GENTING
HONG KONG

# Genting Hong Kong Limited

(Continued into Bermuda with limited liability)

Stock Code : 678

## YEARS OF BRINGING PEOPLE TOGETHER

20 years

Bringing People Together

Annual Report 2013

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.

# OUR MISSION

We will:

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

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

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

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

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

# 20 YEARS OF BRINGING PEOPLE TOGETHER

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# CORPORATE PROFILE

# 20 YEARS

## OF BRINGING PEOPLE TOGETHER

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

| | | |
|---|---|---|
| Star Cruises<br>Asia-Pacific | Norwegian Cruise Line<br>(Norwegian)<br>an associate of Genting Hong Kong | Resorts World Manila<br>(RWM)<br>an associate of Genting Hong Kong |

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, Malaysia, the Philippines, Singapore, Sweden, Taiwan, Thailand, the United Kingdom and the United States.

A pioneer in its own right, Genting Hong Kong was incorporated in September 1993, operating its fleet under Star Cruises, to take on a bold initiative to grow the Asia-Pacific region as an international cruise destination. Star Cruises, together with its associate company Norwegian, is the third largest cruise operator in the world, with a combined fleet of 20 ships cruising to over 130 destinations, offering approximately 42,000 lower berths.

Travellers International Hotel Group, Inc. ("Travellers"), an associate of Genting Hong Kong opened its first land-based attraction Resorts World Manila in the Philippines in August 2009, RWM is the Philippines' first one-stop, nonstop vacation spot for top-notch entertainment and world-class leisure alternatives, featuring three hotels including the six-star all-suite Maxims Hotel, an iconic shopping mall, four high-end cinemas and a multi-purpose performing arts theatre. Travellers is listed on the Philippine Stock Exchange under the ticker "RWM" in November 2013.

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 the Genting Group's unrivalled regional expertise in land-based resorts development as we look to 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".

# 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 seven 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 Breakaway

Norwegian Epic

Norwegian Gem

Norwegian Jade

Norwegian Pearl

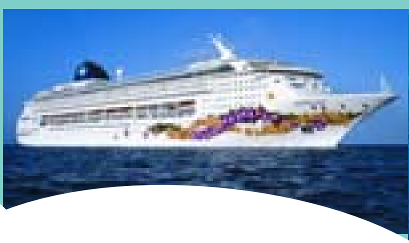
Norwegian Jewel

Norwegian Dawn

Norwegian Star

Norwegian Sun

Norwegian Sky



Norwegian Spirit

Pride of America

NCL
NORWEGIAN
CRUISE LINE®

Norwegian Cruise Line operates a fleet of 13 ships – *Norwegian Getaway (delivered in January 2014), Norwegian Breakaway, Norwegian Epic, Norwegian Gem, Norwegian Jade, Norwegian Pearl, Norwegian Jewel, Norwegian Dawn, Norwegian Star, Norwegian Sun, Norwegian Sky, Norwegian Spirit and Pride of America*, calling at destinations in North and South America, Hawaii, Caribbean, Alaska, Europe, Mediterranean and Bermuda.

Norwegian Getaway
(delivered in January 2014)

# RESORTS WORLD MANILA

# ONE-STOP NONSTOP VACATION SPOT

Supported by year-round revelry from guests, Resorts World Manila ("RWM"), the Philippines' premier one-stop, nonstop tourism destination which opened in 2009, recorded US$781.1 million in total gross revenue as compared with US$736.5 million in 2012. Its unrivalled reputation as the leading tourist destination in the Philippines is substantiated by its 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 where nothing compares when it comes to top-notch musicals featuring Filipino talent. Its entertainment roundup for 2013 started with an extension of "The King And I" in RWM's award-winning Newport Performing Arts Theater ("NPAT") that ran until May. Bar 360's Concert Series also presented numerous performances from the country's top acts throughout the year including Bossa Nova songstress Sitti, among many others.

February heralded the welcoming of luck, love, and prosperity in the Year of the Snake via the Imperial Festival—a two-week grand variety of oriental offerings from the ceremonial Lion and Dragon dances at The Plaza of the Newport Mall, food booths, Chinese charms and geomancers, firecracker activities, magic shows, Chinese acrobats and more.

RWM also hosted two major poker tournaments during the first quarter—the RWM 100 and RWM One—with prize pots of PhP100,000 and PhP1,000,000 respectively.

International artistes also came over to RWM in 2013. Starting off with well-loved veteran vocal group The Platters, original Cascades vocalist John Claude Gummoe, Taiwan's Hokkien singer Sue Rey, pop-rock duo Yu Chu Hsin and Yen Chih Lin of Power Station, Malaysian "Prince of Ballads" singer/songwriter Eric Moo, Taiwanese superstars Long Qian Yu and Luo Shi Feng, Mandapop balladeer Chen Sheng, crooner Engelbert Humperdinck, and YouTube acoustic sensation Boyce Avenue have all showcased their vocal skills at RWM.

Singaporean filmmaker Jack Neo's box-office hit "Ah Boys to Men 2" made its way to the Philippines for an exclusive screening at RWM's Newport Mall Cinemas. The event also coincided with the year-long 20th anniversary celebration of Genting Hong Kong.

RWM presented Rodgers and Hammerstein's "Cinderella" at the NPAT, with TV and stage luminary Karylle Tatlonghari playing the titular role and Asia's pop idol Christian Bautista filling the role of Prince Charming.

Other major annual events included the Epic Summer party, Thrillathon 4th Anniversary celebrations, and RWM's annual Grand Fiesta Manila, which is considered to be the longest Yuletide festivity in the Philippines.

"The Voice of the Philippines" reality singing competition was held at the NPAT, featuring Philippines A-list coaches Lea Salonga, Bamboo Mañalac, Sarah Geronimo, and international Filipino star Apl.de.ap of the Black Eyed Peas as headliners.

In sports, RWM was title sponsor of the first ever Resorts World Manila Masters—a US$750,000 golf tournament held at the prestigious Manila Southwoods Golf & Country Club. It was the biggest golf tournament ever staged in the Philippines and drew top caliber professional golfers from around the world.

## Exhilarating Accolades

RWM was the over-all winner of the Professional Division in National Food Showdown, one of the most prestigious food competitions in the Philippines. RWM earned its second straight Presidential trophy, successfully defending its title from the 2012 competition. RWM's Food and Beverage team took home a total of three gold medals, eight silver medals, and eleven bronze medals during the two-day culinary meet.

## Sprawling Expansion

The existing Marriott Hotel Manila broke ground in July 2012 for the construction of its Grand Ballroom due to open in January 2015. The development of the state-of-the-art facility is part of RWM's phase two expansion to maximize the integrated resort's sprawling property. The four-storey convention centre is set to break records in terms of size and function with its

# RESORTS WORLD MANILA

potential to accommodate 2,500 guests for sit-down events and 5,000 guests for theatre-style events. The improvements also include the construction of Marriott Rooms Annex with at least 200 rooms, which will ramp up its room count to more than 542 by the time the project finishes.

RWM's phase three expansion plan will add more rooms to the all-suite Maxims Hotel and include the development of two more hotels—world-renowned hotels and resorts brands Hilton and Sheraton. Savoy Hotel and Belmont Hotel are also being developed alongside phase three.

## Corporate Social Responsibility

In its pursuit of bettering the society through empowerment and innovative and sustainable solutions, RWM, through its proponent Travellers International Hotel Group, Inc. ("Travellers"), became a member of the League of Corporate Foundations ("LCF"), a network of over 70 corporations that promotes corporate social responsibility initiatives and practices in the Philippines. With the LCF induction, RWM engaged in more significant corporate social responsibility partnerships, reinforcing some of their established programmes such as the Livelihood and Employment Assistance Program—a job generating initiative now with over 76 beneficiaries, the Pinoy Ultimate Jeepney Awards, and the Live and Love Green initiative. To support Live and Love Green, RWM had introduced recycling projects such as the monthly Recycling Day activities which took off on Earth Day, 22 April 2013.

In line with its commitment to the Philippine Gaming & Amusement Corporation ("PAGCOR"), Travellers, through its Manila Bayshore Heritage Foundation, Inc., donated PhP110 million for the construction of two school buildings, each with 24 rooms and four storeys, to Pasay City East High School and Parañaque's Tambo Elementary School.

All throughout Grand Fiesta Manila, RWM organised and supported numerous benefit shows and collaborations for the benefit of the survivors of Super Typhoon Haiyan (known as Typhoon Yolanda in the Philippines). In a joint effort between big names from the local integrated resort industry, RWM, together with the PAGCOR and others extended a helping hand to the survivors of the calamity. Through the initiative 1Tayo: Integrated Relief Drive for the Victims of Typhoon Yolanda, the partnership donated PhP50 million worth of relief goods through the Department of Social Welfare and Development to benefit over 200,000 individuals over a period of five days. RWM also organised fundraising events such as the Miss Resorts World Manila Final Runway on 30 November and the Kami Naman Ang Taya "It's Our Turn to Give" Benefit Concert on 3 December headlined some of the biggest names in the local entertainment industry for the one-night performance. The fundraisers, both staged at the NPAT, raised PhP1.2 million and PhP8 million respectively.

On 30 December, RWM ended Grand Fiesta 2013 with a bang and for a good cause. Boyce Avenue donated part of the proceeds from their sold-out concert to the Philippine Red Cross for Super Typhoon Haiyan relief. Similarly, as part of RWM's continuing CSR initiatives to help the survivors, part of RWM's ticket proceeds also went to the rebuilding efforts in the typhoon-stricken areas.

# CHAIRMAN'S STATEMENT

"This anniversary year has been made much more memorable as we have achieved a remarkable result, the best in the Group's history, which is reflected in a strong balance sheet."

**Tan Sri Lim Kok Thay**
*Chairman and Chief Executive Officer*

## Dear Valued Shareholders,

There was no looking back for Genting Hong Kong Limited ("GHK" or the "Company") and its subsidiaries (the "Group"), which started as Star Cruises, when Star Aquarius made the maiden voyage from Singapore on 23 December 1993. As we celebrated our 20th anniversary and looked back at the successes, challenges and difficulties we had encountered through our journey, I feel proud of everyone who have persevered through good times and difficult ones to help this company grow from strength to strength to what it is today, a leading leisure and hospitality company in Asia. This anniversary year has been made much more memorable as we have achieved a remarkable result, the best in the Group's history, which is reflected in a strong balance sheet. Two of our most important long term investments bore fruit: the initial public offerings of Norwegian Cruise Line Holdings Ltd. ("NCLH") on NASDAQ and Travellers International Hotel Group, Inc. ("Travellers") on the Philippine Stock Exchange. We will remain deeply committed to never stop delivering wonderful holiday experiences to our guests and, in doing so, continue to build sustainable growth and value for our brands and the Company.

The Group's net income for 2013 was a record US$552.0 million, substantially higher than last year's US$198.0 million. The higher profit was mainly driven by the following one-off items during 2013, which included:

- US$219.0 million deemed disposal gains as a result of NCLH's and Travellers' IPOs
- US$451.7 million gains on two secondary offerings of NCLH shares, which generated a total of US$737.9 million sales proceeds to the Group
- Partially offset by US$85.7 million impairment loss on certain of our available-for-sale investments

The share of profit from our associate NCLH was US$38.0 million in 2013, compared with US$81.5 million in 2012, primarily due to one-off expenses related to debt prepayment from IPO proceeds and reduction of the Group's equity interest in NCLH from 43.4% post IPO to 31.4% after two secondary offerings during 2013. Excluding one-off and share option expenses at NCLH, our share of profit from NCLH would have been US$120.6 million. We completed the third offering of NCLH shares on 10 March 2014 and our current shareholding in NCLH is 27.7%.

After its IPO in November 2013, Travellers ceased to be a jointly controlled entity and became an associate of Genting Hong Kong. Post IPO, our equity interest in Travellers was diluted to 44.9% from 50%, and we recorded a US$138.6 million deemed disposal gain.

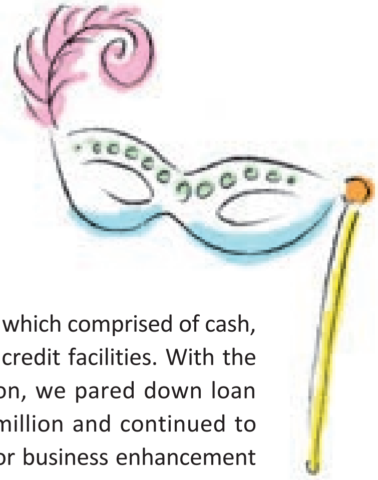
In 2013, our share of profit from Travellers decreased 60% to US$31.2 million, primarily due to a weaker luck factor and higher operating expenses at Travellers and a reduction of the Group's equity interest in Travellers.

In view of the strong performance, the Board of Directors has recommended a maiden final dividend of US$0.01 per ordinary share for 2013.

## Performance

NCLH has once again demonstrated its ability to execute and post solid earnings, marking 2013 a break-out year in Norwegian's history. Its revenue increased 12.9% to US$2,570.3 million from US$2,276.2 million year-on-year, and its net income decreased to US$101.7 million from US$168.6 million in 2012. The 13.4% improvement in net revenue can be attributed to the addition of Norwegian Breakaway, which brought an increase in capacity days when it was launched in April 2013, and a net yield improvement of 4.3% from higher ticket pricing and onboard spending, partially offset by three incremental scheduled dry-docks.

Travellers, which owns and manages Resorts World Manila ("RWM") reported a US$781.1 million total revenue and an EBITDA of US$157.2 million, compared with the US$736.5 million total revenue and the EBITDA of US$217.3 million in 2012. RWM continues to make strides forward in strengthening its leading position as the Philippines' premier entertainment and vacation destination. Daily visitation to the resorts averages 18,873 from 17,182 in 2012, marking an increase of 9.8% over 2012. Visitors were drawn by world-class entertainment shows like the latest musical "Cinderella", televised singing contest "The Voice of the Philippines" and premier golf event the RWM Masters, which attracted top-notch regional players to vie for the lucrative purse.



Star Asia continues to focus on its strategic developments in Asia with new homeports, new itineraries and progressive investments in its ship rejuvenation programme. SuperStar Gemini and Genting World had a full year of operation, which contributed to higher capacity days. From April to October 2013, SuperStar Gemini was homeported in Shanghai, offering over 40 cruises in 4-Day-3-Night to 7-Day-6-Night itineraries to popular tourist ports, including Busan, Jeju, Yeosu and special cruises to Taiwan. Further down south for the period November 2013 to March 2014, SuperStar Aquarius was homeported in Kota Kinabalu, a well-known gateway to lush jungle, amazing wildlife and pristine beaches in Sabah, East Malaysia. Two other cruise events made last year a momentous one. SuperStar Gemini set sail on a 7-Day-6-Night cruise from Xiamen for Boracay and Manila on 14 October, bringing more than 1,300 mostly Chinese and Asian passengers. SuperStar Gemini's inaugural cruise from Xiamen to Keelung, Taichung and Kaohsiung in Taiwan on 20 October was another important milestone. The cruise was the debut promotion of Fujian Provincial Tourism Bureau's new initiative to boost cross-strait international cruising. On 11 August, SuperStar Libra took travellers on a special 7-Day-6-Night cruise departing from Penang to Krabi, Yangon and Phuket. The special cruise marked Star Cruises' first return to Yangon, also known as the "Garden City of the East", in 10 years since SuperStar Virgo's first call to the port in 2003. It was also SuperStar Libra's first call to this largest city of Myanmar since homeporting in Penang in 2010. The revenue of US$554.7 million in 2013, up 6.6% from 2012, was also due to better occupancy and growth in passenger ticket revenue and other onboard revenue, but it was partially offset by the overall weaker luck factor and the increased operating cost and selling, general & administrative expenses.

## Capital and Funding

In 2013, Genting Hong Kong completed two secondary offerings of NCLH shares, generating US$737.9 million net proceeds, of which US$683.9 million has been received during the year. Genting Hong Kong also received deferred consideration totalling at US$116.7 million from the sale of Norwegian Sky consummated in June 2012 and a US$64.0 million dividend from our investment in jointly controlled entities and associates. As of 31 December 2013, we had a net cash position of US$189.0 million and liquidity of US$1,352.9 million, which comprised of cash, cash equivalent and undrawn credit facilities. With the strengthened financial position, we pared down loan and borrowings by US$71.6 million and continued to invest in capital expenditure for business enhancement during the year.

## Corporate Social Responsibility

Our team remains committed to contributing toward charitable causes and local communities across the region. In 2013, the Group's donation to charitable causes and sponsorship of cultural and sport events totalled more than US$3.1 million in cash and value. Whilst we continued ongoing programmes like internships for developmentally challenged teenagers, fundraising sponsorships and educational ship tours, we have also made special contributions to causes which warranted special assistance. A donation of US$38,700 was made to Youth Outreach to help renovate its Crisis Center for Boys in Sai Wan Ho, Hong Kong.

In December, the entire company, shore and ship sides, came together again to contribute towards alleviating the suffering and damage created by Super Typhoon Haiyan (known as Typhoon Yolanda) in the Philippines. The Group made a "dollar for dollar" pledge and together we donated US$179,490 to Hong Kong Red Cross' Typhoon Haiyan Relief Operations. In addition, our colleagues from Travellers and our regional operating headquarters Star Cruises Centre immediately galvanized their efforts into recovery efforts and fundraising to help the victims affected by Super Typhoon Haiyan. Travellers joined Philippine Amusement and Gaming Corporation and others to donate some PhP50 million (US$1.12 million) worth of relief goods, and the staff volunteered to pack more than 50,000 bags of relief goods. At the inaugural Resorts World Masters held from 14-17 November, champion Chinese golfer Liang Wen-Chong donated half of his prize money of US$135,000 to the Philippine Red Cross for disaster relief. Resorts World Manila also held a benefit concert "It's Our Turn to Give" at the Newport Performing Arts Theater, raising PhP8 million (US$179,400). The fundraising drive culminated with two charity shows of the highly acclaimed "Do You Hear the People Sing?" on 29 and 30 January 2014. The entire stellar cast and company of West End, Broadway and other international theatre veterans including Tony Award winning Filipina performer Lea Salonga donated their time and services pro bono for the shows. The concerts celebrated the acclaimed partnership of Alain

Boublil and Claude Michel Schonberg, the creative legendary force behind the music of Les Miserables, Miss Saigon, Martin Guerre, The Pirate Queen and La Revolution Francaise. The two-night only performances raised PhP24 million (US$537,400), all of which went to Habitat for Humanity to build 200 houses for those left displaced by the calamity.

## Prospect

Star Asia continues to improve our cruise holiday offerings with our ongoing ship rejuvenation programme and the introduction of new homeports, new itineraries and new product offerings in the region. We endeavor to offer our customers a greater choice of ships through our 2014 deployment strategy. SuperStar Virgo, after the completion of its routine refurbishment for cabins, restaurants, recreational facilities, including a Duty Free shopping boulevard, will be homeported in Hong Kong from April to October 2014. During the same period, SuperStar Gemini will be deployed to Singapore instead. SuperStar Aquarius, which made Kota Kinabalu its home from November 2013 to March 2014, a first for Star Cruises and the city, will make its return to Keelung, Taipei in April 2014.

Travellers is on track to building several new hotels and other gaming and non-gaming attractions at RWM. The second phase of this expansion includes the Marriot Hotel Manila expansion and the Marriot Grand Ballroom which will be a 5,000-seater MICE venue. The third phase of the expansion will feature the Sheraton Hotel Manila, the Hilton Manila and an extension to Maxims Hotel. The expansion programme is expected to cement RWM's position as the prime entertainment and tourism destination in the Philippines, catering to the growing influx of domestic and international visitors to RWM in the next few years.

## Norwegian Cruise Line

Norwegian Cruise Line ("Norwegian") second third-generation new built Norwegian Breakaway launched in April 2013 became the largest ship ever to homeport in New York City and became an instant part of the skyline. By the early 2014, she has carried more than 170,000 passengers on voyages to Bermuda, the Bahamas and the Caribbean. In January 2014, Norwegian Getaway was delivered and made her way around Europe and New York to Miami where it will be homeported for voyages to the Caribbean. Norwegian has the remaining orders for two "Breakaway Plus" vessels to be delivered in 2015 and 2017.

## Strategy

In line with the Group's long-term strategy of continuing business development, on 7 October 2013 and 10 February 2014, indirect wholly-owned subsidiaries of the Company have entered into shipbuilding contracts with German shipbuilder Meyer Werft GMBH, for the construction and delivery of two new third-generation cruise ships. The combined shipbuilding contract price for both ships is Euro 1,404.4 million. These ships, of approximately 148,500 gross tonnes and overall length of 324 metres are due to be delivered in October 2016 and October 2017 respectively. They will carry in excess of 4,000 passengers and 2,000 crew members. An experienced project team has been established in Germany where design work has commenced and is on schedule for the contracted delivery dates.

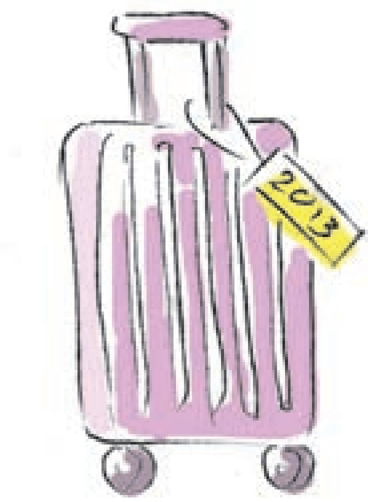
These newbuilt cruise ships, homeporting from Hong Kong and Southeast Asia, will embrace quintessential Asian service and hospitality, with a focus on health, spa and entertainment. The many food and beverage venues will showcase the best of international cuisine, in recognition of the unique demands of our multinational and multicultural clientele that will cruise on these ships.

