemed on 20 August 2016 at 100% of the outstanding principal amount thereof, plus any accrued but unpaid interest.

Detailed terms and conditions of the Bonds due 2016 are constituted by the deed of covenants dated 20 August 2009 issued by the Company in favour of the Bondholders.

28. CONVERTIBLE BONDS (CONTINUED)

The analysis of the Bonds due 2016 recorded in the statement of financial position is as follows:

	GROUP/COMPANY	
	2012 US$'000	2011 US$'000
Face value of the Bonds due 2016 issued on 20 August 2009	**150,000**	150,000
Issuance costs	**(4,000)**	(4,000)
Net proceeds	**146,000**	146,000
Equity component transferred to the share premium	**(2,964)**	(2,964)
Remaining equity component	**(5,929)**	(5,929)
Equity component	**(8,893)**	(8,893)
Liability component on initial recognition	**137,107**	137,107
Interest accrued as at 1 January	**7,161**	5,567
Interest expense for the year	**9,279**	9,094
Interest paid during the year	**(7,499)**	(7,500)
Conversion of the Bonds to ordinary shares	**(46,560)**	(46,560)
Liability component	**99,488**	97,708

As at 31 December 2012, out of the US$150 million Bonds due 2016, US$50 million had been converted into ordinary shares of the Company and none of the Bonds due 2016 were redeemed or purchased by the Company.

29. RMB1,380,000,000 3.95% BONDS

In June 2011, the Company issued RMB1.38 billion 3.95% Bonds (the "RMB Bonds due 2014") due in June 2014. The issue price of the RMB Bonds due 2014 was 100% of their principal amount. The RMB Bonds due 2014 carries interest at the rate of 3.95% per annum payable semi-annually in arrears.

The RMB Bonds due 2014 mature on the Interest Payment Date (as defined in the Terms and Conditions of the RMB Bonds due 2014) and will be redeemed on such date at their principal amount. The RMB Bonds due 2014 are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting taxes of Bermuda.

The RMB Bonds due 2014 may be redeemed, at the option of the bondholders, in the event of a Change in Control (as defined in the Terms and Conditions of the RMB Bonds due 2014), on the Put Settlement Date (as defined in the Terms and Conditions of the RMB Bonds due 2014) at 101 per cent. of their principal amount, together with accrued interest to but excluding such Put Settlement Date.

Unless previously redeemed, or purchased and cancelled as set out in the Terms and Conditions of the RMB Bonds due 2014, the RMB Bonds due 2014 would be redeemed on 30 June 2014 at 100% of the outstanding principal amount thereof, plus any accrued but unpaid interest.

Detailed terms and conditions of the RMB Bonds due 2014 are constituted by the deed of covenants dated 30 June 2011 issued by the Company in favour of the Bondholders.

29. RMB1,380,000,000 3.95% BONDS (CONTINUED)

The analysis of the RMB Bonds due 2014 recorded in the statement of financial position is as follows:

	GROUP/COMPANY	
	2012 US$'000	2011 US$'000
Face value of the Bonds due 2014 issued on 30 June 2011	**212,934**	212,934
Issuance costs	**(5,800)**	(5,800)
Net proceeds	**207,134**	207,134
Interest accrued as at 1 January	**951**	—
Interest expense for the year	**10,579**	5,236
Interest paid during the year	**(8,715)**	(4,285)
Exchange differences	**4,304**	4,304
Balance as at 31 December	**214,253**	212,389

The net proceeds from the issuance of the RMB Bonds due 2014 were used as general working capital purposes of the Group.

As at 31 December 2012, none of the RMB Bonds due 2014 were redeemed or purchased by the Company.

30. 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 financial position 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 Group entered into fuel swap agreements with an aggregate notional amount of US$40.1 million, to pay fixed price for fuel. As at 31 December 2012, the outstanding notional amount was approximately US$38.1 million, maturing through December 2013 and the estimated fair market value of the fuel swap was approximately US$0.2 million, which was unfavourable to the Group and the Company. This amount has been recorded within the current portion of the derivative financial instruments in the accompanying consolidated and Company statements of financial position. 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 profit or loss when the underlying hedged items are recognised.

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 2012.