## 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 we operate.

**Tan Sri Lim Kok Thay**
*Chairman and Chief Executive Officer*

19 March 2014



# MILESTONE

## 1993
- Establishment of Star Cruises PLC
- The first Star Cruises liner, Star Aquarius, set sail from Singapore

## 1994
- Acquisition of Star Pisces and MegaStar Aries

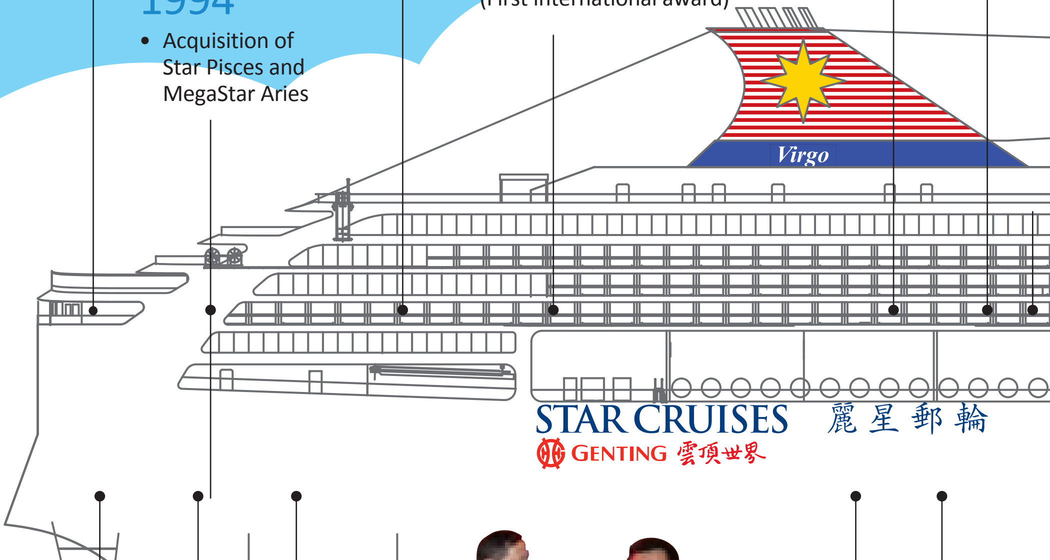
## 1995
- Completion of Star Cruises Terminal in Port Klang
- MegaStar Taurus and SuperStar Gemini joined the fleet

## 1996
- Received "Best Cruise Operator Award" from World Travel Awards by World Travel Market (First international award)

## 1997
- SuperStar Capricorn joined the fleet

## 1998
- Delivery of SuperStar Leo, the first new-build ship of the Star Cruises fleet
- Listing of Star Cruises PLC on the Luxembourg Stock Exchange and quotation of the shares on CLOB International, Singapore

## 1999
- Delivery of SuperStar Virgo, sister ship of SuperStar Leo




## 2006
- SuperStar Libra deployed to Valetta, Malta for the summer. It was Star Cruises' first European deployment, as part of its efforts to increase awareness of the Star Cruises' brand in new markets

## 2007
- SuperStar Aquarius arrived in Hong Kong, marking a major step forward in the development of the Greater China market

## 2008
- Inducted into TTG Travel Hall of Fame after winning "Best Cruise Operator in the Asia Pacific" for 10 consecutive years
- Star Cruises and Alliance Global Group Inc. agreed to jointly develop and operate hotel and casino complexes in the Philippines

## 2009
- Genting Hong Kong's first foray into the land-based integrated resorts and entertainment business with the opening of Resorts World Manila on 28 August 2009
- Opening My Inn in Suzhou (now renamed Genting Star)

## 2010
- Star Cruises Limited's name changed to Genting Hong Kong Limited in a rebranding project

## 2000

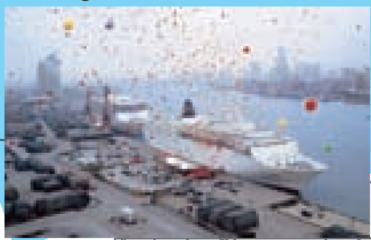
- Star Cruises began offer for Norwegian Cruise Line in January and completed its acquisition in March
- Listing of Star Cruises on Hong Kong Stock Exchange

## 2001

- Launch of Cruise Ferries brand with first ship Wasa Queen

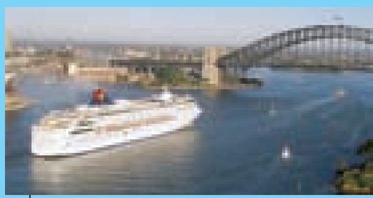
## 2002

- SuperStar Leo made maiden call to Shanghai



## 2003

- SuperStar Leo arrived in Australia and became the largest cruise ship to enter Sydney Harbour then



## 2004

- Norwegian christened the first modern US-flagged cruise ship, Pride of Aloha

## 2005

- SuperStar Libra homeported in Mumbai, India in October 2005 and made maiden calls to Mumbai, Goa, Kochi & Lakswadweep (Kadmat Island)
- Genting-Star Cruises Management Programme launched in Shanghai, China
- Delivery of Pride of America for the NCL America brand in June. She is the largest US-flagged ship ever built and the first newly constructed cruise ship to join the US register in almost 50 years


## 2011

- Opening of Remington Hotel in Resorts World Manila and Genting Star in Shanghai

- Star Cruises celebrated SuperStar Aquarius' homeporting in Sanya with new Sanya-Vietnam cruise itineraries. Star Cruises became the first international cruise line to homeport in Sanya

## 2013

- Travellers International Hotel Group, Inc., an associate of Genting Hong Kong and Alliance Global Group, Inc., also the developer and operator of Resorts World Manila, began trading on the Philippine Stock Exchange under the ticker "RWM"
- SuperStar Gemini first homeported in Shanghai
- Norwegian Cruise Line Holdings Ltd. was listed on the NASDAQ Global Select Market under the symbol "NCLH"

## 2012

- Opening of Genting Star in Chongli, Hebei, China
- On 28 December 2012, the refurbished SuperStar Gemini commenced its inaugural sail from Singapore, marking the beginning of its Asia deployment

# GLOBAL HIGHLIGHTS
## *New Voyages*

The refurbished SuperStar Gemini was on its maiden deployment to Penang, 2-24 Jan 2013.

Norwegian Breakaway arrived at her homeport New York City, 6 May 2013.

SuperStar Gemini arrived at its new homeport Sanya, 1 Feb 2013.


SuperStar Libra called at Yangon for the first time, 14 Aug 2013.

SuperStar Gemini was on its first Shanghai homeport deployment, 8 Apr - 9 Oct 2013.


SuperStar Gemini embarked on special cruises departing from Xiamen, 11-20 Oct 2013.

SuperStar Gemini celebrated its first call to Jeju, 10 Apr 2013.

SuperStar Gemini made its maiden call to Boracay, 17 Oct 2013.

SuperStar Gemini called at Manila for the first time, 18 Oct 2013.

SuperStar Aquarius became the first international cruise liner to homeport in Kota Kinabalu, 6 Nov 2013.

SuperStar Aquarius arrived at Manila for the first time, 2 Nov 2013.

SuperStar Aquarius made its maiden call to Muara, 11 Nov 2013.

SuperStar Aquarius made its inaugural call to Boracay, 4 Nov 2013.

SuperStar Aquarius arrived at Bintulu for the first time, 12 Nov 2013.

# GLOBAL HIGHLIGHTS
## Marketing Activities

*RTHK programme features galley operations of Star Pisces*

Radio Television Hong Kong (RTHK) visited Star Pisces and produced a documentary programme featuring its galley operation. It is part of the "Hong Kong Story" series which highlights kitchens with special settings in Hong Kong.

*Maria Cordero's TV programme features SuperStar Gemini and Star Pisces*

Star Cruises invited celebrity chef and artiste Maria Cordero to cruise on SuperStar Gemini and Star Pisces. She showcased the ships' world-class entertainment and activities including shopping, food & beverages, spa and other recreational & leisure facilities in her lifestyle programme "Shi Ke Zhun Bei" on SZTV.

*Star Cruises sponsors movie productions and promotions*

SuperStar Virgo was featured in Japanese movie "The After Dinner Mystery", which was well received in Japan, Singapore, Hong Kong and Taiwan. Genting Hong Kong also invited the director and the stars of the highest-grossing Singaporean motion picture "Ah Boys to Men" to meet the audiences in Resorts World Manila, Taiwan and onboard SuperStar Virgo.

*The Star Cruises Nasi Kandar Cooking Competition 2013*

Held onboard SuperStar Libra from 21-23 August, The Star Cruises Nasi Kandar Cooking Competition 2013 was the first Nasi Kandar competition in Penang. It was endorsed by Penang State Tourism and supported by Chefs Association of Malaysia (Penang Chapter) and Malaysian Association of Hotels (Penang Chapter). Winners from the Amateur Category and Professional Category were invited to show off their talent onboard SuperStar Virgo and SuperStar Aquarius.

*Inaugural Resorts World Manila Masters*

Resorts World Manila signed a five-year title sponsorship with Asian Tour for the Resorts World Manila Masters. The first Resorts World Manila Masters, also the biggest golf tournament ever staged in the Philippines with a US$750,000 prize, was held in Manila from 14 – 17 November. It drew top caliber professional golfers from around the world, as well as creating a positive impact for the game in the Philippines and across Asia.

*Cruise and Holiday Expo*

The Cruise and Holiday Expo, organised by Travel Industry Council of Hong Kong and co-organized by the Tourism Commission of Hong Kong and the Hong Kong Tourism Board was held at the Kai Tak Cruise Terminal from 20-22 September. The Star Cruises counter attracted many visitors.

*"A Date with Mei Feng" on SuperStar Virgo*

Star Cruises invited Chen Mei Feng, a renowned Taiwanese actress, singer and multi-talented TV host, on a Malacca cruise from 27-29 November to film the acclaimed Taiwan variety and cooking show "A Date with Mei Feng" on SuperStar Virgo.

*Wedding Ceremony of Olympic gold medalist on Star Pisces*

Olympic gold medalist, Chinese Gymnast and celebrity Liu Xuan held her wedding ceremony on board Star Pisces. The ceremony attracted much media attention in the region.

*Opening of Genting World in Genting Resort Secret Garden*

The latest addition to Genting Resort Secret Garden, Genting World, officially opened its doors to holidaymakers on 14 December. The chalet-style hotel is equipped with 30 upscale suites, top-notch amenities, spa facilities, outdoor Jacuzzis, fireplaces, function rooms as well as Asian dining options.

*Launch of onboard quarterly magazine "Indulge"*

Star Cruises launched onboard quarterly magazine "Indulge" in December. With engaging writing and compelling images, the bilingual magazine promises to further enhance the freestyle cruising experience Star Cruises is renowned for. Digital version is also available for download through the magazine app on tablets for readers to keep up with the latest travel and lifestyle trends.


*Various themed cruises*

Star Cruises held a number of themed cruises on its fleet catering to guests of different taste: Cartoon themed cruise such as Hello Kitty Cruise, Butter Lion Cruise and Garfield Cruise are best for those young at heart. Sports fans, wedding couples, MICE groups are also attracted by other themed cruise.

*Norwegian Cruise Line develops cruise destination Harvest Caye*

Norwegian Cruise Line has purchased Harvest Caye in Southern Belize for the planned development of an eco-friendly cruise destination. Norwegian plans to invest USD50 million in the project covering 75 acres.

*"Norwegians Name Their Ships" contest*

Norwegian Cruise Line has launched a "Norwegians Name Their Ships" contest on Facebook to invite fans to help name their two new Breakaway Plus class ships. "Norwegian Escape" and "Norwegian Bliss" received the highest number of votes and were selected as the names of the new vessels.

*Yearend Celebration Dinner held in Taiwan*

Employees of the Taiwan office and partners rejoiced at the party to celebrate the 20th Anniversary of Genting Hong Kong and the New Year.

# GLOBAL HIGHLIGHTS

## Corporate Social Responsibility

*Star Cruises sponsors Penang Chinese New Year Cultural and Heritage Celebration*

Star Cruises sponsored Penang Chinese New Year Cultural and Heritage Celebration for the second year, during which over 100,000 visitors thronged to the streets of George Town UNESCO World Heritage Site to usher in the Year of the Snake. The event, initiated by Penang State Government and Penang Chinese Clan Council and organized by Clan Associations Youth Committee, was an important cultural event in Penang that highlighted Chinese cultural heritage to local as well as international visitors.

*Star Cruises sponsors Syin-Lu Social Welfare Foundation in Taipei*

Star Cruises sponsored Syin-Lu Social Welfare Foundation in Taipei. Twenty-two staff members from the Taipei office also participated in the fitness walk in Taipei Zoo that was organized by the Foundation.

*Genting Hong Kong invites charity groups to international hit dance show Sutra in Penang*

Genting Hong Kong invited 100 senior citizens and underprivileged children in Penang to watch Sutra, an internationally acclaimed dance performance put on by Shaolin monks on 30 June at Dewan Sri Pinang.

*Eric Moo concert series – Hong Kong and Taipei legs*

Genting Hong Kong presented the "Our Favourite Melodies with Eric Moo" Hong Kong and Taipei concerts in July and November respectively, bringing music fans unforgettable evenings. Genting Hong Kong also invited underprivileged families from various charities to attend the concert for free to spread love and share the joy of music.


*Internship programme for autistic teenagers*

Genting Hong Kong collaborated with Heep Hong Society for the second year on the an internship programme for autistic youths. Three teenagers from Heep Hong Society participated in this year's programme and gained workplace skills essential for their future career development.

*Underprivileged children treated to sneak peek of “Hello Kitty’s Karaoke TV Musical Show” on board SuperStar Virgo*

Star Cruises welcomed more than 180 youths and underprivileged children onboard SuperStar Virgo on 15 November for a sneak peek of the exclusive “Hello Kitty’s Karaoke TV Musical Show” at sea.


Genting Hong Kong’s fundraising campaign for Super Typhoon Haiyan

Genting Hong Kong launched fundraising and relief campaigns that contributed towards alleviating the devastation in the Philippines caused by Super Typhoon Haiyan. The worldwide and fleet-wide dollar for dollar donation matching programme of the company has raised HKD1.4 million for Hong Kong Red Cross. Resorts World Manila also presented a benefit concert “It’s Our Turn to Give” where proceeds were coursed to Caritas, Sagip Kapamilya (ABS-CBN Foundation) and Philippine Red Cross. Resorts World Manila also supported the “1Tayo: Integrated Relief Drive for the Victims of Typhoon Yolanda” and donated PhP50 million worth of relief goods.

*Draybers rocks Hong Kong fans at “Concert in the Park”*

Draybers returned to Hong Kong for another round of live rock n’ roll jam at “Concert in the Park” in Hong Kong on 1 December. The annual cultural event was jointly organized by the Consulate General of the Philippines and the Leisure and Cultural Services Department of Hong Kong.

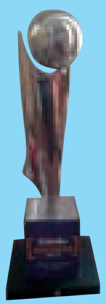
*Resorts World Manila joins League of Corporate Foundations*

Resorts World Manila became a member of the League of Corporate Foundations, a network of over 70 corporations that promotes CSR initiatives and practices in the Philippines.

*Travellers donated through Manila Bayshore Heritage Foundation*

Travellers International Hotel Group, Inc. donated PhP110 million through its Manila Bayshore Heritage Foundation, Inc. for the construction of two 24-room 4-storey school buildings for the Pasay City East High School and Paranaque’s Tambo Elementary School.

# GLOBAL HIGHLIGHTS
## Awards



### Favourite Cruise Company
Star Cruises was voted by thousands of Indian holidaymakers as "Favourite Cruise Company" at Outlook Traveller Awards 2013.

### Best Cruise Line
Star Cruises was voted as "Best Cruise Line" at "Youth.Travel 2012-2013 - Readers' Most Trusted Brands Awards" jointly organized by Beijing Youth Daily, The Mirror and Top Media.

### Best Corporate Social Responsibility
Genting Hong Kong has been named "Best Corporate Social Responsibility" company at Asian Excellence Recognition Awards for two consecutive years. At the awards this year, Genting Group Chairman & Chief Executive Officer Tan Sri Lim Kok Thay was named Best CEO (Investor Relations) – Malaysia; and Genting Hong Kong President Mr David Chua Best CEO (Investor Relations) – Hong Kong.


### India's Best Awards – Best Cruise
Star Cruises was awarded the "Best Cruise" in Travel + Leisure India & South Asia's "India's Best Awards" for two consecutive years.

### Gold Award at Electrolux Discover – E Student Cook-off
Students from Genting-Star Tourism Academy, Gene Hansel Viterbo and Tahani Bautista triumphed at the Electrolux Discover-E Student Cook-off held on 15-16 June in Manila.

### Voice of the Philippines
In the finale held at the Newport Performing Arts Theater in Resorts World Manila, Michael "Mitoy" Yonting won the first Voice of the Philippines grand champion.

5 years+ 商界展關懷 caringcompany®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

### 5 Years Plus Caring Company
Genting Hong Kong is delighted to receive the 5 Years Plus Caring Company Logo from The Hong Kong Council of Social Service in recognition of our commitment in caring for the community, our employees and the environment over the past years.

### Asia's Leading Cruise Line

At the World Travel Awards 2013, Star Cruises was hailed for the second time as "Asia's Leading Cruise Line" among many top players of the industry. Norwegian Cruise Line was also named "Caribbean's Leading Cruise Line" by the World Travel Awards after being voted as Europe's Leading Cruise Line for six consecutive years and the World's Leading Large Ship Cruise Line.

### Travel Hall of Fame

Star Cruises was honoured as a TTG Travel Awards "Travel Hall of Fame" Inductee for the sixth year. It was conferred to Star Cruises to commemorate the company's winning of "Best Cruise Operator in the Asia-Pacific" in the TTG Travel Awards for ten consecutive years.

### Best Cruise Line Operator

Star Cruises was hailed as Best Cruise Line Operator at the 6th Indian Hospitality Awards. The judging panel of the award was composed of renowned business leaders, tourism insiders, hotel and restaurant marketers .

### Awards at Battle of Chefs

Led by Executive Chef Saifol Iskandar Ikhsan, the chef team from SuperStar Libra was awarded one gold, two silver, eleven bronze medals and thirteen diploma awards in the Battle of the Chefs 2013, held in Penang, Malaysia.

### 2013 Best Traveling Company

Star Cruises was named "2013 Best Traveling Company" by Top Travel Magazine with distribution in major cities in China.


### Best Cruise Line Award

In the 2013 Travel & Leisure Annual Travel Awards Ceremony, Star Cruises received the "Best Cruise Line Award".

### Brand of the Year

Norwegian Cruise Line was recognized as the cruise line "Brand of the Year" in the 2013 Harris Poll EquiTrendR study. The highly regarded study compared brand health and surveyed over 38,000 respondents. The result showed Norwegian was highly regarded and preferred by consumers.

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*

Mr. Lim Keong Hui

### Independent Non-executive Directors

Mr. Alan Howard Smith *(Deputy Chairman)*

Mr. Heah Sieu Lay

Mr. Lam Wai Hon, Ambrose

## President

Mr. David Chua Ming Huat

## Secretary

Ms. Louisa Tam Suet Lin

## Assistant Secretary

Appleby Services (Bermuda) Ltd.

## Registered Office

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

## Corporate Headquarters

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

## Bermuda Principal Registrar

MUFG Fund Services (Bermuda) Limited
(formerly Butterfield Fulcrum Group (Bermuda) Limited)
26 Burnaby Street, Hamilton HM 11, Bermuda
Tel: (441) 2951111
Fax: (441) 2956759

## Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
17M Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong SAR
Tel: (852) 28628555
Fax: (852) 28650990

## Transfer Agent

M & C Services Private Limited
112 Robinson Road #05-01,
Singapore 068902
Tel: (65) 62280507
Fax: (65) 62251452

## Auditor

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

## Internet Homepage

www.gentinghk.com

## Investor Relations

Enquiries may be directed to:
Mr. Alexander Ng
*Vice President – Corporate Finance*
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 29574632
E-mail: alexander.ng@gentinghk.com

# 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") and its subsidiaries (the "Norwegian Group"), currently having a combined fleet of 20 ships cruising to over 130 destinations in the world, offering approximately 42,000 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 13 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 yield represents net revenue per capacity day.

Ship or cruise 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 "gaming revenue", "passenger ticket revenue" 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.

Gaming revenue mainly consist of revenue generated by the club operation less the commission and volume rebate.

Passenger ticket revenue 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.

## OVERVIEW (CONTINUED)

### Total revenues (Continued)

Onboard and other revenues consist of revenues primarily from food and beverage sales, shore excursions, retail sales and spa services. The Group records onboard revenues from onboard activities that 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.

### 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 years.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012")

### Turnover

The Group reported revenue of US$554.7 million for the year ended 31 December 2013, a 6.6% growth from that of 2012. Passenger ticket revenue and onboard and other revenue increased 28.0% and 39.1% to US$159.6 million and US$66.9 million, respectively, in 2013 mainly due to higher capacity days coupled with an improvement in occupancy. In 2013, m. v. SuperStar Gemini ("Gemini") and m. v. Genting World ("GWO") had a full-year operation, which contributed to the increase in the capacity days despite routine dry-docks of the Group's other vessels, namely m.v. Star Pisces, m.v. SuperStar Aquarius and m.v. SuperStar Libra. Gaming revenue decreased 7.4% to US$315.7 million in 2013 due to a weaker overall luck factor notwithstanding a strong year-on-year growth in drop.

### Operating Cost and Expenses

Total operating costs and expenses, excluding depreciation and amortization, was US$507.8 million in 2013 compared to US$400.2 million in 2012, an increase of 26.9% primarily due to the full-year operation of Gemini and GWO, and higher marketing and promotion expenses in connection with the Group's 20th anniversary celebrations and Gemini's first-year homeport deployment in Shanghai. Operating costs and expenses, excluding fuel expenses and depreciation and amortization, increased 29.7% to US$440.5 million but increased only 5.5% on a per-capacity-day basis compared to that of 2012.

Fuel expenses, included in operating costs and expenses, grew 11.3% to US$67.3 million due to higher fuel consumption as a result of an increase in capacity days, offset by a 3.2% decrease in average fuel price. In 2013, Star Cruises' average fuel price per metric ton, net of hedges, was US$663 compared to US$685 in 2012.

Total depreciation and amortization expenses increased 43.4% to US$82.4 million in 2013, primarily due to the US$62.3 million refurbishment of Gemini and GWO incurred in late 2012 as well as depreciation of capitalized costs associated with the routine dry-dock of three vessels completed in the first quarter of 2013.

### EBITDA

The Group's EBITDA for 2013 was US$46.9 million, compared to US$120.2 million (excluding discontinued operations) for 2012.

### Share of Profits of Jointly Controlled Entities ("JCE") and Associates

Share of profit of our interest in NCLH totalled US$38.0 million in 2013, compared to US$81.5 million in 2012, primarily due to one-off expenses related to early repayment of debts pursuant to NCLH's initial public offering ("IPO") and reduction of the percentage of ordinary shares in NCLH held by the Group. NCLH was accounted for as a JCE of the Group during 2012 and until the completion of its IPO on 24 January 2013, and thereafter as an associate in 2013.

Share of profit of our interest in Travellers International Hotel Group, Inc. ("Travellers") totalled US$31.2 million in 2013, compared to US$78.0 million in 2012, primarily due to weaker luck factor in relation to the gaming revenue, increase in operating expenses at Travellers and reduction of the Group's effective interest in the common shares of Travellers. Travellers was accounted for as a JCE of the Group during 2012 and until the completion of its IPO on 5 November 2013, and thereafter as an associate in 2013.

Share of profits of other JCEs and associates amounted to US$5.4 million in 2013 compared to US$3.6 million in 2012.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") (CONTINUED)

### Other (Expenses)/Income, net

Net other expenses in 2013 amounted to US$14.9 million compared to US$1.6 million net other income in 2012. In 2013, net other expenses mainly included a US$13.8 million provision of loan receivables from a third party and US$6.8 million foreign exchange loss.

### Other Gains, net

Net other gains mainly comprised a US$219.0 million gain on deemed disposal in connection with the IPO of Travellers and NCLH and a US$451.7 million gain on subsequent disposals of NCLH ordinary shares, partially offset by a US$85.7 million impairment loss on certain available-for-sale investments, and a US$8.8 million fair value loss on certain financial assets stated at fair value through profit or loss.

### Net Finance Costs

Finance costs, net of finance income, was US$34.6 million in 2013 compared to US$43.0 million, which included a US$15.7 million write-off of loan arrangement fees related to the repayment of certain credit facilities in 2012. Excluding this write-off, net finance cost in 2013 would have increased 26.7%, primarily due to the increase in amortisation of financing fees and loan interest due to higher weighted average interest rates of bank loans.

### Profit Before Taxation

Profit before taxation for 2013 was US$565.9 million compared to US$184.6 million (excluding discontinued operations) for 2012.

### Profit Attributable To Equity Owners

Profit attributable to equity owners of the Company was US$552.4 million for 2013 compared to US$198.4 million (including discontinued operations) in 2012.