31. DEFERRED TAX

	GROUP	
	Excess of capital allowances over depreciation	
	2012 US$'000	2011 US$'000
Deferred tax liabilities		
The movements in deferred tax liabilities are as follows:		
At 1 January	**16**	75
Exchange difference	**20**	(17)
Deferred taxation credited to consolidated statement of comprehensive income	**—**	(42)
At 31 December	**36**	16
The amount shown in the statement of financial position includes the following:		
Deferred tax liabilities to be settled after 12 months	**36**	16

	GROUP	
	Tax losses	
	2012 US$'000	2011 US$'000
Deferred tax assets		
The movements in the deferred tax assets are as follows:		
At 1 January	**325**	365
Exchange difference	**2**	—
Deferred taxation charged to consolidated statement of comprehensive income	**(192)**	(40)
At 31 December	**135**	325
The amount shown in the statement of financial position includes the following:		
Deferred tax assets to be recovered after 12 months	**135**	325

As at 31 December 2012, the unused tax losses which have no expiry date and for which no deferred tax asset was recognised in the statement of financial position were approximately US$327 million (2011: US$310 million).

Deferred tax liabilities of US$20,417,000 (2011: US$10,075,000) have not been recognised for the withholding tax that would be payable upon the distribution of the share of undistributed earnings of a jointly controlled entity amounting to US$170,139,000 at 31 December 2012 (2011: US$83,957,000).

32. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

	GROUP	
	2012 US$'000	2011 US$'000
Current to 60 days	35,516	24,299
61 days to 120 days	4,412	1,831
121 days to 180 days	642	619
Over 180 days	2,135	4,507
	42,705	31,256

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2011: no credit to 45 days).

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

	GROUP	
	2012 US$'000	2011 US$'000
US dollar	17,794	23,591
Hong Kong dollar	15,557	—
Malaysia Ringgit	2,619	1,239
Chinese Renminbi	2,446	—
Macau Patacas	2,353	2,971
Other currencies	1,936	3,455
	42,705	31,256

33. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consist of the following:

	GROUP		COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Payroll, taxes and related benefits	28,096	24,781	9,544	7,552
Accruals for obligations under a customer loyalty programme	25,546	48,611	—	—
Payables for vessels conversion cost	38,892	—	—	—
Interest accrued	1,546	675	1,243	410
Port charges accrued	5,899	5,029	—	—
Accruals for repair and maintenance	3,081	2,360	—	—
Amounts due to jointly controlled entities	21,771	17,010	—	—
Others	50,449	32,005	1,288	1,634
	175,280	130,471	12,075	9,596

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited ("Golden Hope"), a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust ("GHUT"), a private unit trust which is held directly and indirectly by First Names Trust Company (Isle of Man) Limited (formerly known as IFG International Trust Company Limited) as trustee of a discretionary trust, the beneficiaries of which are Tan Sri Lim Kok Thay and certain members of his family, is a substantial shareholder of the Company.

Tan Sri Lim Kok Thay is the Chairman, Executive Director and Chief Executive Officer and a substantial shareholder of the Company.

Genting Berhad ("GENT"), 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 Genting Malaysia Berhad ("GENM"), a company also listed on Bursa Malaysia which in turn indirectly controls Resorts World Limited, which is a substantial shareholder of the Company. GENT indirectly controls Genting Singapore PLC ("GENS"), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. Genting Management and Consultancy Services Sdn Bhd ("GMC") is a company incorporated in Malaysia and a wholly-owned subsidiary of GENT.

Upon completion of the disposal of 50% equity interest in WorldCard International Limited ("WCIL") by each of the Group and the GENS group to Resorts World Inc Pte. Ltd. ("RWI") on 4 November 2011, WCIL becomes a wholly-owned subsidiary of RWI. RWI is a company incorporated in Singapore and currently is a 50:50 jointly controlled company of Genting Intellectual Property Pte. Ltd. ("GIP", a company incorporated in Singapore and a wholly-owned subsidiary of GENT) and KHRV Limited ("KHRV", a company incorporated in the Isle of Man and wholly-owned by Golden Hope as trustee of the GHUT).