### 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, Philippines Peso, Hong Kong dollar and Malaysia Ringgit. For the Year 2013, cash and cash equivalents increased to US$935.4 million from US$450.7 million as at 31 December 2012 for the Group. The increase of US$484.7 million in cash and cash equivalents was mainly due to the net effect of the following items:

(a) During the year ended 2013, the Group received net proceeds of approximately US$683.9 million from the disposals of equity interest in Norwegian Cruise Line Holdings Ltd. ("NCLH").

(b) The Group received US$66.2 million dividend income from its investments in jointly controlled entities, associates and other investments in 2013 compared with US$4.7 million dividend income in 2012.

(c) The Group's business recorded US$93.1 million of net cash outflow from operations in 2013 compared to US$65.0 million net cash inflow in 2012. The decrease of US$158.1 million was primarily due to changes of operating assets and liabilities during the year ended 2013 compared with 2012 and operating loss of US$35.5 million in 2013 compared with US$62.7 million operating profit in 2012.

(d) The Group committed a cash-settled total return equity swap amounting to US$50.7 million and used US$32.4 million to acquire available-for-sale investments in 2013.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") (CONTINUED)

### Liquidity and capital resources (Continued)

*Sources and uses of funds (Continued)*

(e) During the year ended 2013, the Group made a drawdown of US$207.2 million under the bank loan facilities as corporate and general working capital. The Group also made a repayment of US$278.8 million under existing bank loans in 2013.

(f) The Group's capital expenditure was approximately US$140.7 million in 2013. Majority of the capital expenditure relates to vessel refurbishments and the remaining was drydocking and onboard assets. In 2012, the Group's capital expenditure was approximately US$86.6 million. In 2013, the Group received deferred proceeds of approximately US$116.7 million from the disposals of a ship in 2012. The Group received net proceeds of approximately US$50.0 million from the disposal of the same ship in 2012.

### Gearing ratio

The Group has turned into a net cash position of US$189.0 million as at 31 December 2013, while the gearing ratio of the Group as at 31 December 2012 was 0.17 times. The gearing ratio is defined as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. The total equity of the Group is approximately US$2,949.2 million (2012: US$2,372.1 million).

### Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2013 are disclosed in note 36 to the consolidated financial statements.

### Future commitments and funding sources

As at 31 December 2013, the Group had approximately US$0.75 billion of bank borrowings. Details of the borrowings and a schedule setting out the repayments of such borrowings are disclosed in note 28 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$1.5 billion.

As at 31 December 2013, the Group's liquidity was US$1,352.9 million consisting of US$935.4 million in cash and cash equivalents and US$417.5 million available under the Group's existing credit facilities.

### Prospects

Upon the completion of m.v. SuperStar Gemini's homeport deployment in Shanghai and Xiamen, the ship embarked on a seasonal deployment in Sanya, China in the beginning of November 2013. From April to October 2014, m.v. SuperStar Gemini is scheduled to homeport in Singapore, while m.v. SuperStar Virgo is scheduled to homeport in Hong Kong.

M.v. SuperStar Aquarius commenced its first seasonal homeport deployment to Kota Kinabalu, the city capital of Sabah, Malaysia, from November 2013 until March 2014. Star Cruises is the first international cruise line to homeport in Kota Kinabalu, offering cruises from Kota Kinabalu to Brunei's Bandar Seri Begawan and Sarawak's Bintulu. Star Cruises regularly introduces new routes and sets new itineraries in the region, and believes these itineraries will enhance the cruise experience of and attract both new and experienced cruisers. After this seasonal deployment, the ship will return to its homeport in Keelung, Taiwan in April 2014.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") (CONTINUED)

### Prospects (Continued)

M.v. SuperStar Virgo has completed its routine drydock and refurbishment in January 2014. The refurbishment includes the upgrade of restaurants, entertainment and recreational venues, as well as duty-free shopping space. m.v. Genting World and m.v. SuperStar Gemini are also expected to undergo drydock in Q4 2014.

Star Cruises has commissioned Meyer Werft GmbH for the construction of two brand new mega vessels at an aggregate cost of approximately €1.4 billion to meet the growing demands from the Asia Pacific market and to take advantage of port infrastructure developments in Asia. Each of these sister ships is approximately 150,000 gross tons with about approximately 3,300 lower berths and will be designed to offer a wide variety of Asian and international food & beverage outlets as well as world-class recreation, health & fitness and conference facilities catering for the unique demand of Asian clientele. The two new ships are scheduled to be delivered to Star Cruises in the fourth quarter of 2016 and 2017, respectively.

Travellers is developing several new hotels and other gaming and non-gaming attractions at Resorts World Manila ("RWM"). The second phase of RWM's expansion project is expected to include an expansion of the Marriott Hotel Manila, while the third phase of RWM's expansion project is expected to feature two new hotels, the Sheraton Hotel Manila and the Hilton Manila as well as an extension to Maxims Hotel. The expansion project is expected to improve RWM's position as a prime entertainment and tourism hotspot in the Philippines, catering to the growing influx of visitors, domestic and international alike, to RWM in the next few years.

Norwegian will continue with its newbuild program for the next generation of Freestyle Cruising vessels. Norwegian took delivery of m.v. Norwegian Getaway in January 2014. This ship is approximately 144,000 gross tons with 4,000 lower berths at an aggregate cost of approximately €627.7 million. Norwegian also has orders with Meyer Werft GmbH for two additional ships, to be delivered in the fourth quarter of 2015 and the first quarter of 2017. These ships, m.v. Norwegian Escape and m.v. Norwegian Bliss, will be the largest in Norwegian's fleet at approximately 163,000 gross tons with 4,200 lower berths each and will be similar in design and innovation to Norwegian's Breakaway-class ships. The combined contract cost of these two additional ships is approximately €1.4 billion.

### Norwegian Group

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

Total revenue increased 12.9% to US$2.6 billion in 2013 compared to US$2.3 billion in 2012. Net revenue increased 13.4% in 2013, primarily due to an increase in capacity days of 8.8% related to the delivery of m.v. Norwegian Breakaway and an increase in net yield of 4.3%. The increase in net yield was due to an increase in passenger ticket pricing and higher onboard and other revenue, partially due to the introduction of m.v. Norwegian Breakaway to the fleet.

Total cruise operating expense increased 12.1% in 2013 compared to 2012 primarily due to an increase in capacity days, expenses related to planned dry-docks and fuel expense, partially offset by the timing of certain expenses. The increase in fuel expense was primarily the result of a 1.7% increase in the average fuel price to US$675 per metric ton in 2013 from US$664 per metric ton in 2012. Total other operating expense increased 17.3% in 2013 compared to 2012 primarily due to non-cash expenses related to share-based compensation recognized upon the realization of IPO, the timing of certain expenses and depreciation expense related to the addition of Norwegian Breakaway. On a capacity day basis, net cruise cost increased 5.0% due to the expenses discussed above. Adjusted net cruise cost excluding fuel per capacity day increased 3.6%, respectively, mainly due to the timing of certain expenses.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") (CONTINUED)

### Norwegian Group (Continued)

Interest expense, net increased to US$282.6 million in 2013 from US$189.9 million in 2012 primarily due to US$160.6 million of expenses associated with debt prepayments partially offset by lower interest rates resulting from the benefits from the redemption of higher rate debt and refinancing transactions.

Income tax expense increased to US$11.8 million in 2013 from US$0.7 million in 2012 primarily due to the change in U.S. tax status from a partnership to a corporation in connection with IPO.

### Travellers Group

The commentary below is based on Travellers' financial statements prepared in accordance with the Philippine Accounting Standards. Figures, originally reported by Travellers in Philippine Peso, have been translated into U.S. dollars in conformity with the Group's reporting currency.

Revenues less promotional allowance increased 3.6% to US$721.8 million in 2013 compared to US$696.5 million in 2012 mainly from the growth in gaming revenue. The 5.6% growth in gaming revenue was attributable to a 20.4% increase in drop, offset by a weaker luck factor. Traveller's average win rate in the VIP segment was 2.6% in 2013, down from 3.0% in 2012. Resorts World Manila remained a popular entertainment destination in Manila with average daily visitation increased 9.8% year-on-year to 18,873 in 2013.

Total operating costs and expenses increased 18.1% to US$613.8 million in 2013 compared to US$519.7 million in 2012 primarily due to an increase in gaming license fees, commissions and rebates as well as growth in salaries and employee benefits as a result of higher headcount and base salary in support of the growth in casino and hotel operations.

Depreciation expense was US$49.2 million in 2013, an increase of 21.5% from US$40.5 million in 2012, because of acquisition of certain equipment in 2013. Finance cost, net of finance income, rose to US$42.4 million in 2013 compared to US$15.6 million in 2012, mainly due to marked-to-market losses on its US$ denominated corporate bond and lower finance income.

Net profit decreased from US$159.6 million in 2012 to US$64.1 million in 2013.

In April 2013, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") No. 33-2013 which clarified that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code, as amended.

After due consideration of the relevant provisions of RMC No. 33-2013, the Travellers' Provisional License Agreement with PAGCOR, as well as relevant law and jurisprudence on the matter, Travellers is still studying the new BIR issuance, in consultation with PAGCOR. Travellers is confident that a fair and equitable resolution will be reached in keeping with the true spirit and intent of its Provisional License that Travellers will not be exposed to further tax liabilities except the license fees as contemplated therein. Hence, no provision has been recognised in the consolidated financial statements as of the end of any of the reporting periods.

## YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012") (CONTINUED)

### Strategy

The Group's key aim is to maintain and strengthen its leadership positions in its core business segments. The Group does this by offering innovative products and services while keeping its cost structure efficient.

The Company celebrated its 20th anniversary in 2013 and intends to leverage on its understanding of the Asian markets to continue to identify opportunities within its core competencies and capabilities to drive its businesses. These initiatives include:

- developing new local cruising markets, secure priority or favourable berthing arrangements, and offering new deployment routes;
- maximising net yield and occupancy by introducing innovative products and onboard revenue initiatives catering to the Group's customer base;
- continue refurbishment and upgrading of its fleet; and
- continue asset rationalisation through repositioning of ships and disposal of low-yielding assets.

Building on the success of the existing operations at Newport City, Travellers intends to execute its growth strategy within a rapidly growing consumption market in the Philippines. Being the first mover in the Philippine market with continuous expansion plans and product innovation, the Company believes that Travellers will maintain its competitive advantage in the coming years. In addition, the Company is jointly developing Resorts World Manila Bayshore, an integrated casino, hotel and entertainment resort located at Entertainment City, Metro Manila.

The completion of Norwegian's initial public offering and listing on the NASDAQ Global Select Market was the latest major milestone in Norwegian's 47 year history. The Company believes that Norwegian is a leader in the cruise industry, both in terms of innovation and financial performance, and is poised for growth, arising from its disciplined capacity expansion, organic growth in Norwegian's current fleet and continuous improvement initiatives aimed at detecting and maximising efficiencies to further improve financial performance.

Norwegian's product proposition is to provide cruisers a customised experience focused on freedom and flexibility, known as "Freestyle Cruising". While many cruise lines have historically required guests to dine at assigned group tables and at specified times, "Freestyle Cruising" offers the flexibility and choice to passengers who prefer to dine when they want, with whomever they want and without having to dress formally. Additionally, Norwegian increased the number of activities and dining facilities available onboard its cruise ships, allowing passengers to tailor their onboard experience to their own schedules, desires and tastes.

Norwegian offers "Freestyle Cruising" throughout its entire purpose-built fleet, which not only contributes to enhanced guest satisfaction, but also boosts Norwegian's revenue from onboard spending sources. Norwegian's offering includes a private ship-within-a-ship group of suites branded as The Haven by Norwegian on several vessels, premium itineraries and segment-leading staterooms.

## HUMAN RESOURCES

As at 31 December 2013, the Group had approximately 6,319 employees, consisting of approximately 5,049 (or 80%) shipbased officers and crew as well as approximately 1,270 (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 2013, there is no significant change in the remuneration policies, bonus, share options scheme and training schemes for the Group.

## FINANCIAL INSTRUMENTS

### General

The functional currency of the Group is the U.S. dollar as a substantial portion of the Group's transactions are realised or settled in U.S. dollars. Transactions in currencies other than U.S. dollars ("foreign currencies") are translated into U.S. dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the 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, Philippines Peso 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 2013, the Group had fuel swap agreements to pay fixed prices for fuel with a total outstanding notional amount of approximately US$26.8 million maturing December 2014.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## DIRECTORS' PROFILES

### Executive Directors

**Tan Sri Lim Kok Thay**

*Chairman and Chief Executive Officer*

Tan Sri Lim Kok Thay, aged 62, 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. ("NCLH"), a company listed on the NASDAQ Global Select Market, and a Director of Travellers International Hotel Group, Inc. ("Travellers"), a company listed on the Main Board of The Philippine Stock Exchange, Inc.. NCLH and Travellers are associates of the Company. Tan Sri Lim focuses on long-term policies and new shipbuildings. He 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 49.30% 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 is the father of Mr. Lim Keong Hui, an Executive Director and a substantial shareholder of the Company.

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.

# DIRECTORS' PROFILES (CONTINUED)

## Executive Directors (Continued)

**Mr. Lim Keong Hui**

Mr. Lim Keong Hui, aged 29, was appointed an Executive Director of the Company in June 2013. He is currently the Executive Director – Chairman's Office of the Company and has served the Company for more than four years. He was the Senior Vice President – Business Development of the Company prior to his redesignation as the Executive Director – Chairman's Office following his appointment as an Executive Director of the Company. Mr. Lim is also a Non-Independent Executive Director and Executive Director – Chairman's Office of GENT, and a Non-Independent Non-Executive Director of GENM and Genting Plantations Berhad ("GENP"), all of which are listed on the Main Market of Bursa Malaysia Securities Berhad. GENP is a subsidiary of GENT which in turn holds 49.30% equity interest in GENM. Mr. Lim is also a director of Kien Huat Realty Sdn. Berhad ("KHR") and Kien Huat International Limited ("KHI"). GENT, GENM, KHR and KHI 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.

Prior to joining the Company, Mr. Lim had embarked on an investment banking career with The Hongkong and Shanghai Banking Corporation Limited. He holds a Master's Degree in International Marketing Management from Regents Business School London and a Bachelor of Science (Honours) Degree in Computer Science from the Queen Mary and Westfield College, University of London. Mr. Lim is a son of Tan Sri Lim Kok Thay (the Chairman, an Executive Director, the Chief Executive Officer and a substantial shareholder of the Company). He is also a member of the Board of Trustees of Yayasan Lim Goh Tong, a family foundation set up for charitable purposes.

## Independent Non-executive Directors

**Mr. Alan Howard Smith**

*Deputy Chairman*

Mr. Alan Howard Smith, aged 70, 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 Guangdong Land Holdings Limited (formerly known as 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 overseas listed companies. He was a director of United International Securities Limited, which was 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 IP All Seasons Asian Credit Fund (formerly known as Asian Credit Hedge Fund Ltd.), which had been listed on the Irish Stock Exchange but was voluntarily delisted in July 2012.

## DIRECTORS' PROFILES (CONTINUED)

### Independent Non-executive Directors (Continued)

**Mr. Heah Sieu Lay**

Mr. Heah Sieu Lay, aged 60, 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. Lam Wai Hon, Ambrose**

Mr. Lam Wai Hon, Ambrose, aged 60, was appointed an Independent Non-executive Director of the Company in June 2013. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam is the Chief Executive Officer of Investec Capital Asia Limited (formerly known as Access Capital Limited of which Mr. Lam was a director and the co-founder prior to its acquisition by Investec Bank PLC in April 2011) and the Country Head for China & Hong Kong of Investec Group. Prior to establishing Access Capital Limited in 2000, Mr. Lam was the managing director and head of Investment Banking for Greater China of Deutsche Bank AG. He was also the managing director and head of Investment Banking for Greater China of Bankers Trust Company, and the managing director of Yuanta Securities (Hong Kong) Company Limited. Mr. Lam started his investment banking career with Kleinwort Benson Group in London in 1984 before joining Standard Chartered Asia Limited in Hong Kong where he held the position of managing director in corporate finance.

Mr. Lam is also an Independent Non-executive Director of China Agri-Industries Holdings Limited, which is listed on the Stock Exchange. He had also served as an Independent Non-executive Director of Shenzhen Expressway Company Limited, which is listed on the Stock Exchange until the expiry of his term of office on 31 December 2011.

Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree in Economics & Accounting from University of Newcastle Upon Tyne in England.

## SENIOR MANAGEMENT PROFILES

**Mr. David Chua Ming Huat**

*President*

Mr. David Chua Ming Huat, aged 51, 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. ("NCLH"), a company listed on the NASDAQ Global Select Market, and the Chairman and Chief Executive Officer of Travellers International Hotel Group, Inc. ("Travellers"), a company listed on the Main Board of The Philippine Stock Exchange, Inc.. NCLH and Travellers are associates of the Company. 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 53, 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 59, 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.

## SENIOR MANAGEMENT PROFILES (CONTINUED)

**Ms. Joyce Tan Wei Tze**

*Chief Financial Officer*

Ms. Joyce Tan Wei Tze, aged 41, 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.

**Ms. Mona Lai Yuen Ching**

*General Counsel and Senior Vice President of Legal, Company Secretarial & Compliance*

Ms. Mona Lai Yuen Ching, aged 46, joined the Company in May 2010 as Senior Vice President of Legal, Company Secretarial & Compliance and was subsequently re-designated as General Counsel and Senior Vice President of Legal, Company Secretarial & Compliance in July 2013. 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 18 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 and Business Process Outsourcing*

Mr. Kenny Ng Joon Ming, aged 46, is Senior Vice President of Information Technology and Business Process Outsourcing. He is responsible for overseeing the Company's complex technology systems, leading its substantial Information Technology organization, and managing the Business Process Outsourcing capability that provides Contact Centre and IT services to the various cruise, hotel and resorts business units. Mr. Ng has over 15 years experience in Information Technology field, covering infrastructure, communication, business systems, e-commerce and solution development and 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 2013.

## 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 38 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 2013 has been provided.

## RESULTS

The results of the Company and its subsidiaries for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on pages 97 to 99.

## DIVIDENDS

The Board of Directors has recommended a maiden final dividend of US$0.01 per ordinary share for 2013, which will be payable subject to shareholders' approval at the 2014 Annual General Meeting of the Company.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out on pages 105 to 108.

## 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 190.

## 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 2013, save for the issuance by the Company of 21,252,626 new ordinary shares with par value of US$0.10 each in the share capital of the Company at an aggregate price of approximately HK$38,390,216 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) and the issuance by the Company of 240,044,247 new ordinary shares with par value of US$0.10 each in the share capital of the Company pursuant to the conversion of US$35,000,000 outstanding 7.5% unsecured convertible bonds due 2016.

## 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 2013 is set out on page 191.

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

## SHARE CAPITAL, 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 27, 29 and 30 to the consolidated financial statements, respectively.

## INDEBTEDNESS

Details of long-term financing facilities of the Company and its subsidiaries as at 31 December 2013 are set out in note 28 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 *(resigned on 14 June 2013)*
Mr. Heah Sieu Lay
Mr. Au Fook Yew *(resigned on 14 June 2013)*
Mr. Lam Wai Hon, Ambrose *(appointed on 7 June 2013 after the conclusion of the Annual General Meeting of the Company held on the same day)*
Mr. Lim Keong Hui *(appointed on 7 June 2013 after the conclusion of the Annual General Meeting of the Company held on the same day)*

In accordance with Bye-law 99 of the Company's Bye-laws, Tan Sri Lim Kok Thay will retire by rotation at the forthcoming Annual General Meeting whereas Mr. Lam Wai Hon, Ambrose and Mr. Lim Keong Hui who were appointed during the year will, in accordance with Bye-law 102(B) of the Company's Bye-laws, hold office until the forthcoming Annual General Meeting and will then be eligible for re-election at such meeting. The retiring Directors, being eligible, will offer themselves for re-election.

The Company has received from each of the three Independent Non-executive Directors (namely Mr. Alan Howard Smith, Mr. Heah Sieu Lay and Mr. Lam Wai Hon, Ambrose) 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 Rules 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 34 to 38.

## 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 35 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 2013 are disclosed in note 35 to the consolidated financial statements.

(b) Transactions set out in items (a), (b), (c), (g), (h) and (cc) 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) The Company entered into 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 Genting Berhad ("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.

The Company had entered into a supplemental agreement with GENM on 31 October 2011 (the "First GENM-GENHK Supplemental Agreement") to amend the GENM-GENHK Services Agreement (together with the First GENM-GENHK Supplemental Agreement, the "First 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 First Amended GENM-GENHK Services Agreement for each of the financial years ended 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 "First GENS-GENHK Supplemental Agreement") to amend the GENS-GENHK Services Agreement (together with the First GENS-GENHK Supplemental Agreement, the "First Amended GENS-GENHK Services Agreement") for the purpose of expanding the scope of services. The Annual Cap for the transactions under the First Amended GENS-GENHK Services Agreement for each of the financial years ended 31 December 2012 and 31 December 2013 remains unchanged.

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

## CONNECTED TRANSACTIONS (CONTINUED)

GENT is a company listed on the Main Market of Bursa Malaysia Securities Berhad and in which each of Tan Sri Lim Kok Thay (the Chairman, Executive Director and Chief Executive Officer and a substantial shareholder of the Company) and Mr. Lim Keong Hui (an Executive Director and a substantial shareholder of the Company) has a deemed interest. Tan Sri Lim Kok Thay is also the Chairman and Chief Executive and a shareholder of GENT. 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 49.30% and 51.92% equity interests in GENM and GENS respectively while GENM held approximately 17.81% equity interest in the Company. Apart from its deemed interest in the Company through GENM, GENT also held approximately 0.25% 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. Mr. Lim Keong Hui is also a Non-Independent Executive Director and Executive Director – Chairman's Office of GENT and a Non-Independent Non-Executive Director of GENM.

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

| | For the year ended 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 First Amended GENM-GENHK Services Agreement | 3 million | 4 million | 5 million |
| Annual amounts paid/payable by the Group under the First Amended GENS-GENHK Services Agreement | 2 million | 2 million | 2 million |

For the year ended 31 December 2013, the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the GENT-GENHK Services Agreement, the First Amended GENM-GENHK Services Agreement and the First Amended GENS-GENHK Services Agreement was approximately US$0.009 million, US$1.7 million and US$0.04 million respectively and has not exceeded the Annual Cap of US$0.5 million, US$5 million and US$2 million respectively.

As announced in the Company's announcement dated 23 December 2013, in view of the expiry of the GENT-GENHK Services Agreement, the First Amended GENM-GENHK Services Agreement and the First Amended GENS-GENHK Services Agreement on 31 December 2013, the parties entered into supplemental agreements, namely, the First Supplemental Agreement to GENT-GENHK Services Agreement, the Second Supplemental Agreement to GENM-GENHK Services Agreement, and the Second Supplemental Agreement to GENS-GENHK Services Agreement, on 23 December 2013 separately to extend the term of the respective agreements (together with such supplemental agreements, the "Amended GENT-GENHK Services Agreement", the "Second Amended GENM-GENHK Services Agreement" and the "Second Amended GENS-GENHK Services Agreement" respectively) for a further fixed term of 3 years commencing from 1 January 2014.