Clever Create Limited ("CCL") is a company in which Mr. Kwan Yany Yan Chi ("Mr. Kwan") and his wife have an interest. Mr. Kwan is a director and an indirect substantial shareholder of Treasure Island Entertainment Complex Limited ("TIECL"). TIECL is a company wholly-owned by Macau Land Investment Corporation ("MLIC"), which in turn is owned by an indirect wholly-owned subsidiary of the Company as to 75%, World Arena Corporation ("World Arena") as to 15% and Silverland Concept Corporation ("Silverland") as to 10%.

Starmax Management Limited ("Starmax") is a company incorporated in the British Virgin Islands and owned as to 50% by Mr. Kwan.

Rich Hope Limited ("Rich Hope") is a company in which each of Tan Sri Lim Kok Thay and his wife has an attributable interest as to 50%. Tan Sri Lim Kok Thay is also a director of Star Cruises (HK) Limited ("SCHK"), an indirect wholly-owned subsidiary of the Company.

Ambadell Pty Limited ("Ambadell") is ultimately wholly-owned by Golden Hope as trustee of GHUT. Star Cruises (Australia) Pty Ltd ("SCA") is a company incorporated in Australia and an indirect wholly-owned subsidiary of the Company.

Resorts World at Sentosa Pte. Ltd. ("RWS") is a company incorporated in Singapore and an indirect wholly-owned subsidiary of GENS.

Crystal Aim Limited ("CAL") is a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company.

Genting International Management Limited ("GIML"), a wholly-owned subsidiary of GENS, is the registered owner of the "Crockfords and device" trademark (the "Crockfords" Trademark) and "MAXIMS" trademarks.

Star Market Holdings Limited ("SMHL") is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Upon completion of the IPO of NCLH on 24 January 2013, Norwegian ceased to be a jointly controlled entity of the Company and became an associate of the Company. Each of Norwegian Sky, Ltd. ("NSL") and NCL (Bahamas) Ltd. ("NCLB") is a company incorporated under the laws of Bermuda with limited liability and an indirect wholly-owned subsidiary of Norwegian.

Ample Avenue Limited ("AAL") is an exempted company continued into Bermuda and an indirect wholly-owned subsidiary of the Company.

International Resort Management Services Pte. Ltd. ("IRMS") is a company incorporated in Singapore and owned as to 80% by Tan Sri Lim Kok Thay and 20% by his wife.

Each of Travellers International Hotel Group, Inc. ("Travellers"), Genting Management Services, Inc. ("GMS") and Genting-Star Tourism Academy Inc. ("GSTA") is a jointly controlled entity of the Company.

Star Cruises Hong Kong Management Services Philippines, Inc. ("SCHKMS") is a company incorporated in the Republic of the Philippines and 64% owned indirectly by Starlet Investments Pte. Ltd. ("Starlet", a company incorporated in Singapore), which is in turn 50% owned directly and indirectly by each of IRMS and the Company respectively. SCHKMS is a jointly controlled entity of the Company.

Each of Star Cruises China Holdings Limited ("SCCH") and Wo De Ke Zhan Limited ("WDKZ") is an indirect wholly-owned subsidiary of the Company. 3rd Valley (Zhang Jia Kou) Resort Corporation ("3rd Valley") is a company in which Golden Hope as trustee of the GHUT has 30% indirect equity interest and Datuk Lim Chee Wah (a brother of Tan Sri Lim Kok Thay) has 44.9% indirect equity interest.

Bateson Capital Limited ("Bateson") is a wholly-owned subsidiary of the Company and Genting Singapore Aviation ("GSA") is a wholly-owned subsidiary of GENS.

Significant related party transactions entered into or subsisting between the Group and the above companies during the year ended 31 December 2012 and 2011 are set out below:

(a) On 20 December 2010, the Company entered into new services agreements for a period of three years commencing from 1 January 2011 with GMC, GENM and GENS separately in relation to the provision of certain services to the Group. On 31 October 2011 and 30 March 2012, the Company had entered into supplemental agreements with GENM and GENS respectively to amend the relevant services agreements for the purposes of expanding the scope of services. For the year ended 31 December 2012, (i) the amount charged to the Group in respect of secretarial, share registration, investor and other related services rendered by GMC was approximately US$11,000 (2011: US$15,000); (ii) the amount charged to the Group in respect of air ticket purchasing, leasing of office space, travel, information technology and implementation, support and maintenance services and other related services rendered by the GENM group was approximately US$1,795,000 (2011: US$943,000); and (iii) the amount charged to the Group in respect of administrative and other support services rendered by the GENS group was approximately US$44,000 (2011: US$576,000 in respect of information technology and implementation, support and maintenance, administrative and other support services).