## CONNECTED TRANSACTIONS (CONTINUED)

The Annual Cap for the transactions contemplated under the Amended GENT-GENHK Services Agreement, the Second Amended GENM-GENHK Services Agreement and the Second Amended GENS-GENHK Services Agreement respectively for each of the 3 financial years ending 31 December 2016 is expected to be as follows:

| | For the year ending 31 December | | |
|---|---|---|---|
| | **2014** US$ | **2015** US$ | **2016** US$ |
| Annual amounts payable by the Group under the Amended GENT-GENHK Services Agreement | 0.5 million | 0.5 million | 0.5 million |
| Annual amounts payable by the Group under the Second Amended GENM-GENHK Services Agreement | 6 million | 7 million | 8 million |
| Annual amounts payable by the Group under the Second Amended GENS-GENHK Services Agreement | 2 million | 2 million | 2 million |

Details of the said agreements and transactions contemplated thereunder have been set out in the announcement issued by the Company on 23 December 2013 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.

(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 ended 31 December 2013 was expected to be as follows:

| | For the year ended 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 |

Report of the Directors (Continued)

## CONNECTED TRANSACTIONS (CONTINUED)

For the year ended 31 December 2013, 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$0.04 million and US$0.2 million respectively and has not exceeded the Annual Cap of US$1.5 million and US$4 million respectively.

As announced in the Company's announcement dated 23 December 2013, in view of the expiry of the GENHK-GENM Services Agreement and the GENHK-GENS Services Agreement on 31 December 2013, the parties entered into supplemental agreements, namely, the First Supplemental Agreement to GENHK-GENM Services Agreement and the First Supplemental Agreement to GENHK-GENS Services Agreement, on 23 December 2013 separately to extend the term of the respective agreements (together with such supplemental agreements, the "Amended GENHK-GENM Services Agreement" and the "Amended GENHK-GENS Services Agreement" respectively) for a further fixed term of 3 years commencing from 1 January 2014.

The Annual Cap for the transactions contemplated under the Amended GENHK-GENM Services Agreement and the Amended GENHK-GENS Services Agreement respectively for each of the 3 financial years ending 31 December 2016 is expected to be as follows:

| | For the year ending 31 December | | |
|---|---|---|---|
| | **2014** | **2015** | **2016** |
| | US$ | US$ | US$ |
| Annual amounts receivable by the Group under the Amended GENHK-GENM Services Agreement | 1.5 million | 1.5 million | 1.5 million |
| Annual amounts receivable by the Group under the Amended GENHK-GENS Services Agreement | 4 million | 4 million | 4 million |

Details of the said agreements and transactions contemplated thereunder have been set out in the announcement issued by the Company on 23 December 2013 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.

(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

## CONNECTED TRANSACTIONS (CONTINUED)

(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 "JPM First Supplemental Agreement") 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 JPM First Supplemental Agreement) 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 "JPM Second Supplemental Agreement") 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 JPM First Supplemental Agreement) for a further period of three years from 1 January 2011 to 31 December 2013 pursuant to Rule 14A.35 of the Listing Rules.

WCIL is currently a wholly-owned subsidiary of Star Cruise (C) Limited ("SC (C)", an indirect wholly-owned subsidiary of the Company). Prior to 31 December 2013 on which the completion of the acquisition of the WCIL Group by SC (C) from Resorts World Inc Pte. Ltd. ("RWI") took place, WCIL was a wholly-owned subsidiary of RWI upon completion of the disposal of 50% equity interest in WCIL by each of SC (C) and the GENS group to RWI on 4 November 2011. 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 JPM First Supplemental Agreement and the JPM Second Supplemental Agreement, the original Annual Caps for each of the two financial years ended 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 JPM First Supplemental Agreement and the JPM Second Supplemental Agreement, 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 ended 31 December 2013 were expected to be as follows:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| | US$ | US$ | 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 2013, (i) the aggregate amount paid/payable by the Group in respect of the WC/JPM Transactions was approximately US$0.6 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$1.7 million and has not exceeded the Annual Cap of US$5 million.

As announced in the Company's announcement dated 31 December 2013, the WC Programme has been operated and managed by the GENM group in Malaysia and by the WCIL Group in countries and territories outside Malaysia. There are transactions between the GENM group and the WCIL group in the cross-territory operation of the WC Programme under the inter-operator agreement dated 25 October 2004 as supplemented by supplemental agreements I, II and III (collectively, the "Inter-Operator Agreement") between Genting WorldCard Services Sdn Bhd and WorldCard Services Sdn Bhd, both being members of the GENM group, and WCI Management Limited, being member of the WCIL group, pursuant to which the term of the Inter-Operator Agreement was fixed for a period of 3 years and expired on 31 December 2013. In view of the expiry of the Inter-Operator Agreement and the JPM Agreement (as amended and supplemented from time to time) on 31 December 2013, the Group and the GENM group entered into supplemental agreements (the "Inter-Operator Supplemental Agreement IV" and the "JPM Third Supplemental Agreement") on 31 December 2013 to renew the Inter-Operator Agreement and the JPM Agreement (as amended and supplemented from time to time) and the continuing connected transactions thereunder for a further period of 3 years from 1 January 2014 to 31 December 2016.

## CONNECTED TRANSACTIONS (CONTINUED)

The Annual Cap for the aggregate amounts payable and the aggregate amounts receivable by the Group under the term of the Inter-Operator Agreement (as supplemented by the Inter-Operator Supplemental Agreement IV) and the JPM Agreement (as supplemented by the JPM Third Supplemental Agreement and by any future addenda which may be entered into from time to time) for each of the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 is expected to be as follows:

| | For the year ending 31 December | | |
|---|---|---|---|
| | **2014** | **2015** | **2016** |
| | US$ | US$ | US$ |
| Annual amounts payable by the Group | 5 million | 5 million | 5 million |
| Annual amounts receivable by the Group | 5 million | 6 million | 7 million |

Details of, inter alia, the Inter-Operator Supplemental Agreement IV and the JPM Third Supplemental Agreement and transactions contemplated thereunder have been set out in the announcement issued by the Company on 31 December 2013 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.

(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") 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").

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

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, inter alia, 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.

For the year ended 31 December 2013, the aggregate amount received/receivable by CAL in respect of the RWS Transactions was approximately US$1.1 million and has not exceeded the Annual Cap of US$4 million.

## 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 had its official opening in June 2013.

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 (Receivable) 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-1") 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-1 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.

On 15 May 2013, a deed of assignment was executed between SCCH and Guangzhou Liyunhui Consulting and Management Services Limited ("GLCM", an indirect wholly-owned subsidiary of the Company) pursuant to which SCCH has assigned all its rights and obligations under the Hotel Management Agreement with 3rd Valley to GLCM.

The Annual Cap of the service fees received/receivable by SCCH and GLCM (as the case may be) 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 2013, the aggregate amount received/receivable by SCCH and GLCM (as the case may be) in respect of the 3rd Valley (Receivable) Transactions was approximately US$133,000 and has not exceeded the Annual Cap of US$1.5 million.

## CONNECTED TRANSACTIONS (CONTINUED)

(6) On 30 December 2013, Dynamic Merits Limited ("Dynamic Merits"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement") with 3rd Valley in respect of the provision by 3rd Valley of certain consultancy services and maintenance services, and grant of certain access rights, in respect of the development of Genting World and Genting Residences by the Group, and grant of the right to use all ski-related facilities at the Genting Resort, Secret Garden ("Secret Garden"), for an aggregate consideration of RMB20,000,000 (the "3rd Valley (Payable) Transactions"). Secret Garden is located at Chongli County, Zhang Jia Kou City, Hebei Province, the People's Republic of China.

The durations of the Maintenance Services and Access Rights and each of the other services as set out in the Cooperation Agreement are 70 years and 3 years respectively, and the details of the durations of these services are more specifically defined and provided in the Cooperation Agreement. Genting World and Genting Residences are properties located and/or to be developed and constructed at Secret Garden, Chongli County, Zhang Jia Kou City, Hebei Province, the People's Republic of China.

To comply with the Listing Rules, an independent financial adviser ("IFA-2") has been appointed to advise the Board in respect of the duration of the Maintenance Services and Access Rights in the Cooperation Agreement which is longer than three years. Taking into account the factors as set out in the Company's announcement dated 30 December 2013, the IFA-2 is of the view that a term of longer than 3 years is required for the Maintenance Services and Access Rights in the Cooperation Agreement. In addition, in the context of the development of Genting Residences and Genting World, the IFA-2 considered that it is normal business practice for service of this type to be of such duration.

For the year ended 31 December 2013, the aggregate amount paid/payable to 3rd Valley in respect of the 3rd Valley (Payable) Transactions was approximately US$1,641,000.

The Audit Committee comprising 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, the 3rd Valley (Receivable) Transactions and the 3rd Valley (Payable) 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.

## CONNECTED TRANSACTIONS (CONTINUED)

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 41 to 49 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.

(c) Transactions set out in items (j)(2) and (bb) of these related party transactions, which constitute connected transactions under the Listing Rules, are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(2) of the Listing Rules as these transactions were entered into on normal commercial terms and their respective consideration is less than the de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the Listing Rules).

(d) Transactions set out in items (d), (e), (f), (i), (j)(1), (k) to (m), (u) and (dd) 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 2013 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 (w) 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 2013 as set out in note 35 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.

Mr. Lim Keong Hui, an Executive Director of the Company, is also a Non-Independent Executive Director and Executive Director – Chairman's Office of GENT, and a Non-Independent Non-Executive Director of GENM.

GENM is involved in a tourist resort business at Resorts World Genting 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 49.30% and 51.92% equity interests 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 and Mr. Lim Keong Hui are 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 GENT, GENM and GENS. 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.

Report of the Directors (Continued)

## INTERESTS OF DIRECTORS

As at 31 December 2013, 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)* | 5,150,707,524 *(3) and (4)* | 6,096,338,153 *(5)* | 75.88 |
| Mr. Lim Keong Hui *(6)* | – | – | – | 5,150,707,524 *(3) and (4)* | 5,150,707,524 | 64.11 |

*Notes:*

As at 31 December 2013:

(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 First Names Trust Company (Isle of Man) Limited respectively) and Mr. Lim Keong Hui also as a beneficiary of these two discretionary trusts, had a deemed interest in the same block of 5,150,707,524 ordinary shares.

(4) Out of the same block of 3,699,552,344 ordinary shares held directly by Golden Hope Limited as trustee of Golden Hope Unit Trust, 400,000,000 ordinary shares are pledged ordinary shares.

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

(6) Mr. Lim Keong Hui is a son of Tan Sri Lim Kok Thay.

(7) 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, Tan Sri Lim Kok Thay, 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 2013, 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 | 0.095 | 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 37 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, Tan Sri Lim Kok Thay, 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 | Beneficial owner | Interests of spouse | Interests of controlled corporation | Founder/ Beneficiary of discretionary trusts | Total | Percentage of issued ordinary/ common shares |
| | | Number of ordinary/common shares *(Notes)* | | | | | |
| Starlet Investments Pte. Ltd. ("Starlet") *(1)* | Tan Sri Lim Kok Thay | – | 250,000 *(2)* | 250,000 *(3)* | 250,000 *(4)* | 500,000 *(15) and (16)* | 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 *(15) and (16)* | 100 |
| 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 *(15) and (16)* | 100 |
| Travellers International Hotel Group, Inc. ("Travellers") *(13)* | Mr. Lim Keong Hui | 1,910,000 | – | – | 9,203,350,000 *(14)* | 9,205,260,000 *(16)* | 58.42 |

## INTERESTS OF DIRECTORS (CONTINUED)

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

*Notes:*

As at 31 December 2013:

(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 had two classes of issued shares, namely the common shares and the series A preferred shares. All the issued common shares in SC Alliance were held by Starlet.

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

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

(9) SCHKMS was owned as to (i) 60% by SC Alliance; 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.

(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) Travellers had two classes of issued shares, namely the common shares and the preferred B shares. Following initial listing of the common shares of Travellers on the Main Board of The Philippine Stock Exchange, Inc. on 5 November 2013 and the exercise of the over-allotment option by the stabilizing agent on 4 December 2013 to purchase 23,645,600 common shares, the Company's effective interest in the common shares of Travellers has been diluted from 50% to 44.93%. The Company's effective interest in the preferred B shares of Travellers remains unchanged at 50% following the listing.

(14) As a beneficiary of a discretionary trust, Mr. Lim Keong Hui had a deemed interest in 9,203,350,000 common shares of Travellers.

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

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

As at 31 December 2013, Tan Sri Lim Kok Thay also held qualifying shares in certain associated corporations of the Company on trust for a subsidiary 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 2013, 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 37 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 2013 were as follows:

### Post-listing Employee Share Option Scheme

| | Number of options outstanding at 01/01/2013 | 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 31/12/2013 | Date granted | Exercise price per share | Exercisable period |
|---|---|---|---|---|---|---|---|---|
| Tan Sri Lim Kok Thay (Director) | 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 |
| | **7,632,740** | **–** | **–** | **–** | **7,632,740** | | | |
| All other employees | 542,757 | (542,757) *(Note 1)* | – | – | – | 08/09/2003 | HK$2.8142 | 09/09/2005 – 08/09/2013 |
| | 9,337,572 | (4,869) *(Note 2)* | – | – | 9,332,703 | 23/08/2004 | HK$1.6202 | 24/08/2006 – 23/08/2014 |
| | 23,845,000 | (20,705,000) *(Note 3)* | (50,000) | – | 3,090,000 | 27/05/2008 | HK$1.7800 | 28/05/2009 – 27/05/2018 |
| | 12,150,000 | – | (50,000) | – | 12,100,000 | 16/11/2010 | HK$3.7800 | 16/11/2011 – 15/11/2020 |
| | **45,875,329** | **(21,252,626)** | **(100,000)** | **–** | **24,522,703** | | | |
| **Grand Total** | **53,508,069** | **(21,252,626)** | **(100,000)** | **–** | **32,155,443** | | | |

*Notes:*

(1) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.2900.

(2) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.5600.

(3) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.5895.

The share options under the Post-listing Employee Share Option Scheme granted on (i) 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; (ii) 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 (iii) 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.

Report of the Directors (Continued)

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, 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 *(21)* | 18.06 |
| Kien Huat International Limited *(2)* | – | – | 1,451,155,180 *(11)* | – | – | 1,451,155,180 | 18.06 |
| Kien Huat Realty Sdn. Berhad *(3)* | – | – | 1,451,155,180 *(11)* | – | – | 1,451,155,180 | 18.06 |
| Genting Berhad *(4)* | – | – | 1,451,155,180 *(11)* | – | – | 1,451,155,180 | 18.06 |
| Genting Malaysia Berhad *(5)* | – | – | 1,431,059,180 *(12)* | – | – | 1,431,059,180 | 17.81 |
| Sierra Springs Sdn Bhd *(6)* | – | – | 1,431,059,180 *(12)* | – | – | 1,431,059,180 | 17.81 |
| Resorts World Limited *(6)* | 1,431,059,180 | – | – | – | – | 1,431,059,180 | 17.81 |
| First Names Trust Company (Isle of Man) Limited (as trustee of a discretionary trust) *(7)* | – | – | 3,699,552,344 *(14)* | 3,699,552,344 *(15)* | 3,699,552,344 *(17)* | 3,699,552,344 *(21)* | 46.05 |
| Cove Investments Limited *(8)* | – | – | – | – | 3,699,552,344 *(18)* | 3,699,552,344 | 46.05 |
| Golden Hope Limited (as trustee of Golden Hope Unit Trust) *(9)* | – | – | – | 3,699,552,344 *(16) and (20)* | – | 3,699,552,344 | 46.05 |
| Joondalup Limited *(10)* | 546,628,908 | – | – | – | – | 546,628,908 | 6.80 |
| Puan Sri Wong Hon Yee | – | 6,096,338,153 *(19(a))* | 36,298,108 *(19(b))* | – | – | 6,096,338,153 *(21)* | 75.88 |

# INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

*Notes:*

As at 31 December 2013:

(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"), Mr. Lim Keong Hui and certain other members of Tan Sri KT Lim's family. Tan Sri KT Lim controlled an aggregate of 33.33% of the equity interest in Parkview directly and indirectly. Tan Sri KT Lim is the father of Mr. Lim Keong Hui.

(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 40.00% 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 49.30% 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) First Names Trust Company (Isle of Man) Limited ("First Names") was the trustee of a discretionary trust (the "Discretionary Trust 2"), the beneficiaries of which were Tan Sri KT Lim, Mr. Lim Keong Hui and certain other members of Tan Sri KT Lim's family. First Names 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 First Names 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) First Names as trustee of the Discretionary Trust 2 had a corporate interest in the same block of 3,699,552,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(15) First Names in its capacity as trustee of the Discretionary Trust 2 had a deemed interest in the same block of 3,699,552,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(16) The interest in 3,699,552,344 ordinary shares was held directly by Golden Hope in its capacity as trustee of GHUT.

(17) First Names as trustee of the Discretionary Trust 2 was deemed to have interest in the same block of 3,699,552,344 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 3,699,552,344 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 6,096,338,153 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) Out of the same block of 3,699,552,344 ordinary shares held directly by Golden Hope as trustee of GHUT, 400,000,000 ordinary shares are pledged ordinary shares.

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

(22) 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)* | 0.095 | Interests of spouse |

*Note:*

As at 31 December 2013, 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 2013, 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 35 to the consolidated financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

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

## EMOLUMENT POLICY

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

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

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

### Base Salary

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

### Annual Bonus

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

### 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 2013, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (the "Code Provisions"), save for certain deviations from the relevant Code Provisions A.2.1, A.6.7 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 A.6.7 states that, inter alia, Independent Non-executive Directors and other Non-executive Directors, as equal Board members, should 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 62 to 96.

## 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 Corporate Governance Code. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Heah Sieu Lay, Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose.

## 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").

# GENERAL DISCLOSURE PURSUANT TO THE LISTING RULES (CONTINUED)

## Facility Agreements of the Group (Continued)

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 2013, the aggregate principal amount under the above facility agreements was US$900 million and the aggregate outstanding loan balance thereunder was approximately US$450 million.

# SIGNIFICANT SUBSEQUENT EVENTS

In January 2014, the Group entered into and completed a sale and purchase agreement with RWD US LLC ("RWD", an indirect wholly-owned subsidiary of Genting Malaysia Berhad) for the disposal of an aircraft to RWD at a consideration of US$17.3 million.

In February 2014, the Group entered into the second shipbuilding contract with a ship builder company in relation to the construction and delivery of the second vessel at a contract price of Euro 697.2 million (equivalent to approximately US$961.6 million). The vessel is expected to be delivered in October 2017.

In March 2014, the Group entered into and completed another underwriting agreement to further dispose 7.5 million ordinary shares of Norwegian Cruise Line Holdings Ltd. ("NCLH") at a total consideration of approximately US$246.9 million (after deduction of relevant expenses). As a result of the share disposal, the percentage of ordinary shares of NCLH owned by the Group further decreased from approximately 31.4% to approximately 27.7%.

As announced by the Company on 5 March 2014, the Company proposes to seek from its shareholders a disposal mandate (subject to certain parameters including the mandate period and price setting mechanism as set out in the announcement), allowing the Company the flexibility in effecting future disposal(s) of the remaining NCLH shares held by the Group, as and when the Directors consider appropriate. The proposed disposal mandate is subject to shareholders' approval at a special general meeting to be convened as soon as practicable.

# AUDITOR

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, 19 March 2014

# 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 2013 has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (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, 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.<br><br>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 of written resolution or by a Board committee set up for that purpose.<br><br>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. |

Corporate Governance Report (Continued)

# (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.<br><br>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.<br><br>Given that there is a balanced Board with a number of experienced Non-executive Directors (including at least three Independent Non-executive Directors ("INEDs"), representing more than one half of the Board) and an INED acting as the Deputy Chairman throughout the year, 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.<br><br>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.<br><br>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 Chairman (who is also the Chief Executive Officer and an Executive Director) of the Company had held a meeting with the Non-executive Directors (including INEDs). |
| 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. |

Corporate Governance Report (Continued)

# (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.2.9 | 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.<br><br>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 and diversity of perspectives appropriate to 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 has at least three INEDs, representing more than one half of the Board and constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" of the Company's Annual Report for the skills and experience of each Director.<br><br>Composition of the Board at the prevailing time throughout the year, by category of Directors, including names of Executive Director(s), INEDs and, where relevant, Non-executive Director has been 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, except for the initial term of the office of Mr. Lam Wai Hon, Ambrose as set out in the paragraph below, 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.<br><br>For Mr. Lam Wai Hon, Ambrose, who was appointed as an INED of the Company on 7 June 2013 immediately after the conclusion of the 2013 AGM held on the same day, the initial term of his office as an INED was fixed for approximately 12 months commencing from the date of his appointment and expiring at the conclusion of the 2014 AGM, whereupon he will be eligible for re-election by shareholders at the 2014 AGM. |
| 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, a retiring INED, who had served on the Board for more than 9 years, being eligible and offered himself for re-election, was elected individually by shareholders at the 2013 AGM. Circular to shareholders accompanying the relevant resolution for his re-appointment had included the reasons why the Board considered that he remained to be independent and should be re-elected. |

# (I) STATEMENT OF COMPLIANCE (CONTINUED)

## A. Directors (Continued)

### A.5 Nomination Committee

***Principle***

In carrying out its responsibilities, the Nomination Committee should give adequate consideration to the Principles under A.3 and A.4 above.

| 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)(2) 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 during the year under review, 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. |
| A 5.6 | The Nomination Committee (or the Board) shall have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report. | No | In March 2013, prior to the effectiveness of this Code Provision on board diversity, the Nomination Committee has adopted the Director Nomination Policy for the Company which incorporated the policy concerning diversity of the Board members. A summary of the policy regarding Board diversity is disclosed in section (III)(C)(4) of this Report. |

# (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.<br><br>Mr. Lim Keong Hui (an Executive Director of the Company appointed on 7 June 2013) and Mr. Lam Wai Hon, Ambrose (an INED of the Company appointed on 7 June 2013) have been given a comprehensive, formal and tailored induction upon their appointment during the year.<br><br>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. |

# (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.6.2 | Functions of Non-executive Directors shall include the following:<br><br>(a) participating in Board meetings to bring an independent judgement;<br><br>(b) taking the lead where potential conflicts of interests arise;<br><br>(c) serving on the audit, remuneration, nomination and other governance committees, if invited; and<br><br>(d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting. | No | All INEDs and Non-executive Director of the Company in office during the year under review have duly performed 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. |
| 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.<br><br>"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 2013 as its code of conduct regarding securities transactions by its Directors.<br><br>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. |

# (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.6.5 | 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.<br><br>The Company maintains and updates a record of training received by the Directors. Please refer to sections (III)(A)(9) to (11) of this Report for further details. |
| 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 | During the year under review, all INEDs and the Non-executive Director of the Company have given the Board and any Board Committees on which they served 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 2013 AGM, the Non-executive Director of the Company was unable to attend due to other engagement. All the three INEDs in office had attended the said general meeting and were available to answer questions. No other general meeting was held during the year under review. |

# (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.6.8 | 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 | Throughout the year under review, there were at least three INEDs on the Board, representing more than one half of the Board, constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" of the Company's Annual Report for the skills and experience of each Director. Adequate business documents and information about the Group were provided to all Directors in a timely manner. The INEDs and the Non-executive Director in office during the year were able to provide independent, constructive and informed comments and decisions on the development of the Company's strategy and policies. |

### 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.<br><br>There are formal and informal contacts between the Board and the Senior Management from time to time at Board meetings 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.<br><br>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 (except his associates), prior to their due consideration by the Remuneration Committee.<br><br>The Chairman and Chief Executive Officer of the Company is to abstain from voting when his and his associates' 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 14 headed "Emoluments of Directors and Senior Management" of the notes to the consolidated financial statements in the Company's Annual Report. |

Corporate Governance Report (Continued)

# (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 | 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 2013, the Directors have:<br><br>(i) selected suitable accounting policies and applied them consistently;<br><br>(ii) made judgements and estimates that are prudent and reasonable; and<br><br>(iii) prepared accounts on the going concern basis.<br><br>The Auditor's Report states the auditor's 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 and other financial disclosures required by the Listing Rules; and for reports to regulators and information disclosed under statutory requirements. | No | The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications issued under statutory and/or regulatory requirements. |

### 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.<br><br>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.<br><br>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.<br><br>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:<br><br>(a) to be partner of the firm; or<br><br>(b) to have any financial interest in the firm,<br><br>whichever is later. | No | None of the Directors who served on the Audit Committee during the year under review were former partners of the external auditor. |
| 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 auditor. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditor. |
| 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:<br><br>(i) Overall strategic direction;<br>(ii) Annual operating plan;<br>(iii) Annual capital expenditure plan;<br>(iv) Major acquisitions and disposals;<br>(v) Major capital projects; and<br>(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)(7) 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. |
| 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.<br><br>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. | No | The Chairman of the Board (who is also a member of the Remuneration and Nomination Committees) attended and chaired the Company's 2013 AGM pursuant to the Company's Bye-laws and he together with the Chairman and other members of the Audit, Remuneration and Nomination Committees and the external auditor of the Company were available to answer questions at the general meeting. |
| 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 2013 AGM.<br><br>No other general meeting was convened during year 2013. |
| 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. |

# (I) STATEMENT OF COMPLIANCE (CONTINUED)

## E. Communication with Shareholders (Continued)

### 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. |

## 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.

### (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 Disclosure Committee, 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.