(b) On 31 March 2011, the Company entered into new services agreements for a period of three years commencing from 1 January 2011 with GENS and GENM separately in relation to the provision of certain services by the Group. For the year ended 31 December 2012, (i) the amount charged by the Group in respect of air ticket purchasing, travel related services and administrative services rendered to the GENS group was approximately US$153,000 (2011: US$84,000) and (ii) the amount charged by the Group in respect of tourism consultancy services rendered to the GENM group was approximately US$24,000 (2011: Nil).

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) 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 GENM group.

During the year ended 31 December 2012 and 2011 the following transactions took place:

	GROUP	
	2012 US$'000	2011 US$'000
Amounts charged from the GENT group to the Group	**1,438**	1,650
Amounts charged to the GENT group by the Group	**1,894**	1,487

(d) On 29 May 2009 and 5 October 2012, TIECL entered into tenancy agreements with CCL in respect of the lease of an office area in Macau. During the year ended 31 December 2012, the amount charged by CCL to the Group in respect of the rental amounted to US$101,000 (2011: US$139,000).

(e) On 1 January 2010, SCHK entered into a tenancy agreement with Rich Hope in respect of the lease of an apartment in Hong Kong. In view of the expiry of the tenancy agreement on 31 December 2011, the parties entered into a new tenancy agreement on 1 January 2012 for 2 years commencing from 1 January 2012. During the year ended 31 December 2012, the amount charged by Rich Hope to SCHK in respect of the rental amounted to US$236,000 (2011: US$191,000).

(f) On 1 September 2011 and 12 November 2012, SCA entered into tenancy agreements with Ambadell in respect of the lease of an office area in Australia. During the year ended 31 December 2012, the amount charged by Ambadell to the Group in respect of the rental amounted to US$61,000 (2011: US$61,000).

(g) On 29 December 2011, CAL entered into the First Supplemental Agreement with RWS to renew the RWS services agreement entered into between the two parties, the term of which would be expiring on 31 December 2011, for a further period of one year from 1 January 2012 to 31 December 2012, in respect of the provision of certain services by CAL for the integrated resort, Resorts World Sentosa which is located at Sentosa, Singapore and owned and operated by RWS. CAL provides the scope of services, including but not limited to handling of English speaking inbound and outbound operation administration calls and provision of any reservations and booking services of tour packages, hotel rooms and any tickets for local and overseas customers of RWS, and handling of all amendment and cancellation related activities of any reservations and booking services. Amount charged to RWS in respect of these services rendered by CAL was approximately US$1,296,000 for the year ended 31 December 2012 (2011: US$1,116,000).

(h) On 2 November 2011, SCCH and 3rd Valley entered into a hotel pre-opening technical services agreement in respect of the provision of consultancy services by SCCH with respect to the development, construction and completion of a first class international hotel ("Hotel") to be constructed in Zhang Jia Kou City, Hebei Province, the People's Republic of China for total service fees of RMB2,866,300. During the year ended 31 December 2012, the amount charged by SCCH to 3rd Valley in respect of such consultancy services was US$363,000 (2011: Nil). On 16 April 2012, SCCH and 3rd Valley entered into a hotel management agreement in respect of the provision of management services and other services (including reservation and if required, marketing services) by SCCH for the Hotel. During the year ended 31 December 2012, the amount charged by SCCH to 3rd Valley in respect of such management and other services was Nil (2011: Nil).

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(i) On 12 April 2012, SMHL entered into a trademark license agreement with GIML to obtain the right to use the "MAXIMS" trademarks in the Philippines for the purpose of the integrated resorts with the right to sub-license the "MAXIMS" trademarks to any of the Company and its subsidiaries and associates. During the year ended 31 December 2012, the amount charged by GIML to SMHL in respect of the annual license fee was US$15,000 (2011: Nil).

(j) On 24 October 2012, Chongli My Inn Hotel Company Limited, an indirect wholly-owned subsidiary of the Company as lessee, entered into a tenancy agreement with 3rd Valley as lessor in respect of the lease of a portion of Genting Star Secret Garden, a hotel area located at Zhang Jia Kou, China for a period of three years effective from 15 December 2012. During the year ended 31 December 2012, the amount charged by 3rd Valley to the Group in respect of the rental amounted to US$9,000 (2011: Nil). The Group has prepaid three years rental expense of US$557,000 to 3rd Valley during the year.

(k) On 24 October 2012, WDKZ as lender entered into a facility agreement with 3rd Valley International Resort Corporation ("3rd Valley International", the 100% shareholder of 3rd Valley) as borrower in respect of the provision of a loan of USD equivalent of RMB3,477,385 (approximately US$557,000) for interest at the rate of USD 4.75% plus USD 6 months LIBOR. The loan is for the sole purpose of completing the structural works and renovation of Genting Star Secret Garden located at Zhang Jia Kou, China. During the year ended 31 December 2012, US$557,000 has been lent to 3rd Valley International. During the year ended 31 December 2012, the interest amount charged by WDKZ to 3rd Valley International in respect of the loan amounted to US$5,000.

Amounts outstanding at the end of each fiscal period in respect of the above transactions were included in the consolidated statement of financial position within amounts due from/to related companies. The related party transactions described above were carried out on terms, conditions and prices comparable to transactions with independent parties.

(l) On 9 April 2009, Star Cruises (BVI) Limited ("SCBVI"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with GIML to obtain the right to use and authorisation to grant to any companies within the Group and to any authorised third party (the "Authorised Company") subject to prior consent of GIML the right to use, the "Crockfords" Trademark in Macau, the Philippines and such other locations as may be mutually agreed in writing by SCBVI and GIML (the "Territories") for a consideration of GBP1.00. In addition, the Group and/or the Authorised Company shall expend an amount equivalent to GBP50,000 per annum in each of the Territories to promote and market the "Crockfords" Trademark in the Territories.

(m) On 1 March 2010, the Company and SMHL entered into a Cross Licensing Agreement with GENT, GIP, GENS and GIML (as amended and restated by an Amended and Restated Cross License Agreement dated 23 November 2010) in respect of the grant of license for the "GENTING" trade marks and intellectual property rights (the "Genting IP") to GIP in consideration of the payment to each of GIML and SMHL of a sum of US$10 each, and the grant of license for the Resorts World Trade Mark and the Resorts World Know How (the "Resorts World IP") to GIML and SMHL in consideration of the payment to GIP from GIML and SMHL of a sum of US$10 each. On 23 November 2010, GIML and SMHL entered into a Genting IP License Agreement (the "Genting IP License Agreement") with RWI in respect of the grant of license for the Genting IP to RWI in consideration of the payment to each of GIML and SMHL of a sum of SGD10 each. On 15 December 2011, GIML and SMHL entered into an Amending Agreement to the Genting IP License Agreement with RWI to allow the wholly-owned subsidiaries of RWI to further sub-license the Genting IP to any permitted sub-licensees in consideration of the payment to each of GIML and SMHL of a sum of SGD10 each.

(n) On 27 August 2010, NCLB entered into a charter agreement with AAL for a ship m.v. Norwegian Sky owned by AAL. Charter hire revenue received for this ship was US$8.7 million for the year ended 31 December 2012 (2011: US$21.5 million). The charter agreement provided NCLB as the charterer with an option to purchase m.v. Norwegian Sky during the charter period. On 1 June 2012, pursuant to the purchase option under the above charter agreement, AAL as seller entered into an agreement with NSL as buyer nominated by NCLB, in relation to the disposal of m.v. Norwegian Sky at a consideration of approximately US$259.3 million.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(o) Famous City Holdings Limited ("Famous City") and Star Cruise Pte Ltd ("SCPL"), both of which are wholly-owned subsidiaries of the Company entered into Contracts of Lease with Travellers in respect of the lease of office area in the Philippines. During the year ended 31 December 2012, the amount charged by Travellers to the Group in respect of the rental amounted to US$0.4 million (2011: US$0.3 million).

(p) On 1 October 2010, Famous City entered into Service Agreements with GSTA and GMS in respect of provision of back-office support services. During the year ended 31 December 2012, service revenue received from GSTA and GMS was US$0.2 million (2011: US$0.3 million).