## (II) STATE OF INTERNAL CONTROLS (CONTINUED)

### (B) Key internal control process (Continued)

(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.

### (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.

## (III) OTHER INFORMATION (CONTINUED)

### (A) Board of Directors (Continued)

(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 2013 as its code of conduct regarding securities transactions by its Directors. Each of the Directors has confirmed, following specific enquiry by the Company, that during the year from 1 January 2013 to 31 December 2013 (both dates inclusive) or from the date of his appointment as a Director to 31 December 2013 (both dates inclusive) (as the case may be), he has 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.

(5) During the year under review, the following changes in the Board and Board Committees took place:

(a) Mr. Tan Boon Seng resigned as an Independent Non-executive Director of the Company and ceased to act as a member of the Audit Committee, Remuneration Committee and Nomination Committee on 10 January 2013;

(b) Mr. Lim Lay Leng retired as a member of the Audit Committee, Remuneration Committee and Nomination Committee upon expiry of the one-year term of the respective offices on 7 June 2013 and resigned as an Independent Non-executive Director of the Company on 14 June 2013;

(c) Mr. Au Fook Yew retired as a member of the Audit Committee upon expiry of the one-year term of the office on 7 June 2013 and resigned as a Non-executive Director of the Company on 14 June 2013;

(d) Mr. Lam Wai Hon, Ambrose was appointed as an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 7 June 2013; and

(e) Mr. Lim Keong Hui was appointed as an Executive Director of the Company on 7 June 2013. He is a son of Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Company.

# (III) OTHER INFORMATION (CONTINUED)

## (A) Board of Directors (Continued)

(6) 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 Directors:* | | |
| Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)* | 4/4 | 1/1 |
| Mr. Lim Keong Hui *(Note 1)* | 3/3 | N/A |
| | | |
| *INEDs:* | | |
| Mr. Alan Howard Smith *(Deputy Chairman)* | 4/4 | 1/1 |
| Mr. Heah Sieu Lay | 4/4 | 1/1 |
| Mr. Lam Wai Hon, Ambrose *(Note 2)* | 3/3 | N/A |
| Mr. Tan Boon Seng *(Note 3)* | N/A | N/A |
| Mr. Lim Lay Leng *(Note 4)* | 2/2 | 1/1 |
| | | |
| *Non-executive Director:* | | |
| Mr. Au Fook Yew *(Note 5)* | 1/2 | 0/1 |

*Notes:*

(1) Appointed as an Executive Director on 7 June 2013.

(2) Appointed as an Independent Non-executive Director on 7 June 2013.

(3) Resigned as an Independent Non-executive Director on 10 January 2013.

(4) Resigned as an Independent Non-executive Director on 14 June 2013.

(5) Resigned as a Non-executive Director on 14 June 2013.

(7) 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.

## (III) OTHER INFORMATION (CONTINUED)

### (A) Board of Directors (Continued)

(8) During the year 2013, in accordance with the CG Code, the Board has, inter alia:

(a) set up the Disclosure Committee and adopted the Disclosure of Inside Information Policy to ensure that appropriate systems and procedures are in place to enable the identification and dissemination of inside information (as defined in the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)) of the Company to the public in equal and timely manner in accordance with applicable laws and regulations; and

(b) set up the Anti-Money Laundering Committee and adopted the Anti-Money Laundering Policy to provide a framework for maintaining an effective program for complying with all applicable laws and regulations relating to anti-money laundering, counter-terrorism financing and economic sanctions.

(9) 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.

(10) 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 2013, a comprehensive formal induction briefing have been given to the two newly appointed Directors, namely Mr. Lim Keong Hui and Mr. Lam Wai Hon, Ambrose; and the updates covered a broad range of topics including, inter alia, directors' duties, dealing in securities by directors, disclosure obligation of inside information, connected transaction rules, trading halts and the new Companies Ordinance of Hong Kong. As part of the continuous professional development programmes, the Company has organized and funded an on-site visit to the properties of the Group's affiliates in UK and US in May 2013 for the Directors to keep them abreast of the recent development of the cruise and gaming businesses. During the year 2013, 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.

# (III) OTHER INFORMATION (CONTINUED)

## (A) Board of Directors (Continued)

(11) The participation by individual Directors in the continuous professional development programmes in 2013 is summarized as follows:

| | Type of trainings |
|---|---|
| *Executive Directors:* | |
| Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)* | A, B, C & D |
| Mr. Lim Keong Hui *(Note 1)* | A, B, C & D |
| | |
| *INEDs:* | |
| Mr. Alan Howard Smith *(Deputy Chairman)* | A, B, C & D |
| Mr. Heah Sieu Lay | A, B, C & D |
| Mr. Lam Wai Hon, Ambrose *(Note 2)* | A, C & D |
| Mr. Tan Boon Seng *(Note 3)* | A & C |
| Mr. Lim Lay Leng *(Note 4)* | A, C & D |
| | |
| *Non-executive Director:* | |
| Mr. Au Fook Yew *(Note 5)* | A, B & C |

*Notes:*

(1) Appointed as an Executive Director on 7 June 2013.

(2) Appointed as an Independent Non-executive Director on 7 June 2013.

(3) Resigned as an Independent Non-executive Director on 10 January 2013.

(4) Resigned as an Independent Non-executive Director on 14 June 2013.

(5) Resigned as a Non-executive Director on 14 June 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/conferences on applicable laws, rules and regulations update

Corporate Governance Report (Continued)

## (III) OTHER INFORMATION (CONTINUED)

### (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. Lam Wai Hon, Ambrose *(INED)* *(Note 1)* | N/A |
| Mr. Tan Boon Seng *(INED)* *(Note 2)* | N/A |
| Mr. Lim Lay Leng *(INED)* *(Note 3)* | 1/1 |

*Notes:*

(1) Appointed as an Independent Non-executive Director and a member of the Remuneration Committee on 7 June 2013.

(2) Resigned as an Independent Non-executive Director and ceased to act as a member of the Remuneration Committee on 10 January 2013.

(3) Retired as a member of the Remuneration Committee on 7 June 2013 and resigned as an Independent Non-executive Director on 14 June 2013.

(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.

## (III) OTHER INFORMATION (CONTINUED)

### (B) Remuneration Committee (Continued)

(3) During the year 2013, 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 an Executive Director and certain Senior Management; and

(b) recommended the Directors' fee for the year 2012 which has been approved by the shareholders of the Company at the 2013 AGM.

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

### (C) Nomination Committee

(1) 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 Remuneration Committee and INED)* | 1/1 |
| Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)* | 1/1 |
| Mr. Lam Wai Hon, Ambrose *(INED)* *(Note 1)* | N/A |
| Mr. Tan Boon Seng *(INED)* *(Note 2)* | N/A |
| Mr. Lim Lay Leng *(INED)* *(Note 3)* | 1/1 |

*Notes:*

(1) Appointed as an Independent Non-executive Director and a member of the Nomination Committee on 7 June 2013.

(2) Resigned as an Independent Non-executive Director and ceased to act as a member of the Nomination Committee on 10 January 2013.

(3) Retired as a member of the Nomination Committee on 7 June 2013 and resigned as an Independent Non-executive Director on 14 June 2013.

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

(a) to review the structure, size and diversity (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 in accordance with the Director Nomination Policy;

(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;

## (III) OTHER INFORMATION (CONTINUED)

### (C) Nomination Committee (Continued)

(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 Nomination Committee to discharge its powers and functions conferred on it by the Board.

(3) During the year 2013, the Nomination Committee has reviewed the structure, size and composition of the Board and, following due consideration, nominated the retiring Directors for re-appointment and two candidates for appointment as new Directors, taking into account, inter alia, their respective qualifications, experience and expertise and, where applicable, the selection criteria (including, inter alia, Board diversity aspects) set out in the Director Nomination Policy (as outlined below) following its adoption by the Nomination Committee in March 2013, (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 nomination of the Nomination Committee, the Board has:

(a) recommended Mr. Alan Howard Smith, Mr. Heah Sieu Lay and Mr. Au Fook Yew (who retired by rotation pursuant to the Company's Bye-laws) for re-appointment at the 2013 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders of the Company; and

(b) appointed Mr. Lim Keong Hui as an Executive Director and Mr. Lam Wai Hon, Ambrose as an Independent Non-executive Director of the Company on 7 June 2013.

Following re-appointment of the retiring Directors at the 2013 AGM of the Company and appointment of new Directors mentioned above, 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 2014 AGM of the Company pursuant to the Company's Bye-laws;

(b) re-appointed Mr. Alan Howard Smith and Tan Sri Lim Kok Thay as members of the Remuneration Committee and appointed Mr. Lam Wai Hon, Ambrose as a member of the Remuneration Committee to hold office until the conclusion of the 2014 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 and Tan Sri Lim Kok Thay as members of the Nomination Committee and appointed Mr. Lam Wai Hon, Ambrose as a member of the Nomination Committee to hold office until the conclusion of the 2014 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 and Mr. Alan Howard Smith as members of the Audit Committee and appointed Mr. Lam Wai Hon, Ambrose as a member of the Audit Committee to hold office until the conclusion of the 2014 AGM of the Company and re-appointed Mr. Heah Sieu Lay as the Chairman of the Audit Committee.

# (III) OTHER INFORMATION (CONTINUED)

## (C) Nomination Committee (Continued)

(4) A summary of the Director Nomination Policy regarding Board diversity including objectives set and progress made on achieving these objectives is given below:

(a) The benefits of Board diversity in supporting the achievement of the Company's strategic objectives and sustainable development are recognized by the Nomination Committee and the Board and would be duly considered with regard to the Company's business model and specific needs in the Board appointment process;

(b) Selection of candidates (including new Board nominees and retiring Directors) and ultimate Board appointments and re-appointments will be based on the merit and contribution that the candidates will bring to the Board, having due regard for the benefits of diversity on the Board;

(c) At any given time the Nomination Committee may, if deem fit, seek to improve one or more aspects of Board diversity, including, without limitation, background, skills, knowledge, business experience, professional expertise, length of service, age and/or gender diversity, make recommendations to the Board, and measure progress accordingly; and

(d) In identifying and evaluating suitable candidates to be nominated for appointment as Directors by the Board during the year under review, the Nomination Committee has given due regard to selection criteria set out in the Director Nomination Policy including, inter alia, the following:

(i) the qualifications, skills, expertise and background of the candidates that would add to and complement the existing Board;

(ii) other relevant details of the candidates including, inter alia, particulars of other commitments and the ability to devote sufficient time to the business and affairs of the Company; and

(iii) enhancement/maintenance of Board diversity, taking into consideration factors, including but not limited to, background, skills, knowledge, business experience, professional expertise, length of service, age and/or gender, as the Nomination Committee may consider appropriate from time to time to complement the business model and to meet any specific needs of the Company.

(e) The Nomination Committee, after reviewing the structure, size and diversity of the Board (including skills, knowledge, experience and expertise appropriate for the business model and specific needs for the business activities of the Company), had nominated two candidates, namely Mr. Lim Keong Hui and Mr. Lam Wai Hon, Ambrose, to the Board for its approval for the appointment as an Executive Director and an INED of the Company respectively to strengthen the composition of the Board and to complement the Company's corporate strategy. Biographical details (including background, knowledge, experience and expertise) of each of Mr. Lim Keong Hui and Mr. Lam Wai Hon, Ambrose are disclosed in the section of "Directors and Senior Management Profiles" of the Company's Annual Report.

## (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. Lam Wai Hon, Ambrose *(Note 1)* | 1/1 |
| Mr. Tan Boon Seng *(Note 2)* | N/A |
| Mr. Lim Lay Leng *(Note 3)* | 1/1 |
| *Non-executive Director:* | |
| Mr. Au Fook Yew *(Note 4)* | 1/1 |

*Notes:*

(1) Appointed as an Independent Non-executive Director and a member of the Audit Committee on 7 June 2013.

(2) Resigned as an Independent Non-executive Director and ceased to act as a member of the Audit Committee on 10 January 2013.

(3) Retired as a member of the Audit Committee on 7 June 2013 and resigned as an Independent Non-executive Director on 14 June 2013.

(4) Retired as a member of the Audit Committee on 7 June 2013 and resigned as a Non-executive Director on 14 June 2013.

(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;

## (III) OTHER INFORMATION (CONTINUED)

### (D) Audit Committee (Continued)

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

(ii) the Audit 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;

(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;

Corporate Governance Report (Continued)

## (III) OTHER INFORMATION (CONTINUED)

### (D) Audit Committee (Continued)

(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 2013, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2012 and for the six months ended 30 June 2013;

(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 35 to the consolidated financial statements;

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

(g) considered the engagement of the external auditor 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) Auditor's Remuneration

A remuneration of US$1.0 million was paid/payable to the Company's external auditor for the provision of audit services in 2013. During the same year, the fees paid/payable to the external auditor for non-audit related activities amounted to US$0.6 million of which US$0.3 million related to tax services fees and US$0.3 million related to regulatory reporting 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.

## (III) OTHER INFORMATION (CONTINUED)

### (F) Shareholders' Rights (Continued)

#### (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.

#### (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

There were no changes in the constitutional documents of the Company during the year.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

| | *Note* | GROUP<br>**2013**<br>**US$'000** | <br>2012<br>US$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 5 | **554,729** | 520,381 |
| Operating expenses | | | |
| Operating expenses excluding depreciation and amortisation | | **(385,166)** | (297,552) |
| Depreciation and amortisation | 9 | **(74,243)** | (50,567) |
| | | **(459,409)** | (348,119) |
| Selling, general and administrative expenses | | | |
| Selling, general and administrative expenses excluding depreciation and amortisation | | **(122,669)** | (102,652) |
| Depreciation and amortisation | 9 | **(8,130)** | (6,866) |
| | | **(130,799)** | (109,518) |
| | | **(590,208)** | (457,637) |
| | | **(35,479)** | 62,744 |
| Share of profit of jointly controlled entities | 18 | **43,278** | 162,893 |
| Share of profit of associates | 19 | **31,291** | 203 |
| Other (expenses)/income, net | 6 | **(14,903)** | 1,588 |
| Other gains, net | 7 | **576,254** | 259 |
| Finance income | | **13,219** | 12,032 |
| Finance costs | 8 | **(47,800)** | (55,073) |
| | | **601,339** | 121,902 |
| Profit before taxation | 9 | **565,860** | 184,646 |
| Taxation | 10 | **(13,909)** | (1,313) |
| Profit for the year from continuing operations | | **551,951** | 183,333 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 11 | **–** | 14,672 |
| Profit for the year | | **551,951** | 198,005 |

# Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2013

| | *Note* | GROUP 2013 US$'000 | 2012 US$'000 |
|---|---|---|---|
| Profit for the year | | **551,951** | 198,005 |
| Other comprehensive income/(loss): | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | | **(64,097)** | 25,065 |
| Fair value gain on derivative financial instruments | | **873** | 1,761 |
| Fair value loss on available-for-sale investments | | **(45,193)** | (40,656) |
| Fair value loss transferred to profit or loss | | **85,712** | – |
| Cash flow hedges transferred to profit or loss | | **9** | (3,013) |
| Share of other comprehensive income of a jointly controlled entity | | **–** | 2,825 |
| Share of other comprehensive income of an associate | | **3,815** | – |
| Release of reserves upon disposal of equity interest in an associate | | **2,872** | – |
| Release of reserves upon deemed disposal of jointly controlled entities | | **(99)** | – |
| Other comprehensive loss for the year | | **(16,108)** | (14,018) |
| Total comprehensive income for the year | | **535,843** | 183,987 |

| | Note | GROUP 2013 US$'000 | 2012 US$'000 |
|---|---|---|---|
| Profit attributable to: | | | |
| Equity owners of the Company | | **552,389** | 198,361 |
| Non-controlling interest | | **(438)** | (356) |
| | | **551,951** | 198,005 |
| Profit attributable to equity owners of the Company arises from: | | | |
| Continuing operations | | **552,389** | 183,689 |
| Discontinued operations | 11 | **–** | 14,672 |
| | | **552,389** | 198,361 |
| Total comprehensive income attributable to: | | | |
| Equity owners of the Company | | **536,281** | 184,343 |
| Non-controlling interest | | **(438)** | (356) |
| | | **535,843** | 183,987 |
| Total comprehensive income attributable to equity owners of the Company arises from: | | | |
| Continuing operations | | **536,281** | 169,671 |
| Discontinued operations | 11 | **–** | 14,672 |
| | | **536,281** | 184,343 |
| Earnings per share from continuing and discontinued operations attributable to equity owners of the Company | | | |
| – Basic (US cents) | | | |
| Continuing operations | 12 | **7.00** | 2.36 |
| Discontinued operations | 12 | **–** | 0.19 |
| | | **7.00** | 2.55 |
| – Diluted (US cents) | | | |
| Continuing operations | 12 | **6.61** | 2.28 |
| Discontinued operations | 12 | **–** | 0.17 |
| | | **6.61** | 2.45 |
| Final dividend | 40 | **80,342** | – |

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

| | Note | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 15 | **1,042,649** | 1,015,775 | **132** | 176 |
| Land use right | 16 | **1,280** | 1,281 | **–** | – |
| Interests in subsidiaries | 17 | **–** | – | **1,838,317** | 1,288,336 |
| Interests in jointly controlled entities | 18 | **27,977** | 1,367,312 | **–** | – |
| Interests in associates | 19 | **1,269,261** | 115 | **–** | – |
| Deferred tax assets | 32 | **50** | 135 | **–** | – |
| Available-for-sale investments | 20 | **157,090** | 206,218 | **–** | – |
| Restricted cash | | **4,380** | – | **–** | – |
| Other assets | 23 | **60,448** | 107,068 | **2,000** | 11,653 |
| | | **2,563,135** | 2,697,904 | **1,840,449** | 1,300,165 |
| **CURRENT ASSETS** | | | | | |
| Consumable inventories | 21 | **22,030** | 12,001 | **928** | – |
| Trade receivables | 22 | **139,362** | 92,260 | **–** | – |
| Prepaid expenses and other receivables | 23 | **147,738** | 171,850 | **6,063** | 13,122 |
| Derivative financial instruments | 31 | **716** | – | **716** | – |
| Financial assets at fair value through profit or loss | 24 | **41,949** | – | **–** | – |
| Available-for-sale investments | 20 | **4,203** | 16,041 | **–** | – |
| Amounts due from subsidiaries | 25 | **–** | – | **2,435,201** | 1,677,911 |
| Amounts due from related companies | 35 | **6,898** | 3,817 | **–** | – |
| Restricted cash | | **5,541** | 5,461 | **–** | – |
| Cash and cash equivalents | 26 | **935,413** | 450,683 | **277,318** | 186,498 |
| | | **1,303,850** | 752,113 | **2,720,226** | 1,877,531 |
| **TOTAL ASSETS** | | **3,866,985** | 3,450,017 | **4,560,675** | 3,177,696 |

| | Note | GROUP 2013 US$'000 | GROUP 2012 US$'000 | COMPANY 2013 US$'000 | COMPANY 2012 US$'000 |
|---|---|---|---|---|---|
| **EQUITY** | | | | | |
| Capital and reserves attributable to the Company's equity owners | | | | | |
| Share capital | 27 | **803,378** | 777,249 | **803,378** | 777,249 |
| Reserves: | | | | | |
| Share premium | 27 | **16,289** | 13 | **16,289** | 13 |
| Contributed surplus | | **936,823** | 936,823 | **936,823** | 936,823 |
| Additional paid-in capital | | **112,183** | 105,174 | **101,889** | 100,974 |
| Convertible bonds – equity component | 29 | **3,854** | 5,929 | **3,854** | 5,929 |
| Foreign currency translation adjustments | | **(36,134)** | 29,225 | **–** | – |
| Available-for-sale investments reserve | | **375** | (40,144) | **–** | – |
| Cash flow hedge reserve | | **(3,258)** | (5,896) | **812** | (145) |
| Retained earnings | | **1,068,768** | 516,379 | **913,305** | 132,264 |
| | | **2,902,278** | 2,324,752 | **2,776,350** | 1,953,107 |
| Non-controlling interests | | **46,908** | 47,346 | **–** | – |
| **TOTAL EQUITY** | | **2,949,186** | 2,372,098 | **2,776,350** | 1,953,107 |
| **LIABILITIES** | | | | | |
| **NON-CURRENT LIABILITIES** | | | | | |
| Loans and borrowings | 28 | **386,066** | 712,022 | **381,686** | 708,569 |
| Deferred tax liabilities | 32 | **1,454** | 36 | **–** | – |
| | | **387,520** | 712,058 | **381,686** | 708,569 |
| **CURRENT LIABILITIES** | | | | | |
| Trade creditors | 33 | **46,952** | 42,705 | **–** | – |
| Current income tax liabilities | | **3,101** | 1,606 | **–** | – |
| Provisions, accruals and other liabilities | 34 | **102,831** | 175,280 | **8,760** | 12,075 |
| Current portion of loans and borrowings | 28 | **360,368** | 130,402 | **335,645** | 128,394 |
| Derivative financial instruments | 31 | **–** | 246 | **–** | 246 |
| Amounts due to subsidiaries | 25 | **–** | – | **1,058,234** | 375,305 |
| Amounts due to related companies | 35 | **821** | 764 | **–** | – |
| Advance ticket sales | | **16,206** | 14,858 | **–** | – |
| | | **530,279** | 365,861 | **1,402,639** | 516,020 |
| **TOTAL LIABILITIES** | | **917,799** | 1,077,919 | **1,784,325** | 1,224,589 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,866,985** | 3,450,017 | **4,560,675** | 3,177,696 |
| **NET CURRENT ASSETS** | | **773,571** | 386,252 | **1,317,587** | 1,361,511 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,336,706** | 3,084,156 | **3,158,036** | 2,661,676 |