(q) On 23 November 2010, SMHL entered into a Subscription Agreement with then other four investors, being companies wholly-owned by GENT, GENM, GENS and Golden Hope (as trustee of the GHUT), in relation to the subscription of 20% of the enlarged issued share capital of RWI for SGD750,000 each. On 10 June 2011, SMHL and the then other four investors further subscribed for additional shares in proportion to their respective 20% shareholdings in RWI for SGD10 million each, for engaging through RWI's subsidiaries in the business of licensing of trademarks and intellectual property rights and the provision of membership loyalty network services, promoting and marketing services as well as management and technical support services. On 25 May 2012, SMHL entered into the respective agreements with GIP and KHRV for sale and purchase of shares in RWI whereby SMHL agreed to transfer a total of 10,750,000 ordinary voting shares (representing 20% of the issued share capital) in RWI to GIP and KHRV in equal share at an aggregate consideration of SGD9,675,000. The Group ceased to have any shareholding in RWI upon completion of the disposal on 29 May 2012.

(r) On 16 June 2011, MLIC accepted the offer from Starmax to dispose of the entire issued capital of Fancy Star Holdings Limited, a wholly-owned subsidiary of MLIC which indirectly holds Tower 6 of Nova City in Macau, for HK$560 million. On 29 July 2011, MLIC entered into a sale and purchase agreement with Starmax in respect of the said disposal and this transaction was completed on 14 November 2011.

(s) On 30 November 2010, Genting Philippines Holdings Limited ("GPHL"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, has entered into a subscription and shareholders' agreement with IRMS, whereby each of GPHL and IRMS agreed to subscribe 50% interest for SGD250,000 in Starlet, for engaging in the business of development, operation and management of casinos in various jurisdictions. The transaction which was completed in June 2011, resulted in the Group recording a loss on deemed disposal of US$0.7 million during the year ended 31 December 2011.

(t) On 7 January 2011, NCLB has entered into a general services agreement with CAL for the provision of contact centre services by CAL. During the year ended 31 December 2012, the amount charged by CAL to NCLB in respect of the services amounted to US$301,000 (2011: US$241,000).

(u) Famous City and Travellers have entered into a service agreement for the provision of various services by Famous City to Travellers with effect from 1 January 2011. The parties may enter into and have entered into, pursuant to the service agreement, supplemental agreements for provision of other additional services as they may consider necessary. During the year ended 31 December 2012, the amount charged by Famous City to Travellers in respect of the services amounted to US$946,000 (2011: US$152,000).

(v) CAL and Travellers have entered into a general services agreement for the provision of contact centre services and customer services by CAL to the customers of Travellers with effect from 1 July 2010. During the year ended 31 December 2012, service revenue received from Travellers was US$1,020,000 (2011: US$1,241,000).

(w) On 24 October 2011, Star Cruise (C) Limited, a wholly-owned subsidiary of the Company and Calidone Limited, a wholly-owned subsidiary of GENS entered into an agreement for sale and purchase with RWI for the disposal of 50% issued share capital of WCIL each to RWI for US$1 each. The disposal was completed on 4 November 2011.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(x) On 22 December 2011, Famous City and SCHKMS entered into a services agreement in respect of the provision of back office support services by Famous City. During the year ended 31 December 2012, mobilisation fee and service revenue received from SCHKMS were Nil (2011: US$131,000) and US$82,000 (2011: US$19,000) respectively.

(y) On 3 May 2012, Bateson and GSA entered into a sale and purchase agreement in respect of the purchase of an aircraft by Bateson from GSA at the consideration of US$19,300,000.

(z) On 15 November 2012, the shareholders of MLIC (the immediate holding company of TIECL) have advanced interest-bearing shareholders' loans to TIECL in an aggregate sum of HK$5 million (approximately US$645,000) to meet the working capital requirement of TIECL in proportion to their respective effective percentage of equity interests in TIECL (i.e. HK$3.75 million (approximately US$484,000) from the Group (as to 75%); HK$0.75 million (approximately US$97,000) from World Arena (as to 15%); and HK$0.50 million (approximately US$64,000) from Silverland (as to 10%)).