**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 2013

| | Note | GROUP 2013 US$'000 | 2012 US$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net cash (used in)/generated from continuing operations | (a) | **(58,386)** | 85,804 |
| Interest paid | | **(36,907)** | (39,111) |
| Interest received | | **12,949** | 12,027 |
| Income tax paid | | **(10,731)** | (2,320) |
| Net cash (outflow)/inflow from continuing operating activities | | **(93,075)** | 56,400 |
| Net cash inflow from discontinued operating activities | 11 | **–** | 8,573 |
| Net cash (outflow)/inflow from operating activities | | **(93,075)** | 64,973 |
| **INVESTING ACTIVITIES** | | | |
| Disposal of equity interest in an associate | (b) | **683,869** | 7,672 |
| Purchase of property, plant and equipment | | **(140,661)** | (86,573) |
| Proceeds from sale of property, plant and equipment | | **–** | 30 |
| Proceeds from disposal of available-for-sale investments | | **16,220** | 27,780 |
| Acquisition of equity shares and preferred shares in jointly controlled entities | | **(13,174)** | – |
| Acquisition of equity interest in associates | | **(61)** | (208) |
| Acquisition of available-for-sale investments | | **(32,363)** | (282,048) |
| Payment for financial assets at fair value through profit or loss | | **(50,721)** | – |
| Dividends received | | **66,177** | 4,739 |
| Repayments of loans from third parties | | **747** | 1,200 |
| Loans to third parties | | **(3,316)** | (1,007) |
| Settlement of promissory notes | | **50** | 1,187 |
| Receipts from redemption of preferred shares in a jointly controlled entity | | **–** | 50,080 |
| Net cash inflow/(outflow) from continuing investing activities | | **526,767** | (277,148) |
| Net cash inflow from discontinued investing activity | 11 | **116,694** | 50,000 |
| Net cash inflow/(outflow) from investing activities | | **643,461** | (227,148) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | | **207,209** | 655,340 |
| Repayments of loans and borrowings | | **(278,774)** | (573,683) |
| Payment of loan arrangement fees | | **(50)** | (35,025) |
| Proceeds from issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | | **7,021** | 60 |
| Restricted cash | | **(4,460)** | (3,560) |
| Net cash (outflow)/inflow from financing activities | | **(69,054)** | 43,132 |
| Effect of exchange rate changes on cash and cash equivalents | | **3,398** | 1,554 |
| Net increase/(decrease) in cash and cash equivalents | | **484,730** | (117,489) |
| Cash and cash equivalents at beginning of year | | **450,683** | 568,172 |
| Cash and cash equivalents at end of year | 26 | **935,413** | 450,683 |

**Notes to Consolidated Statement of Cash Flows**

(a) Net cash (used in)/generated from continuing operations

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| **OPERATING ACTIVITIES** | | |
| Profit before taxation from continuing operations | **565,860** | 184,646 |
| Depreciation and amortisation | | |
| – relating to operating function | **74,243** | 50,567 |
| – relating to selling, general and administrative function | **8,130** | 6,866 |
| | **82,373** | 57,433 |
| Finance costs | **47,800** | 55,073 |
| Finance income | **(13,219)** | (12,032) |
| Share of profit of jointly controlled entities | **(43,278)** | (162,893) |
| Share of profit of associates | **(31,291)** | (203) |
| Gain on deemed disposal of jointly controlled entities | **(219,016)** | – |
| Gain on disposal of equity interest of an associate | **(451,690)** | – |
| Loss on disposal of an associate | **–** | 512 |
| Gain on disposal of available-for-sale investments | **(32)** | (771) |
| Gain on disposal of property, plant and equipment | **–** | (23) |
| Impairment of available-for-sale investments | **85,712** | – |
| Provision of loan receivable from a third party | **13,827** | 3,111 |
| Fair value loss on financial assets at fair value through profit or loss | **8,772** | – |
| Dividend income from an associate | **(561)** | (1,990) |
| Dividend income from investments | **(2,156)** | – |
| Gain on derivative financial instruments | **–** | (58) |
| Others | **(2,418)** | 1,272 |
| | **40,683** | 124,077 |
| Decrease/(Increase) in: | | |
| Trade receivables | **(47,102)** | (48,518) |
| Consumable inventories | **(10,029)** | (4,444) |
| Prepaid expenses and other receivables | **(6,744)** | (10,654) |
| Other assets | **4,096** | 11,844 |
| Increase/(Decrease) in: | | |
| Trade creditors | **4,247** | 11,449 |
| Provisions, accruals and other liabilities | **(41,861)** | (223) |
| Amounts due to related companies | **(3,024)** | (2,901) |
| Advance ticket sales | **1,348** | 5,174 |
| Net cash (used in)/generated from continuing operations | **(58,386)** | 85,804 |

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013

**Notes to Consolidated Statement of Cash Flows (Continued)**

(b) Sales of interest in an associate

In August 2013, the Group completed the underwriting agreement to sell 11.5 million shares in NCLH at an offering price of US$29.75 per share less 3.25% underwriting discount and commission. The percentage of ordinary shares of NCLH beneficially owned by the Group has decreased from 43.4% to 37.7% as a result of the share disposal, with a disposal gain of approximately US$192.6 million to the Group.

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

| | **As at date of disposal** US$'000 |
|---|---|
| Net assets disposed off | 135,454 |
| Release of reserves upon disposal of an associate | 1,955 |
| Gain on disposal of equity interest of an associate | 192,597 |
| Net proceeds | 330,006 |
| Sales proceeds have been received as follows: | |
| Cash received in 2013 | 330,006 |

In December 2013, the Group entered into another underwriting agreement to sell 12.65 million shares in NCLH at an offering price of US$33.25 per share less 3.25% underwriting discount and commission. The percentage of ordinary shares of NCLH beneficially owned by the Group has decreased from 37.5% to 31.4% as a result of the share disposal, with a disposal gain of approximately US$259.1 million to the Group.

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

| | **As at date of disposal** US$'000 |
|---|---|
| Net assets disposed off | 146,932 |
| Release of reserves upon disposal of an associate | 917 |
| Gain on disposal of equity interest of an associate | 259,093 |
| Net proceeds | 406,942 |
| Sales proceeds have been received as follows: | |
| Cash received in 2013 | 353,863 |
| Deferred consideration to be received | 53,079 |
| | 406,942 |

(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 of the vessel, m.v. Norwegian Sky for a consideration of approximately US$259.3 million of which US$92.6 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 2013

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GROUP | 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 US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| At 1 January 2013 | 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 |
| Comprehensive income: | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | 552,389 | 552,389 | (438) | 551,951 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | (64,097) | - | - | - | (64,097) | - | (64,097) |
| Fair value gain on derivative financial instruments | - | - | - | - | - | - | 873 | - | - | 873 | - | 873 |
| Cash flow hedges transferred to profit or loss | - | - | - | - | - | - | 9 | - | - | 9 | - | 9 |
| Share of other comprehensive loss/ (income) of an associate | - | - | - | 4,984 | - | - | (1,169) | - | - | 3,815 | - | 3,815 |
| Fair value loss on available-for-sale investment | - | - | - | - | - | - | - | (45,193) | - | (45,193) | - | (45,193) |
| Fair value loss transferred to profit or loss | - | - | - | - | - | - | - | 85,712 | - | 85,712 | - | 85,712 |
| Release of reserves upon deemed disposal of jointly controlled entities | - | - | - | 643 | - | (1,262) | 520 | - | - | (99) | - | (99) |
| Release of reserves upon disposal of equity interest of an associate | - | - | - | 467 | - | - | 2,405 | - | - | 2,872 | - | 2,872 |
| Total comprehensive income/(loss) | - | - | - | 6,094 | - | (65,359) | 2,638 | 40,519 | 552,389 | 536,281 | (438) | 535,843 |
| Transactions with owners: | | | | | | | | | | | | |
| Issue of ordinary shares upon conversion of convertible bonds | 24,004 | 13,455 | - | - | (2,075) | - | - | - | - | 35,384 | - | 35,384 |
| Issue of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | 2,125 | 2,821 | - | - | - | - | - | - | - | 4,946 | - | 4,946 |
| Amortisation of share option expense | - | - | - | 915 | - | - | - | - | - | 915 | - | 915 |
| At 31 December 2013 | 803,378 | 16,289 | 936,823 | 112,183 | 3,854 | (36,134) | (3,258) | 375 | 1,068,768 | 2,902,278 | 46,908 | 2,949,186 |

# Statements of Changes in Equity (Continued)

For the year ended 31 December 2013

| GROUP | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | |
| 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 |
| Cash flow hedges 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: | | | | | | | | | | | | |
| Issue 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 |

| 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 US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 777,249 | 13 | 936,823 | 100,974 | 5,929 | (145) | 132,264 | 1,953,107 |
| Comprehensive income: | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 781,041[2] | 781,041 |
| Other comprehensive income/(loss) for the year: | | | | | | | | |
| Fair value gain on derivative financial instruments | – | – | – | – | – | 873 | – | 873 |
| Cash flow hedges transferred to profit or loss | – | – | – | – | – | 84 | – | 84 |
| Total comprehensive income | – | – | – | – | – | 957 | 781,041 | 781,998 |
| Transaction with owners: | | | | | | | | |
| Issuance of ordinary shares upon conversion of convertible bonds | 24,004 | 13,455 | – | – | (2,075) | – | – | 35,384 |
| Issuance of ordinary shares pursuant to the Post-listing Employees Share Option Scheme | 2,125 | 2,821 | – | – | – | – | – | 4,946 |
| Amortisation of share option expense | – | – | – | 915 | – | – | – | 915 |
| At 31 December 2013 | 803,378 | 16,289 | 936,823 | 101,889 | 3,854 | 812 | 913,305 | 2,776,350 |

# Statements of Changes in Equity (Continued)

For the year ended 31 December 2013

| 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 |
| Cash flow hedges 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 Employees 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 |

*Notes:*

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

2. The profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of US$781,041,000 (2012: US$132,757,000).

# 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. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

### (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.

**Standards, amendments and interpretations to existing standard effective in 2013**

From 1 January 2013, the Group has adopted the following new/revised HKFRS/HKAS, amendments and interpretations to existing standard, which are relevant to its operations.

(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 does not have a material impact on the Group's consolidated financial statements.

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

### (a) Basis of preparation (Continued)

**Standards, amendments and interpretations to existing standard effective in 2013 (Continued)**

(ii) 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. The standard defines the principle of control, and establishes controls as the basis for consolidation, and 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 standard does not have a material impact on the Group's consolidated financial statements.

(iii) 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 amendments do not have a material impact on the Group's consolidated financial statements.

(iv) 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 standard does not have a material impact on the Group's consolidated financial statements.

(v) 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 amendments do not have a material impact on the Group's consolidated financial statements.

(vi) 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 does not have a material impact on the Group's consolidated financial statements.

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

## (a) Basis of preparation (Continued)

**Standards, amendments and interpretations to existing standard effective in 2013 (Continued)**

(vii) 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.

(viii) 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 amendments do not have a material impact on the Group's consolidated financial statements.

(ix) 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 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 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.

(ii) HKAS 36 (Amendment), 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets' (effective from 1 January 2014). This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not expected to have a material impact on the Group's consolidated financial statements.

# 2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (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)**

(iii) HK(IFRIC)-Int 21, 'Levies' (effective from 1 January 2014). It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligation event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

(iv) 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.

(v) 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/HKAS 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 this set of financial statements. In 2013, the Group has presented the loss on disposal of an associate and gain on disposal of available-for-sale investments in other gains, net, instead of other income, which is considered as a more appropriate presentation and comparative figures have been reclassified to conform with current year presentation.

# 2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (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 unrecognised 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 foreign currency translation 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 amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

### (b) Consolidation (Continued)

#### (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.

The financial information of associates was prepared using accounting policies of the respective countries and appropriate adjustments were made to conform the accounting 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. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### (b) Consolidation (Continued)

#### (iv) Joint ventures

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.

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

## (c) Translation of foreign currencies (Continued)

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) 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 holders 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. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (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.

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

## (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.

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 and bank overdraft. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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

### (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 convert 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.

Notes to the Consolidated Financial Statements (Continued)

# 2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (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 "cash and cash equivalents" and "trade and other receivables" in the statement of financial position (notes (j) and (m)).

*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 from 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. Investment are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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 gains/(losses), net, in the year in which they arise.

Dividends on financial assets at fair value through profit or loss are recognised in the income statement as part of other income when the Group's right to receive payment is established.

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

### (n) Financial assets (Continued)

**(ii) Recognition and measurement (Continued)**

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated 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).

### (o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the assets and settle the liability simultaneously.

### (p) Provisions, contingent liabilities and contingent assets

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

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

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

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

## (p) Provisions, contingent liabilities and contingent assets (Continued)

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

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

## (q) Assets under leases

### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the 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. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### (q) Assets under leases (Continued)

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

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

*(a) Finance leases*

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

*(b) Operating leases*

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

### (r) Property, plant and equipment

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

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

## (r) Property, plant and equipment (Continued)

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.

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)).

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

## (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 exercise 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.

## (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.

Notes to the Consolidated Financial Statements (Continued)

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

## (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, jointly controlled entities, 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.

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

## (y) Impairment of assets (Continued)

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.

## (z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors.

## (aa) 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.

## (bb) 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, price 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 recognise 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, Philippines Peso 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 2013, if the Singapore dollar, Renminbi and Malaysia Ringgit had weakened/strengthened by 5% (2012: 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Foreign exchange losses/gains | **1,655** | 2,231 |

At 31 December 2013, if Philippines Peso had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been US$546,650 lower/higher, mainly as a result of foreign exchange losses/gains on translation of Philippines Peso-denominated dividend receivables from Travellers International Hotel Group, Inc..

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.

### (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 and financial assets at fair value through profit or loss. 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.

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Financial risk factors (Continued)

### (iii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, receivable from trade agent on disposal of NCLH Shares, receivable from an associate relating to disposal of m.v. Norwegian Sky, dividend receivable from an associate, damages claim receivables and advances to third parties, as well as sales of services made on deferred credit terms. The Group had no significant concentrations of credit risk arising from derivative financial instruments. 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 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 (2013: US$935.4 million and 2012: US$450.7 million) and committed credit lines available (2013: US$417.5 million and 2012: US$461.8 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.

Notes to the Consolidated Financial Statements (Continued)

# 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 |
| **2013** | | | | |
| Loans and borrowings | **377,217** | **154,380** | **150,000** | **100,000** |
| Trade creditors | **46,952** | **–** | **–** | **–** |
| Accruals and other liabilities | **88,020** | **–** | **–** | **–** |
| Amounts due to related companies | **821** | **–** | **–** | **–** |
| **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 | – | – | – |

| | 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 |
| **2013** | | | | |
| Loans and borrowings | **352,494** | **150,000** | **150,000** | **100,000** |
| Accruals and other liabilities | **8,760** | **–** | **–** | **–** |
| Amounts due to subsidiaries | **1,058,234** | **–** | **–** | **–** |
| **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 | – | – | – |

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Financial risk factors (Continued)

### (iv) Liquidity risk (Continued)

*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.

*Loans and borrowings*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Carrying amount | **746,434** | 842,424 | **717,331** | 836,963 |
| Fair value | **746,434** | 842,424 | **717,331** | 836,963 |

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.

Notes to the Consolidated Financial Statements (Continued)

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Financial risk factors (Continued)

### (v) Cash flow interest rate risk (Continued)

For the year ended 31 December 2013, 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 | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Increase/Decrease in profit before taxation | **4,694** | 5,450 |

| | COMPANY | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Increase/Decrease in profit before taxation | **4,500** | 5,450 |

## (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 2013 was as follows:

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Total borrowings (note 28) | **746,434** | 842,424 |
| Less: cash and cash equivalents (note 26) | **(935,413)** | (450,683) |
| Net (cash)/debt | **(188,979)** | 391,741 |
| Total equity | **2,949,186** | 2,372,098 |
| Gearing ratio | **N/A** | 17% |

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into these levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments measured and recognised at fair value on a recurring basis are as follows:

| | GROUP | | | |
|---|---|---|---|---|
| | **Level 1 US$'000** | **Level 2 US$'000** | **Level 3 US$'000** | **Total US$'000** |
| **2013** | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments | **161,293** | **–** | **–** | **161,293** |
| Financial assets at fair value through profit or loss | **41,949** | **–** | **–** | **41,949** |
| Derivatives used for hedging | **–** | **716** | **–** | **716** |
| **Financial liabilities** | | | | |
| Convertible bonds | **–** | **65,906** | **–** | **65,906** |
| **2012** | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments | 222,259 | – | – | 222,259 |
| **Financial liabilities** | | | | |
| Convertible bonds | – | 99,488 | – | 99,488 |
| Derivatives used for hedging | – | 246 | – | 246 |

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.

Notes to the Consolidated Financial Statements (Continued)

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques recognise the use 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 is used
- 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) Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

| | **GROUP** | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Non-current | **386,066** | 712,022 |
| Current | **360,368** | 130,402 |
| | **746,434** | 842,424 |

The fair values of trade and other receivables, other current financial assets, cash and cash equivalents, trade creditors and accrued liabilities approximate their carrying amount.

# 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) 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 31. 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.

### (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.

Notes to the Consolidated Financial Statements (Continued)

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Accounting for derivative financial instruments and hedging activities (Continued)

#### (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 2013 was US$1.0 billion (2012: US$1.0 billion). More details are given in note 15.

### (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.

Notes to the Consolidated Financial Statements (Continued)

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (f) Contingencies (Continued)

In April 2013, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") No. 33-2013 which clarified that Philippine Amusement and Gaming Corporation ("PAGCOR"), its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code, as amended. After due consideration of the relevant provisions of RMC No. 33-2013, the Travellers' Provisional License Agreement with PAGCOR, as well as relevant law and jurisprudence on the matter, Travellers is still studying the new BIR issuance, in consultation with PAGCOR. Travellers is confident that a fair and equitable resolution will be reached in keeping with the true spirit and intent of its Provisional License that Travellers will not be exposed to further tax liabilities except the license fees as contemplated therein. Hence, no provision has been recognized in the consolidated financial statements as of the end of any of the reporting periods.

### (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.

### (h) Impairment of available-for-sale equity investments

The Group follows the guidances of HKFRS 39 'Financial Instruments: Recognition and measurement' to determine when available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operation and financing cash flow.

## 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 since June 2012. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 11.

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The significant decrease in segment results of cruise and cruise related activities is mainly due to the increase in operating expenses due to the full year operation of m.v. SuperStar Gemini and m.v. Genting World since their deployment in December 2012 and also the significant increase in promotion and marketing expenses and depreciation and amortisation charge in 2013.

The segment information of the Group for the year ended 31 December 2013 and 2012 from continuing operations are as follows:

| **2013** | **Cruise and cruise related activities US$'000** | **Others US$'000** | **Total US$'000** |
|---|---|---|---|
| Passenger ticket revenue | 159,602 | – | 159,602 |
| Onboard and other revenues | 66,859 | – | 66,859 |
| Gaming revenue | 315,706 | – | 315,706 |
| Others | – | 12,562 | 12,562 |
| Total turnover | 542,167 | 12,562 | 554,729 |
| Segment results from continuing operations before impairment loss | (33,009) | (2,470) | (35,479) |
| Share of profit of jointly controlled entities | | | 43,278 |
| Share of profit of associates | | | 31,291 |
| Other expenses, net | | | (14,903) |
| Other gains, net | | | 576,254 |
| Finance income | | | 13,219 |
| Finance costs | | | (47,800) |
| Profit before taxation | | | 565,860 |
| Taxation | | | (13,909) |
| Profit for the year from continuing operations | | | 551,951 |
| Segment assets | 2,370,276 | 1,496,709 | 3,866,985 |
| Total assets | | | 3,866,985 |
| Segment liabilities | 154,835 | 13,429 | 168,264 |
| Loans and borrowings (including current portion) | 509,650 | 236,784 | 746,434 |
| | 664,485 | 250,213 | 914,698 |
| Tax liabilities | | | 3,101 |
| Total liabilities | | | 917,799 |
| Capital expenditure | 103,599 | 896 | 104,495 |
| Depreciation and amortisation of continuing operations | 81,032 | 1,341 | 82,373 |

Notes to the Consolidated Financial Statements (Continued)

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

| 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 from 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 | | | 1,588 |
| Other gains, net | | | 259 |
| Finance income | | | 12,032 |
| Finance costs | | | (55,073) |
| Profit before taxation | | | 184,646 |
| Taxation | | | (1,313) |
| Profit for the year from continuing operations | | | 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 of continuing operations | 56,081 | 1,352 | 57,433 |

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

## 6. OTHER (EXPENSES)/INCOME, NET

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Gain on disposal of property, plant and equipment | **–** | 23 |
| Provision of loan receivables from a third party (note(a)) | **(13,827)** | (3,111) |
| Bad debt recovered from a third party loan | **3,111** | – |
| Dividend income on investments | **561** | 1,990 |
| Gain on derivative financial instruments: | | |
| fuel swaps | **–** | 58 |
| (Loss)/Gain on foreign exchange | **(6,771)** | 2,477 |
| Other income, net | **2,023** | 151 |
| | **(14,903)** | 1,588 |

*Note:*

(a) The Group recorded a provision of promissory notes and loan receivables from a third party amounting to US$13.8 million during the year ended 31 December 2013 as the timing of recovery of the outstanding balances is uncertain.

## 7. OTHER GAINS, NET

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Gain on deemed disposal of jointly controlled entities (note (a)) | **219,016** | – |
| Gain on disposal of equity interest in an associate (note (b)) | **451,690** | – |
| Loss on disposal of an associate (note (c)) | **–** | (512) |
| Gain on disposal of available-for-sale investments | **32** | 771 |
| Impairment loss on available-for-sale investments (note (d)) | **(85,712)** | – |
| Fair value loss on financial assets at fair value through profit or loss (note (e)) | **(8,772)** | – |
| | **576,254** | 259 |

Notes to the Consolidated Financial Statements (Continued)

# 7. OTHER GAINS, NET (CONTINUED)

*Notes:*

(a) In January 2013, percentage of ordinary shares of Norwegian Cruise Line Holdings Ltd. ("NCLH") held by the Group was diluted from 50% to approximately 43.4% as a result of the initial public offering ("IPO") of the ordinary shares of NCLH and consequently the Group recorded a gain on deemed disposal of the jointly controlled entity of approximately US$80.4 million. Upon completion of the IPO, NCLH and its subsidiaries ceased to be a jointly controlled entity of the Group and became an associate of the Group.

In November 2013, the Group's effective interest in the common shares of Travellers International Hotel Group, Inc. ("Travellers") was diluted from 50% to approximately 44.9% as a result of the IPO of the common shares of Travellers and consequently it recorded a gain on deemed disposal of the jointly controlled entity of approximately US$138.6 million. Upon completion of the IPO, Travellers ceased to be a jointly controlled entity of the Group and became an associate of the Group.

(b) In August 2013, the Group entered into an underwriting agreement to sell 11.5 million ordinary shares of NCLH at an offering price of US$29.75 per share. As a result of the share disposal, disposal gain of approximately US$192.6 million to the Group was recorded and the percentage of ordinary shares of NCLH owned by the Group decreased from approximately 43.4% to approximately 37.7%.

In December 2013, the Group entered into another underwriting agreement to further sell down 12.65 million ordinary shares in NCLH at an offering price of US$33.25 per share. As a result of the share disposal, a disposal gain of approximately US$259.1 million to the Group was recorded and the percentage of ordinary shares of NCLH owned by the Group further decreased from approximately 37.5% to approximately 31.4%.