Transactions with Directors

(aa) 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 the Post-listing Employee Share Option Scheme. Share options granted under the Post-listing Employee Share Option Scheme are exercisable at the price of HK$2.8142 (US$0.36) (as adjusted), HK$1.6202 (US$0.21) (as adjusted), HK$1.7800 (US$0.23) and HK$3.7800 (US$0.49) per share. Details of the movements of the share options during the year ended 31 December 2012 and the outstanding share options as at 31 December 2012 are set out in the section headed "Share Options" in the Report of the Directors.

Key management compensation

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

	GROUP	
	2012 US$'000	2011 US$'000
Salaries and other short-term employee benefits	**16,329**	13,352
Post-employment benefits	**107**	83
Non-cash share option expenses	**1,013**	3,681
	17,449	17,116

35. COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

Capital expenditure contracted but not provided for at the financial position date are as follows:

	GROUP	
	2012 **US$'000**	2011 US$'000
Contracted but not provided for		
– Property under development	**20,962**	32,666

(ii) Operating leases

Rental expense under non-cancellable operating lease commitments was US$3.1 million for the year ended 31 December 2012 (2011: US$1.7 million).

At 31 December 2012, future minimum lease payments payable under non-cancellable operating leases are as follows:

	GROUP	
	2012 **US$'000**	2011 US$'000
Within one year	**3,024**	3,098
In the second to fifth year inclusive	**6,807**	2,219
After the fifth year	**6,196**	6,075
	16,027	11,392

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

(iii) Charter-hire

Charter-hire revenue receivable under the operating lease commitments in respect of cruise ships and onboard equipment from Norwegian was US$8.7 million for the year ended 31 December 2012 (2011: US$21.5 million).

At 31 December 2012, minimum annual rentals receivable for leases with initial or remaining terms within one year was nil (2011: US$20.7 million).

(iv) Material litigation

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

36. SHARE OPTION SCHEME

Post-listing Employee Share Option Scheme

The Company adopted a share option scheme on 23 August 2000 which was effected on 30 November 2000 upon listing of the Company's shares on the Stock Exchange and amended on 22 May 2002 (the "Post-listing Employee Share Option Scheme") to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange effective 1 September 2001. The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options can be granted under the scheme.

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

Purpose

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

Participants

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

Total number of 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 1.7% of the issued share capital as at the date of this Report. No further options can be granted under the Post-listing Employee Share Option Scheme following its expiry on 29 November 2010.

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.

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.

36. SHARE OPTION SCHEME (CONTINUED)

Post-listing Employee Share Option Scheme (Continued)

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

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

The share options granted on (i) 8 September 2003 vest in seven tranches over a period of ten years from the date of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the date of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years; (ii) 23 August 2004 become exercisable in part or in full for a period of eight years commencing from two years after the date of offer; (iii) 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; and (iv) 16 November 2010 vest in five tranches over a period of ten years from the date of offer and become exercisable annually in equal tranches of 20% of the amount granted commencing in each of the 5 years from 2011 to 2015.

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

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

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 has expired on 29 November 2010 whereupon no further options may be granted under the scheme. All outstanding share options remain exercisable subject to terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

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

36. SHARE OPTION SCHEME (CONTINUED)

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:

	2012	
	Average exercise price in HK$ per share	**Options (thousands)**
At 1 January	**2.5241**	**110,670**
Exercised	**1.7800**	**(260)**
Forfeited	**2.8182**	**(56,902)**
At 31 December	**2.2149**	**53,508**

	2011	
	Average exercise price in HK$ per share	Options (thousands)
At 1 January	2.5474	114,023
Exercised	2.0717	(905)
Forfeited	3.7800	(2,448)
At 31 December	2.5241	110,670

36. SHARE OPTION SCHEME (CONTINUED)

Post-listing Employee Share Option Scheme (Continued)

A summary of the share options outstanding as at 31 December 2012 is as follows:

	Options outstanding		Options exercisable
Exercise price	Number outstanding (in thousands)	Weighted average remaining life (years)	Number (in thousands)
HK$2.8142	543	0.7	543
HK$1.6202	9,970	1.6	9,970
HK$1.7800	30,845	5.4	24,369
HK$3.7800	12,150	7.9	4,860
	53,508	5.2	39,742

37. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2012:

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
Shanghai My Inn Hotel Co., Ltd.	The People's Republic of China	The People's Republic of China	RMB1,500	100.00	Operation and management of internal facilities of budget hotel and guest room
Chongli My Inn Hotel Company Limited	The People's Republic of China	The People's Republic of China	RMB500	100.00	Operation and management of hotel
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 (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
Genting Philippines Holdings Limited	Republic of the Philippines	British Virgin Islands	US$10	100.00	Investment holding
Genting Securities Limited	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	HK$40,000	100.00	Securities dealing and securities margin financing
Genting Credit Limited	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	HK$5,000	100.00	Money lending

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.

38. SIGNIFICANT SUBSEQUENT EVENTS

NCLH has completed its IPO on 24 January 2013 and its ordinary shares are listed on the NASDAQ Global Select Market and NCLH has become the owner of 100% of the ordinary shares of NCLC. The percentage of ordinary shares of NCLH beneficially owned by the Group has been diluted from 50% to 43.4% as a result of the IPO, and the Group has estimated a deemed disposal gain to be approximately US$83 million. Upon completion of the IPO, Norwegian Group ceased to be a jointly controlled entity of the Company and became an associate of the Company.

On 1 February 2013, Norwegian Group also entered into an agreement to sell US$300 million aggregate principal amount of 5.00% senior unsecured notes due February 2018 (the "Notes"). The Notes were issued at an issue price of 99.451%. Norwegian Group intends to use the net proceeds, together with borrowings under its senior secured revolving credit facilities, to redeem its US$450 million 11.75% senior secured notes due 2016.

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2013.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GENTING HONG KONG LIMITED
(Continued into Bermuda with limited liability)

We have audited the consolidated financial statements of Genting Hong Kong Limited (the "Company") and subsidiaries, (together, the "Group") set out on pages 81 to 152, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2012 and of the Group's profit 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, 21 March 2013

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Results					
Turnover	520,381	494,008	399,831	373,384	441,039
Results from continuing operations before impairment loss	62,744	57,365	36,772	7,022	(16,230)
Reversal of previously recognised impairment loss/(Impairment loss)	—	—	7,042	(28,588)	(99,873)
	62,744	57,365	43,814	(21,566)	(116,103)
Share of profit/(loss) of jointly controlled entities	162,893	127,933	40,152	28,079	(104,098)
Share of profit/(loss) of associates	203	(404)	9,851	(2,512)	1,454
Other income, net	1,847	23,291	18,231	2,238	146,525
Finance income	12,032	4,182	2,776	209	3,233
Finance costs	(55,073)	(34,518)	(29,815)	(24,191)	(28,610)
Profit/(Loss) before taxation	184,646	177,849	85,009	(17,743)	(97,599)
Taxation	(1,313)	(2,532)	(2,117)	(4,319)	(3,528)
Profit/(Loss) for the year from continuing operations	183,333	175,317	82,892	(22,062)	(101,127)
Profit for the year from discontinued operations	14,672	10,110	—	—	—
Profit/(Loss) for the year	198,005	185,427	82,892	(22,062)	(101,127)
Attributable to:					
Owners of the Company	198,361	182,204	82,635	(20,399)	(80,107)
Non-controlling interest	(356)	3,223	257	(1,663)	(21,020)
	198,005	185,427	82,892	(22,062)	(101,127)
Basic earnings/(loss) per share (US cents)	2.55	2.34	1.10	(0.27)	(1.08)
Diluted earnings/(loss) per share (US cents)	2.45	2.26	1.10	(0.27)	(1.08)
Assets and Liabilities					
Total assets	3,450,017	3,122,257	2,698,458	2,603,988	2,565,145
Total liabilities	(1,077,919)	(935,921)	(698,574)	(770,092)	(674,254)
Total equity	2,372,098	2,186,336	1,999,884	1,833,896	1,890,891

PROPERTIES SUMMARY

As at 31 December 2012

	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.	Cuiyan Road, Suzhou Industrial Park, Suzhou, China	Lot No: 75034	4,220m^2	—	40	O/H
4.	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

Notes:

i The Group owns 100% of each of the properties listed in items 1 to 3 above. The Group owns 75% of the property listed in item 4 above by virtue of the Group's equity interest in the company which owns the property.

ii. Usage:

J – Jetty

O – Office

H – Hotel

C – Casino (subject to approval of the Government of the Macau)

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