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

(d) The Group completed an assessment of its available-for-sale investments for impairment purposes in December 2013 and determined that the fair value of certain of its equity investments were significantly below its carrying value. Accordingly, for the year ended 31 December 2013, the Group transferred the fair value loss from available-for-sale investment reserve to profit or loss which amounted to US$85.7 million.

(e) The Group recorded a fair value loss of US$8.8 million during the year ended 31 December 2013, being the excess of the carrying value of the cash-settled total return equity swap entered into by a wholly-owned subsidiary of the Group, over its fair value.

# 8. FINANCE COSTS

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Amortisation of: | | |
| – bank loans arrangement fees and commitment fees | **11,209** | 5,368 |
| Interests on: | | |
| – bank loans and others | **17,637** | 14,096 |
| – convertible bonds | **7,990** | 9,279 |
| – RMB bonds | **10,917** | 10,579 |
| Loans arrangement fees written off | **47** | 15,751 |
| Total finance costs | **47,800** | 55,073 |

## 9. PROFIT BEFORE TAXATION

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

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Total depreciation and amortisation analysed into: | **82,373** | 57,433 |
| – relating to operating function | **74,243** | 50,567 |
| – relating to selling, general and administrative function | **8,130** | 6,866 |
| Staff costs (see note 13) | **125,262** | 113,842 |
| Fuel costs | **68,205** | 60,461 |
| Operating leases – land and buildings | **4,443** | 4,356 |
| Auditors' remuneration: | | |
| – audit services | **990** | 930 |
| – non-audit services | **626** | 930 |
| Advertising expenses | **43,642** | 20,218 |

## 10. TAXATION

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Overseas taxation | | |
| – Current taxation | **12,082** | 1,251 |
| – Deferred taxation | **1,418** | 107 |
| | **13,500** | 1,358 |
| Under/(Over) provision in respect of prior years | | |
| – Current taxation | **324** | (130) |
| – Deferred taxation | **85** | 85 |
| | **13,909** | 1,313 |
| Deferred taxation charged in respect of temporary differences (see note 32) | **(1,503)** | (192) |

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 shown below, based on the income 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.

Notes to the Consolidated Financial Statements (Continued)

## 10. TAXATION (CONTINUED)

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Profit before taxation | **565,860** | 184,646 |
| Tax calculated at domestic tax rates applicable to profit in the respective countries | **(3,309)** | (6,270) |
| Tax effects of: | | |
| – Income not subject to taxation purposes | **(481)** | (752) |
| – Expenses not deductible for taxation purposes | **5,381** | 2,188 |
| – Utilisation of previously unrecognised tax losses and deductible temporary differences | **(90)** | (40) |
| – Deductible temporary differences not recognised | **12,002** | 6,268 |
| – Others | **(3)** | (36) |
| Under/(Over) provision in respect of prior years | **409** | (45) |
| Total tax expense | **13,909** | 1,313 |

## 11. 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.

| | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| **Profit for the year from discontinued operations** | | |
| Turnover | **–** | 8,730 |
| Operating expenses | **–** | (162) |
| Depreciation | **–** | (1,794) |
| | **–** | 6,774 |
| Finance income | **–** | 5 |
| Gain on disposal of assets constituting the discontinued operations | **–** | 7,893 |
| Profit before tax | **–** | 14,672 |
| Taxation | **–** | – |
| Profit for the year from discontinued operations | **–** | 14,672 |

## 11. DISCONTINUED OPERATIONS (CONTINUED)

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| **Cash flows from discontinued operations** | | |
| Operating activities | | |
| Net cash inflows from operating activities | **–** | 8,573 |
| Investing activity | | |
| Receipts of deferred consideration/Proceeds from disposal of assets (note) | **116,694** | 50,000 |
| Net cash inflows | **116,694** | 58,573 |

*Note:*

Out of the total consideration US$259.3 million in relation to the disposal of m.v. Norwegian Sky, US$166.7 million has been received by the Group as at 31 December 2013. The remaining US$92.6 million will be settled in 5 equal principal installment payments plus interest at 1.25% per annum until 31 May 2016.

## 12. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | GROUP | |
|---|---|---|
| | 2013 US$'000 | 2012 US$'000 |
| **BASIC** | | |
| Profit attributable to equity owners of the Company from continuing operations | **552,389** | 183,689 |
| Profit attributable to equity owners of the Company from discontinued operations | **–** | 14,672 |
| Earnings attributable to equity owners of the Company for the year | **552,389** | 198,361 |
| Weighted average outstanding ordinary shares, in thousands | **7,890,631** | 7,772,340 |
| Basic earnings per share from continuing operations in US cents | **7.00** | 2.36 |
| Basic earnings per share from discontinued operations in US cents | **–** | 0.19 |
| Basic earnings per share for the year in US cents | **7.00** | 2.55 |

Notes to the Consolidated Financial Statements (Continued)

## 12. EARNINGS PER SHARE (CONTINUED)

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| **DILUTED** | | |
| Profit attributable to equity owners of the Company from continuing operations | **552,389** | 183,689 |
| Profit attributable to equity owners of the Company from discontinued operations | **–** | 14,672 |
| Earnings attributable to equity owners of the Company for the year | **552,389** | 198,361 |
| Interest expense on convertible bonds | **7,990** | 9,281 |
| Earnings used to determine diluted earnings per share | **560,379** | 207,642 |
| Weighted average outstanding ordinary shares, in thousands | **7,890,631** | 7,772,340 |
| Effect of dilutive potential ordinary shares, in thousands: | | |
| – options | **10,017** | 13,423 |
| – convertible bonds | **581,931** | 685,841 |
| Weighted average outstanding ordinary shares after assuming dilution, in thousands | **8,482,579** | 8,471,604 |
| Diluted earnings per share from continuing operations in US cents | **6.61** | 2.28 |
| Diluted earnings per share from discontinued operations in US cents | **–** | 0.17 |
| Diluted earnings per share for the year in US cents | **6.61** | 2.45 |

## 13. STAFF COSTS

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

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Wages and salaries | **121,177** | 109,732 |
| Termination benefits | **324** | 46 |
| Social security costs | **743** | 629 |
| Non-cash share option expenses | **896** | 1,643 |
| Post-employment benefits | **2,122** | 1,792 |
| | **125,262** | 113,842 |

## 14. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2013 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 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| Tan Sri Lim Kok Thay | 50 | 1,639 | 1,229 | 4 | 8 | 2,930 | 19 | 2,949 |
| Mr. Alan Howard Smith | 70 | – | – | – | – | 70 | – | 70 |
| Mr. Heah Sieu Lay | 62 | – | – | – | – | 62 | – | 62 |
| Mr. Lam Wai Hon, Ambrose | 33 | – | – | – | – | 33 | – | 33 |
| Mr. Lim Keong Hui | 29 | 126 | 95 | 2 | 6 | 258 | – | 258 |
| Mr. Lim Lay Leng | 34 | – | – | – | – | 34 | – | 34 |
| Mr. Au Fook Yew | 26 | – | – | – | – | 26 | – | 26 |
| Mr. Tan Boon Seng | 1 | – | – | – | – | 1 | – | 1 |
| | 305 | 1,765 | 1,324 | 6 | 14 | 3,414 | 19 | 3,433 |

| 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 |

*Note:*

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

Notes to the Consolidated Financial Statements (Continued)

## 14. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Fees | **50** | 48 |
| Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind | **7,798** | 5,796 |
| Contributions to provident fund | **967** | 8 |
| Non-cash share option expenses | **69** | 377 |
| | **8,884** | 6,229 |
| Number of Directors included in the five highest paid individuals | **1** | 1 |

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

| | Number of individuals | |
|---|---|---|
| | **2013** | 2012 |
| HK$5,000,001 – HK$10,000,000 | **2** | 3 |
| HK$10,000,001 – HK$15,000,000 | **1** | 1 |
| HK$15,000,001 – HK$20,000,000 | **–** | 1 |
| HK$20,000,001 – HK$25,000,000 | **2** | – |

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

| | Number of members | |
|---|---|---|
| | **2013** | 2012 |
| HK$2,000,001 – HK$5,000,000 | **2** | 3 |
| HK$5,000,001 – HK$8,000,000 | **3** | 2 |
| HK$10,000,001 – HK$13,000,000 | **–** | 1 |
| HK$20,000,001 – HK$23,000,000 | **1** | – |

## 15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

**GROUP**

| | Cruise ships, passenger ferry and ship improvements US$'000 | Finance leasehold land, land, jetties, buildings and improvements US$'000 | Equipment and motor vehicles US$'000 | Equipment and other construction in progress US$'000 | Aircrafts US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2013 | 1,187,604 | 325,821 | 214,120 | 63,848 | 19,300 | 1,810,693 |
| Currency translation differences | – | (1,241) | (992) | – | – | (2,233) |
| Additions | 25,150 | 1,262 | 49,066 | 514 | 28,503 | 104,495 |
| Acquisition of a subsidiary | – | – | 6 | – | – | 6 |
| Write off | (10,655) | (154) | (229) | – | – | (11,038) |
| Reclassification | 55,907 | (9) | 23 | (55,921) | – | – |
| Adjustments to drydocking | 6,095 | – | – | – | – | 6,095 |
| At 31 December 2013 | 1,264,101 | 325,679 | 261,994 | 8,441 | 47,803 | 1,908,018 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2013 | (589,468) | (78,755) | (125,883) | – | (812) | (794,918) |
| Currency translation differences | – | 301 | 843 | – | – | 1,144 |
| Transfer (from)/to related companies | 6 | – | (6) | – | – | – |
| Charge for the year | (63,494) | (2,905) | (14,586) | – | (1,355) | (82,340) |
| Write off | 10,500 | 25 | 220 | – | – | 10,745 |
| At 31 December 2013 | (642,456) | (81,334) | (139,412) | – | (2,167) | (865,369) |
| **Net book amount** | | | | | | |
| At 31 December 2013 | 621,646 | 244,345 | 122,582 | 8,441 | 45,635 | 1,042,649 |

At 31 December 2013, the net book amount of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$1.0 billion (2012: US$0.7 billion)

Notes to the Consolidated Financial Statements (Continued)

# 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## GROUP

| | Cruise ships, passenger ferry and ship improvements US$'000 | Finance leasehold land, land, jetties, buildings and improvements US$'000 | Equipment and motor vehicles US$'000 | Equipment and other construction in progress US$'000 | Aircrafts US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2012 | 1,434,675 | 322,562 | 194,350 | 6,639 | – | 1,958,226 |
| Currency translation 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 and impairment loss** | | | | | | |
| At 1 January 2012 | (580,078) | (76,493) | (115,707) | – | – | (772,278) |
| Currency translation 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 amount** | | | | | | |
| At 31 December 2012 | 598,136 | 247,066 | 88,237 | 63,848 | 18,488 | 1,015,775 |

## 15. 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** | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **–** | 280,696 |
| Disposals | **–** | (280,696) |
| At 31 December | **–** | – |
| **Accumulated depreciation** | | |
| At 1 January | **–** | (35,386) |
| Charge for the year | **–** | (1,794) |
| Disposals | **–** | 37,180 |
| At 31 December | **–** | – |
| **Net book amount** | | |
| At 31 December | **–** | – |

**COMPANY**

| | **Office equipment and motor vehicles** | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| **Cost** | | |
| At 1 January | **245** | 211 |
| Additions | **1** | 179 |
| Disposals | **–** | (145) |
| At 31 December | **246** | 245 |
| **Accumulated depreciation** | | |
| At 1 January | **(69)** | (172) |
| Charge for the year | **(45)** | (42) |
| Disposals | **–** | 145 |
| At 31 December | **(114)** | (69) |
| **Net book amount** | | |
| At 31 December | **132** | 176 |

Notes to the Consolidated Financial Statements (Continued)

## 16. LAND USE RIGHT

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

| | GROUP | |
|---|---|---|
| | **2013** **US$'000** | 2012 US$'000 |
| Hong Kong: | **–** | – |
| Outside Hong Kong:<br>Medium leasehold (less than 50 years but not less than 10 years) | **1,280** | 1,281 |

| | GROUP | |
|---|---|---|
| | **2013** **US$'000** | 2012 US$'000 |
| At 1 January | **1,281** | 1,195 |
| Amortisation of prepaid operating lease for the year | **(33)** | (33) |
| Currency translation differences | **32** | 119 |
| At 31 December | **1,280** | 1,281 |

## 17. INTERESTS IN SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | **2013** **US$'000** | 2012 US$'000 |
| Unlisted shares – at cost | **1,838,317** | 1,838,317 |
| Less: Impairment loss in a subsidiary | **(549,981)** | (549,981) |
| Add: Reversal of previously recognised impairment loss | **549,981** | – |
| | **1,838,317** | 1,288,336 |

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

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| At 1 January | **1,367,312** | 1,236,315 |
| Equity investment in a jointly controlled entity | **2,260** | – |
| Acquisition of preferred shares | **17,730** | – |
| Redemption of preferred shares | **–** | (50,080) |
| Share of profit of jointly controlled entities (Note (a)) | **43,541** | 163,426 |
| Share of reserves of a jointly controlled entity | **–** | 2,825 |
| Share of tax refund of a jointly controlled entity | **–** | 1,750 |
| Transfer to interest in associates (see note 19) | **(1,528,025)** | – |
| Gain on deemed disposal of jointly controlled entities | **220,180** | – |
| Dividends | **(74,393)** | – |
| Unrealised gain on disposal of property, plant and equipment | **–** | (7,893) |
| Currency translation differences | **(20,628)** | 20,769 |
| Others | **–** | 200 |
| At 31 December | **27,977** | 1,367,312 |

*Note:*

(a) During the year ended 31 December 2013, the Group has accrued for its share of loss in Genting-Star Tourism Academy Inc. ("GSTA") in the aggregate amount of US$263,000 (2012: US$533,000), which is in excess of its investments in GSTA. As at 31 December 2013, the carrying amount of GSTA has been recorded in accruals and other liabilities as the Group has constructive obligation towards the jointly controlled entity.

Set out below are the jointly controlled entities of the Group during the year ended 31 December 2013, which, in the opinion of the directors, are material to the Group. The jointly controlled entities as listed below may have share capital consisting of more than one class of shares, which are held by the Group.

Nature of interest in jointly controlled entities as at 31 December 2013 and 2012 is as follows:–

| Name | Country of incorporation | Principal country of operations | % of ownership interest 2013 | % of ownership interest 2012 | Nature of relationship | Measurement method |
|---|---|---|---|---|---|---|
| Norwegian Cruise Line Holdings Ltd. ("NCLH") | Bermuda | The United States of America | –* | 50 | Note 1 | Equity |
| Travellers International Hotel Group, Inc. ("Travellers") | Republic of the Philippines | Republic of the Philippines | –** | 50 | Note 2 | Equity |

Notes to the Consolidated Financial Statements (Continued)

# 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

* In January 2013, the Group's equity interest in NCLH was diluted from 50% to 43.4% as a result of the initial public offering ("IPO") of the ordinary shares of NCLH. Upon completion of the IPO, NCLH and its subsidiaries ceased to be a jointly controlled entity of the Group and became an associate of the Group.

** In November 2013, the Group's effective interest in the common shares of Travellers was diluted from 50% to 44.9% as a result of the IPO of Travellers. Upon completion of the IPO, Travellers and its subsidiaries ceased to be a jointly controlled entity of the Group and became an associate of the Group.

Note 1: NCLH, a leading global cruise line operator, operates a fleet of 13 ships under the name "Norwegian Cruise Line". NCLH is a strategic partnership for the Group, providing access to new customers and markets in North America, the Mediterranean, the Baltic, Central America, Bermuda and the Caribbean.

Note 2: Travellers operates Resorts World Manila, the Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world class leisure alternatives. Travellers is the Group's first foray in a land-based attraction.

### Summarised financial information for jointly controlled entities

Set out below are the summarised financial information for NCLH and Travellers which are accounted for using the equity method.

### Summarised statement of financial position

| | **NCLH** | | **Travellers** | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| **Current** | | | | |
| Cash and cash equivalents | – | 45,500 | – | 411,003 |
| Other current assets (excluding cash) | – | 109,644 | – | 73,046 |
| Total current assets | – | 155,144 | – | 484,049 |
| Financial liabilities (excluding trade creditors) | – | (221,233) | – | (63,953) |
| Other current liabilities (including trade creditors) | – | (723,856) | – | (132,676) |
| Total current liabilities | – | (945,089) | – | (196,629) |
| **Non-current** | | | | |
| Assets | – | 5,695,850 | – | 681,544 |
| Financial liabilities | – | (2,764,120) | – | (403,948) |
| Other liabilities | – | (210,434) | – | (48,962) |
| Total non-current liabilities | – | (2,974,554) | – | (452,910) |
| **Net assets** | – | 1,931,351 | – | 516,054 |

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

### Summarised statement of comprehensive income

| | NCLH | | Travellers | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Revenue | **–** | 2,276,246 | **690,769** | 737,657 |
| Depreciation and amortisation | **–** | (194,509) | **(42,079)** | (40,588) |
| Finance income | **–** | 101 | **7,799** | 18,342 |
| Finance costs | **–** | (189,904) | **(28,813)** | (33,946) |
| Profit before taxation from continuing operations | **–** | 163,332 | **81,414** | 161,463 |
| Taxation | **–** | (706) | **(1,381)** | (1,618) |
| Profit for the year from continuing operations | **–** | 162,626 | **80,033** | 159,845 |
| Profit for the year from discontinued operations | **–** | – | **–** | – |
| Other comprehensive income | **–** | 2,175 | **58** | 294 |
| Total comprehensive income | **–** | 164,801 | **80,091** | 160,139 |
| Dividends from jointly controlled entities | **–** | – | **67,673** | – |

The information above reflects the amounts presented in financial information of the jointly controlled entities adjusted for differences in accounting policies between the Group and the jointly controlled entities.

### Reconciliation of summarised financial information

| | NCLH | | Travellers | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Net assets as at 1 January | **1,931,351** | 1,762,960 | **516,054** | 456,215 |
| Profit for the year | **–** | 162,626 | **80,033** | 159,845 |
| Other comprehensive income | **–** | 2,175 | **58** | 294 |
| Transaction with affiliates, net | **–** | 2,930 | **–** | – |
| Share based compensation | **–** | 660 | **–** | – |
| Acquisition of preferred shares | **–** | – | **–** | (104,104) |
| Redemption of preferred shares | **–** | – | **2,240** | – |
| Dividend | **–** | – | **(166,654)** | – |
| Currency translation differences | **–** | – | **(44,422)** | 3,804 |
| Others | **–** | – | **(4,743)** | – |
| Transfer to interests in associates (see note 19) | **(1,931,351)** | – | **(382,566)** | – |
| Net assets as at 31 December | **–** | 1,931,351 | **–** | 516,054 |
| Interest in jointly controlled entity @ 50% | **–** | 965,676 | **–** | 258,027 |
| Carrying amount | **–** | 932,864 | **–** | 424,812 |
| Fair value adjustment from acquisition | **–** | – | **–** | (146,760) |
| Translation differences on the consolidation level | **–** | – | **–** | (20,025) |
| Fair value adjustments on the fixed assets held by NCLH | **–** | 26,926 | **–** | – |
| Unrealised gain arising from the sales of fixed asset to NCLH | **–** | 7,750 | **–** | – |
| Other adjustments to the carrying amount | **–** | (1,864) | **–** | – |
| Carrying amount | **–** | 965,676 | **–** | 258,027 |

Notes to the Consolidated Financial Statements (Continued)

# 19. INTERESTS IN ASSOCIATES

The Group's interest in associates is as follows:

| | GROUP | |
|---|---|---|
| | **2013** **US$'000** | 2012 US$'000 |
| At 1 January | **115** | 7,916 |
| Acquisition of an associate during the year | **61** | 208 |
| Transfer from interests in jointly controlled entities (see note 18) | **1,528,025** | – |
| Share of profit of associates | **31,289** | 174 |
| Share of reserves of an associate | **3,815** | – |
| Disposal of equity interest of an associate | **(282,386)** | (8,183) |
| Currency translation differences | **(11,945)** | – |
| Others | **287** | – |
| At 31 December | **1,269,261** | 115 |

Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The associates as listed below may have share capital consisting of more than one class of shares, which are held by the Group.

Nature of interest in associates as at 31 December 2013 and 2012 is as follows:–

| Name | Country of incorporation | Principal country of operations | % of ownership interest 2013 | % of ownership interest 2012 | Nature of relationship | Measurement method |
|---|---|---|---|---|---|---|
| NCLH | Bermuda | The United States of America | 31.4 * | – | Note 1 | Equity |
| Travellers | Republic of the Philippines | Republic of the Philippines | 44.9 | – | Note 2 | Equity |

Note 1: NCLH, a leading global cruise line operator, operates a fleet of 13 ships under the name "Norwegian Cruise Line". NCLH is a strategic partnership for the Group, providing access to new customers and markets in North America, the Mediterranean, the Baltic, Central America, Bermuda and the Caribbean.

Note 2: Travellers operates Resorts World Manila, the Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world class leisure alternatives. Travellers is the Group's first foray in a land-based attraction.

* In January 2013, the Group's equity interest in NCLH was diluted from 50% to 43.4% as a result of the initial public offering ("IPO") of the ordinary shares of NCLH. Upon completion of the IPO, NCLH and its subsidiaries ceased to be a jointly controlled entity of the Group and became an associate of the Group.

During the year ended 31 December 2013, the equity interest of NCLH owned by the Group has further decreased from 43.4% to 31.4% as a result of share disposals.

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2013, the fair value of the Group's interest in NCLH, which is listed on the NASDAQ Global Select Market, was US$2,281.4 million and the carrying amount of the Group's interest was US$774.2 million.

As at 31 December 2013, the fair value of the Group's interest in Travellers, which is listed on The Philippines Stock Exchange, Inc, was approximately US$1,624.7 million and the carrying amount of the Group's interest was approximately US$494.9 million.

**Summarised financial information for associates**

Set out below are the summarised financial information for NCLH and Travellers which are accounted for using the equity method.

**Summarised statement of financial position**

| | NCLH | | Travellers | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Current** | | | | |
| Cash and cash equivalents | **56,467** | – | **579,949** | – |
| Other current assets (excluding cash) | **115,797** | – | **83,164** | – |
| Total current assets | **172,264** | – | **663,113** | – |
| Financial liabilities (excluding trade creditors) | **(286,575)** | – | **(36,074)** | |
| Other current liabilities (including trade creditors) | **(788,913)** | – | **(197,538)** | – |
| Total current liabilities | **(1,075,488)** | – | **(233,612)** | – |
| **Non-current** | | | | |
| Assets | **6,400,304** | – | **714,466** | – |
| Financial liabilities | **(2,841,214)** | – | **(361,433)** | – |
| Other liabilities | **(103,010)** | – | **(30,408)** | – |
| Total non-current liabilities | **(2,944,224)** | – | **(391,841)** | – |
| **Net assets** | **2,552,856** | – | **752,126** | – |

Notes to the Consolidated Financial Statements (Continued)

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

**Summarised statement of comprehensive income**

| | NCLH | | Travellers | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Revenue | **2,570,294** | – | **91,778** | – |
| Depreciation and amortisation | **(205,822)** | – | **(7,162)** | – |
| Interest income | **44** | – | **(2,505)** | – |
| Interest expense | **(282,519)** | – | **(18,934)** | – |
| Profit/(Loss) before taxation from continuing operations | **123,711** | – | **(15,630)** | – |
| Taxation | **(11,802)** | – | **(182)** | – |
| Profit/(Loss) for the year from continuing operations | **111,909** | – | **(15,812)** | – |
| Profit for the year from discontinued operations | **–** | – | **–** | – |
| Non-controlling interest | **1,172** | – | **–** | – |
| Other comprehensive income | **657** | – | **791** | – |
| Total comprehensive income/(loss) | **111,394** | – | **(15,021)** | – |
| Comprehensive income attributable to non-controlling interest | **900** | – | **–** | – |
| Comprehensive income attributable to NCLH | **110,494** | – | **–** | – |

The information above reflects the amounts presented in financial information of the associates adjusted for differences in accounting policies between the Group and the associates.

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

### Reconciliation of summarised financial information

| | NCLH | | Travellers | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Net assets as at 1 January | **–** | – | **–** | – |
| Transfer from interests in jointly controlled entities (see note 18) | **1,931,351** | – | **382,566** | – |
| Profit/(Loss) for the year | **111,909** | – | **(15,812)** | – |
| Other comprehensive income | **657** | – | **791** | – |
| Transaction with affiliates, net | **11,952** | – | **–** | – |
| Share based compensation | **23,074** | – | **–** | – |
| IPO proceeds | **473,913** | – | **–** | – |
| Charges to additional paid in capital | **–** | – | **378,163** | – |
| Issuance of treasury shares from IPO | **–** | – | **3,593** | – |
| Currency translation differences | **–** | – | **2,825** | – |
| Net assets as at 31 December | **2,552,856** | – | **752,126** | – |
| Interest in associates @ 31.4%/44.9% | **801,597** | – | **337,705** | – |
| Carrying amount | **774,172** | – | **494,895** | – |
| Fair value adjustment from acquisition | **–** | – | **(139,600)** | – |
| Translation differences on the consolidation level | **–** | – | **(17,590)** | – |
| Fair value adjustments on the fixed assets held by NCLH | **16,909** | – | **–** | – |
| Unrealised gain arising from the sales of fixed assets to NCLH | **7,434** | – | **–** | – |
| Other adjustments to the carrying amount | **3,082** | – | **–** | – |
| Carrying amount | **801,597** | – | **337,705** | – |

## 20. AVAILABLE-FOR-SALE INVESTMENTS

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| At 1 January | **222,259** | 3,907 |
| Exchange difference | **(32,317)** | 3,799 |
| Additions | **32,363** | 282,048 |
| Disposals | **(15,819)** | (26,839) |
| Fair value losses recognised in equity | **(45,193)** | (40,656) |
| At 31 December | **161,293** | 222,259 |
| Less: non-current portion | **(157,090)** | (206,218) |
| Current portion | **4,203** | 16,041 |

Notes to the Consolidated Financial Statements (Continued)

## 20. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Available-for-sale investments include the following;

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Listed investments: | | |
| Equity securities – listed outside Hong Kong | **140,546** | 185,954 |
| Debt securities – listed outside Hong Kong | **11,244** | 10,937 |
| Debt securities – listed in Hong Kong | **9,503** | 9,327 |
| Unlisted investments: | | |
| Certificates of deposit | **–** | 16,041 |
| | **161,293** | 222,259 |

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

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Australian dollar | **137,598** | 183,406 |
| Chinese Renminbi | **20,747** | 36,305 |
| Sri Lankan Rupee | **2,948** | 2,548 |
| | **161,293** | 222,259 |

## 21. CONSUMABLE INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Food and beverages | **4,102** | 3,339 | **–** | – |
| Supplies and consumables | **6,675** | 7,607 | **928** | – |
| Retail stocks | **11,253** | 1,055 | **–** | – |
| | **22,030** | 12,001 | **928** | – |

## 22. TRADE RECEIVABLES

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Trade receivables | **140,668** | 95,428 |
| Less: Provisions | **(1,306)** | (3,168) |
| | **139,362** | 92,260 |

The ageing analysis of the trade receivables is as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Current to 30 days | **100,179** | 53,851 |
| 31 days to 60 days | **1,406** | 3,898 |
| 61 days to 120 days | **3,747** | 23,446 |
| 121 days to 180 days | **5,832** | 8,559 |
| 181 days to 360 days | **21,681** | 3,495 |
| Over 360 days | **7,823** | 2,179 |
| | **140,668** | 95,428 |

Credit terms generally range from payment in advance to 45 days credit (31 December 2012: payment in advance to 45 days).

Receivables amounting to US$39.6 million (2012: US$0.8 million) are secured by the underlying pledged securities and bears interest ranging from 5% to 8% (2012: 5.5% to 8.0%) per annum.

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

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Hong Kong dollar | **71,116** | 46,407 |
| US dollar | **35,112** | 607 |
| Singapore dollar | **22,170** | 35,705 |
| Malaysia Ringgit | **8,935** | 3,835 |
| Chinese Renminbi | **1,999** | 5,080 |
| Other currencies | **30** | 626 |
| | **139,362** | 92,260 |

Notes to the Consolidated Financial Statements (Continued)

## 22. TRADE RECEIVABLES (CONTINUED)

Movements in the provision for trade receivables are as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| At 1 January | **3,168** | 1,551 |
| Provision during the year | **5,673** | 1,617 |
| Reversal of provision of receivables | **(6,454)** | – |
| Receivables written off as uncollectible | **(1,081)** | – |
| At 31 December | **1,306** | 3,168 |

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 2013, the trade receivables that were past due but not provided was US$39.2 million (2012: US$38.4 million). No provision 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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Other debtors, deposits and prepayments | **41,298** | 35,325 | **2,907** | 6,557 |
| Promissory notes and interest receivables | **–** | 6,777 | **–** | – |
| Damages claim receivables | **4,500** | 7,000 | **4,500** | 7,000 |
| Loans to third parties | **5,112** | 9,296 | **–** | – |
| Loan arrangement fees for facilities not drawndown | **–** | 11,218 | **–** | 11,218 |
| Receivable from trade agent on disposal of NCLH shares | **53,079** | – | **–** | – |
| Receivable from an associate relating to disposal of m.v. Norwegian Sky (note (a)) | **92,608** | 209,302 | **–** | – |
| Dividend receivable from an associate | **10,933** | – | **–** | – |
| Amount due from an associate | **656** | – | **656** | – |
| | **208,186** | 278,918 | **8,063** | 24,775 |
| Less: non-current portion | **(60,448)** | (107,068) | **(2,000)** | (11,653) |
| Current portion | **147,738** | 171,850 | **6,063** | 13,122 |

*Note:*

(a) Out of the total consideration US$259.3 million in relation to the disposal of m.v. Norwegian Sky, US$166.7 million has been received by the Group as at 31 December 2013. The remaining US$92.6 million will be settled in 5 equal principal installment payments plus interest at 1.25% per annum until 31 May 2016. Respective receivables from an associate of US$55.6 million (non-current portion) and US$37.0 million (current portion) have been recognised as at 31 December 2013.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Cash-settled total return equity swaps | **41,949** | – |

## 25. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

## 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Deposits with banks | **585,393** | 279,266 | **258,845** | 184,500 |
| Cash and bank balances | **350,020** | 171,417 | **18,473** | 1,998 |
| | **935,413** | 450,683 | **277,318** | 186,498 |

Cash and cash equivalents include the following for the purpose of the statement of cash flow:

| | GROUP | |
|---|---|---|
| | **2013 US$'000** | 2012 US$'000 |
| Cash and cash equivalents | **916,063** | 450,683 |
| Bank overdraft (see note 28) | **19,350** | – |
| Cash and cash equivalents | **935,413** | 450,683 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Chinese Renminbi | **252,898** | 204,468 | **228,851** | 184,503 |
| Hong Kong dollar | **96,100** | 93,570 | **56** | 170 |
| US dollar | **462,647** | 76,388 | **48,379** | – |
| Singapore dollar | **34,703** | 23,311 | **30** | 1,825 |
| Malaysia Ringgit | **24,540** | 20,610 | **–** | – |
| Australia dollar | **3,445** | 13,209 | **–** | – |
| New Taiwan dollar | **14,223** | 6,692 | **–** | – |
| Indian Rupee | **17,458** | 4,786 | **–** | – |
| Euro dollar | **1,024** | 4,309 | **–** | – |
| Philippines Peso | **25,303** | 814 | **–** | – |
| Others | **3,072** | 2,526 | **2** | – |
| | **935,413** | 450,683 | **277,318** | 186,498 |

Notes to the Consolidated Financial Statements (Continued)

## 26. CASH AND CASH EQUIVALENTS (CONTINUED)

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Effective interest rate per annum | **2.2%** | 3.3% | **3.3%** | 3.3% |
| Average maturity days | **112 days** | 78 days | **143 days** | 113 days |

## 27. 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 2013 and 31 December 2013 | **10,000** | **1** | **19,999,990,000** | **1,999,999** |
| At 1 January 2012 and 31 December 2012 | 10,000 | 1 | 19,999,990,000 | 1,999,999 |

| | Issued and fully paid ordinary shares of US$0.10 each | |
|---|---|---|
| | No. of shares | US$'000 |
| At 1 January 2013 | **7,772,490,872** | **777,249** |
| Issue of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | **21,252,626** | **2,125** |
| Issue of ordinary shares upon conversion of convertible bonds | **240,044,247** | **24,004** |
| At 31 December 2013 | **8,033,787,745** | **803,378** |
| 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 |

The net proceeds from the issuance of ordinary shares pursuant to share options and conversion of convertible bonds have been used for general corporate and working capital purposes of the Group. As at 31 December 2013, there were no unapplied proceeds from this issuance of shares.

On 6 June 2012, the Company 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") wherein 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.

## 28. LOANS AND BORROWINGS

Loans and borrowings consist of the following:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **SECURED:** | | | | |
| US$600 million secured term loan and revolving credit facility | **331,570** | 453,356 | **331,570** | 453,356 |
| US$300 million secured term loan and revolving credit facility | **92,823** | – | **92,823** | – |
| US$70 million revolving credit facility | **–** | 69,866 | **–** | 69,866 |
| RMB12.5 million entrustment loans (i) | **4,133** | 4,016 | **–** | – |
| RMB14 million entrustment loan (i) | **2,314** | 1,445 | **–** | – |
| RMB20 million entrustment loans (i) | **3,306** | – | **–** | – |
| **UNSECURED:** | | | | |
| Convertible bonds (see note 29) | **65,906** | 99,488 | **65,906** | 99,488 |
| RMB1.38 billion 3.95% bonds (see note 30) | **227,032** | 214,253 | **227,032** | 214,253 |
| Bank overdraft (see note 26) | **19,350** | – | **–** | – |
| Total liabilities | **746,434** | 842,424 | **717,331** | 836,963 |
| Less: Current portion | **(360,368)** | (130,402) | **(335,645)** | (128,394) |
| Non-current portion | **386,066** | 712,022 | **381,686** | 708,569 |

*Note:*

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

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| US dollars | **490,299** | 622,710 | **490,299** | 622,710 |
| Chinese Renminbi | **236,785** | 219,714 | **227,032** | 214,253 |
| Hong Kong dollars | **19,350** | – | **–** | – |
| | **746,434** | 842,424 | **717,331** | 836,963 |

As at 31 December 2013, the outstanding balances of loans and borrowings denominated in Renminbi was approximately RMB1.44 billion (2012: RMB1.42 billion).

Notes to the Consolidated Financial Statements (Continued)

## 28. LOANS AND BORROWINGS (CONTINUED)

As at 31 December 2013, the net carrying amount of the Group's loans and borrowings, including interest accrued and net of transaction costs incurred would be US$0.75 billion (2012: US$0.84 billion).

As at 31 December 2013, the net carrying amount of the Group's loans and borrowings in Hong Kong dollars, was approximately HK$0.15 billion (2012: Nil).

As at 31 December 2013, the net carrying amount of the Company's loans and borrowings, including interest accrued and net of transaction costs incurred would be US$0.72 billion (2012: US$0.84 billion).

As at 31 December 2013, approximately 37% of the Group's loans and borrowings was fixed rated (2012: 34%) and 63% was variable rated (2012: 66%).

The following is a schedule of repayments of the loans and borrowings in respect of the outstanding borrowings as at 31 December 2013:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Within one year | **360,368** | 130,402 | **335,645** | 128,394 |
| In the second year | **148,055** | 258,225 | **143,675** | 258,225 |
| In the third to fifth years | **140,352** | 234,352 | **140,352** | 230,899 |
| After the fifth year | **97,659** | 219,445 | **97,659** | 219,445 |
| | **746,434** | 842,424 | **717,331** | 836,963 |

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 | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| 6 months or less | **443,743** | 523,222 | **424,393** | 523,222 |

The secured loans and borrowings were secured by legal charges over assets including fixed and floating charges of US$1,530.5 million (2012: US$731.5 million).

# 28. LOANS AND BORROWINGS (CONTINUED)

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Bank borrowings in US dollars | **3.3%** | 3.2% | **3.3%** | 3.2% |
| Bank borrowing in Renminbi | **0.4%** | 0.4% | **–** | – |
| Bank overdraft in Hong Kong dollars | **1.7%** | – | **–** | – |
| Convertible bonds | **9.4%** | 9.4% | **9.4%** | 9.4% |
| RMB1.38 billion 3.95% bonds | **4.9%** | 4.9% | **4.9%** | 4.9% |

# 29. 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.

Notes to the Consolidated Financial Statements (Continued)

## 29. CONVERTIBLE BONDS (CONTINUED)

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

| | GROUP/COMPANY | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'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 | **(5,039)** | (2,964) |
| Remaining equity component | **(3,854)** | (5,929) |
| Equity component | **(8,893)** | (8,893) |
| Liability component on initial recognition | **137,107** | 137,107 |
| Interest accrued as at 1 January | **8,941** | 7,161 |
| Interest expense for the year | **7,990** | 9,279 |
| Interest paid during the year | **(6,188)** | (7,499) |
| Conversion of the Bonds to ordinary shares and share premium | **(81,944)** | (46,560) |
| Liability component (see note 28) | **65,906** | 99,488 |

As at 31 December 2013 out of the US$150 million Bonds due 2016, US$85 million had been converted into ordinary shares of the Company and none of the Bonds due 2016 were redeemed or purchased by the Company.

## 30. 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.

## 30. RMB1,380,000,000 3.95% BONDS (CONTINUED)

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.

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

| | GROUP/COMPANY | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'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 | **2,815** | 951 |
| Interest expense for the year | **10,917** | 10,579 |
| Interest paid during the year | **(8,897)** | (8,715) |
| Exchange differences | **15,063** | 4,304 |
| Balance as at 31 December (see note 28) | **227,032** | 214,253 |

As at 31 December 2013, none of the RMB Bonds due 2014 were redeemed or purchased by the Company.

## 31. 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$29.5 million (2012: US$40.1 million), to pay fixed price for fuel. As at 31 December 2013, the outstanding notional amount was approximately US$26.8 million (2012: US$ 38.1 million), maturing through December 2014 and the estimated fair market value of the fuel swap was approximately US$0.7 million, which was favourable to the Group and the Company (2012: 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 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.

Notes to the Consolidated Financial Statements (Continued)

## 32. DEFERRED TAX

| | GROUP<br>Excess of capital allowances over depreciation | |
|---|---|---|
| | **2013**<br>**US$'000** | 2012<br>US$'000 |
| **Deferred tax liabilities** | | |
| The movements in deferred tax liabilities are as follows: | | |
| At 1 January | **36** | 16 |
| Exchange difference | **–** | 20 |
| Deferred taxation charged to consolidated statement of comprehensive income | **1,418** | – |
| At 31 December | **1,454** | 36 |
| The amount shown in the statement of financial position includes the following: | | |
| Deferred tax liabilities to be settled after 12 months | **1,454** | 36 |

| | GROUP<br>Tax losses | |
|---|---|---|
| | **2013**<br>**US$'000** | 2012<br>US$'000 |
| **Deferred tax assets** | | |
| The movements in the deferred tax assets are as follows: | | |
| At 1 January | **135** | 325 |
| Exchange difference | **–** | 2 |
| Deferred taxation charged to consolidated statement of comprehensive income | **(85)** | (192) |
| At 31 December | **50** | 135 |
| The amount shown in the statement of financial position includes the following: | | |
| Deferred tax assets to be recovered after 12 months | **50** | 135 |

As at 31 December 2013, 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$397 million (2012: US$327 million).

Deferred tax liabilities of US$1,170,000 (2012: US$7,880,000) have not been recognised for the withholding tax that would be payable upon the distribution of the share of undistributed earnings of an associate amounting to US$21,690,000 at 31 December 2013 (2012: US$131,340,000).

## 33. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Current to 60 days | **28,827** | 35,516 |
| 61 days to 120 days | **8,091** | 4,412 |
| 121 days to 180 days | **1,316** | 642 |
| Over 180 days | **8,718** | 2,135 |
| | **46,952** | 42,705 |

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2012: no credit to 45 days).

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

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| US dollar | **34,438** | 17,794 |
| Hong Kong dollar | **6,546** | 15,557 |
| Malaysia Ringgit | **3,123** | 2,619 |
| Macau Patacas | **2,069** | 2,353 |
| Other currencies | **776** | 4,382 |
| | **46,952** | 42,705 |

## 34. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consist of the following:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Payroll, taxes and related benefits | **27,520** | 28,096 | **5,205** | 9,544 |
| Accruals for obligations under a customer loyalty programme | **14,811** | 25,546 | **–** | – |
| Payables for vessels conversion cost | **–** | 38,892 | **–** | – |
| Interest accrued | **945** | 1,546 | **535** | 1,243 |
| Port charges accrued | **8,139** | 5,899 | **–** | – |
| Accruals for repair and maintenance | **2,224** | 3,081 | **–** | – |
| Amounts due to jointly controlled entities | **–** | 21,771 | **–** | – |
| Others | **49,192** | 50,449 | **3,020** | 1,288 |
| | **102,831** | 175,280 | **8,760** | 12,075 |

## 35. 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 as trustee of a discretionary trust, the beneficiaries of which are Tan Sri Lim Kok Thay, Mr. Lim Keong Hui and certain other members of Tan Sri Lim Kok Thay's family, is a substantial shareholder of the Company.

Tan Sri Lim Kok Thay is the Chairman, an Executive Director, the Chief Executive Officer and a substantial shareholder of the Company. Tan Sri Lim Kok Thay is the father of Mr. Lim Keong Hui who is an Executive Director and a substantial shareholder of the Company.

Genting Berhad ("GENT"), a company in which each of Tan Sri Lim Kok Thay and Mr. Lim Keong Hui 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.

WorldCard International Limited ("WCIL") is currently a wholly-owned subsidiary of Star Cruise (C) Limited ("SC (C)", an indirect wholly-owned subsidiary of the Company). Prior to 31 December 2013, the date on which the completion of the acquisition of the WCIL group by SC (C) from Resorts World Inc Pte. Ltd. ("RWI") took place, WCIL had been a wholly-owned subsidiary of RWI since the completion of the disposal of 50% equity interest in WCIL by each of SC (C) and the GENS group to RWI on 4 November 2011. 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%.

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.

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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.

Upon completion of the initial public offering of Norwegian Cruise Line Holdings Ltd. ("NCLH" or "Norwegian") 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.

Following initial listing of the common shares of Travellers International Hotel Group, Inc. ("Travellers") on 5 November 2013, Travellers ceased to be a jointly controlled entity of the Company and became an associate of the Company. Each of 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. (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"), Wo De Ke Zhan Limited ("WDKZ") and Dynamic Merits Limited ("Dynamic Merits") 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.

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

Notes to the Consolidated Financial Statements (Continued)

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Significant related party transactions entered into or subsisting between the Group and the above companies during the year ended 31 December 2013 and 2012 are set out below:

(a) On 20 December 2010, the Company entered into 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 2013, (i) the amount charged to the Group in respect of secretarial, share registration, investor and other related services rendered by GMC was approximately US$9,000 (2012: US$11,000), (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$1,654,000 (2012: US$1,795,000) and (iii) the amount charged to the Group in respect of administrative and other support services rendered by the GENS group was approximately US$42,000 (2012: US$44,000).

(b) On 31 March 2011, the Company entered into 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 2013, (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$201,000 (2012: US$153,000) and (ii) the amount charged by the Group in respect of tourism consultancy services rendered to the GENM group was approximately US$35,000 (2012: US$24,000).

(c) WCIL, together with its subsidiaries, operates and administers 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 2013 and 2012 the following transactions took place:

| | GROUP | |
|---|---|---|
| | **2013** **US$'000** | 2012 US$'000 |
| Amounts charged by the GENT group to the Group | **631** | 1,438 |
| Amounts charged to the GENT group by the Group | **1,724** | 1,894 |

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) On 29 May 2009 and 5 October 2012, TIECL entered into tenancy agreements with CCL in respect of the leases of office premises in Macau. During the year ended 31 December 2013, the amount charged by CCL to the Group in respect of the rental amounted to US$46,000 (2012: US$101,000).

(e) On 1 January 2012, SCHK as tenant entered into a tenancy agreement with Rich Hope as landlord in respect of the lease of an apartment in Hong Kong for 2 years commencing from 1 January 2012. During the year ended 31 December 2013, the amount charged by Rich Hope to SCHK in respect of the rental amounted to US$232,000 (2012: US$236,000).

(f) On 1 September 2011 and 12 November 2012, SCA as tenant entered into tenancy agreements with Ambadell as landlord in respect of the lease of an office area in Australia. During the year ended 31 December 2013, the amount charged by Ambadell to the Group in respect of the rental amounted to US$58,000 (2012: US$61,000).

(g) On 31 December 2012, CAL entered into the Second Supplemental Agreement with RWS to renew the RWS Services Agreement (as amended by the First Supplemental Agreement) entered into between the two parties, the term of which would be expiring on 31 December 2012, for a further period of three years from 1 January 2013 to 31 December 2015, 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$1,089,000 for the year ended 31 December 2013 (2012: US$1,296,000).

(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 ("PRC") for total service fees of RMB2,866,300. During the year ended 31 December 2013, the amount charged by SCCH to 3rd Valley in respect of such consultancy services was US$94,000 (2012: US$363,000). 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. On 15 May 2013, a deed of assignment was executed between SCCH and Guangzhou Liyunhui Consulting and Management Services Limited ("GLCM", an indirect wholly-owned subsidiary of the Company) pursuant to which SCCH has assigned all its rights and obligations under the hotel management agreement with 3rd Valley to GLCM. During the year ended 31 December 2013, the amount charged by the Group (via SCCH or GLCM, as the case may be) to 3rd Valley in respect of such management and other services was US$39,000 (2012: Nil).

Notes to the Consolidated Financial Statements (Continued)

## 35. 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 2013, the amount charged by GIML to SMHL in respect of the annual license fee was US$20,000 (2012: US$15,000).

(j) (1) 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. The Group has prepaid three years rental expenses of US$557,000 to 3rd Valley in 2012. During the year ended 31 December 2013, the amount charged by 3rd Valley to the Group in respect of the rental amounted to US$43,000 (2012: US$9,000).

(2) Subsequently, on 30 December 2013, a termination agreement was entered into by the lessor and the lessee whereby the aforesaid tenancy was terminated with effect from 14 April 2013 and part of the prepaid rental in the sum of RMB3,131,213 (equivalent to approximately HK$4,028,000) was refundable to the lessee.

(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 Group has advanced US$557,000 to 3rd Valley International in 2012. During the year ended 31 December 2013, the interest amount charged by WDKZ to 3rd Valley International in respect of the loan amounted to US$30,000 (2012: 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.

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(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 for the year ended 31 December 2013 was Nil (2012: US$8.7 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.

(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 2013, the amount charged by Travellers to the Group in respect of the rental amounted to US$0.3 million (2012: US$0.4 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 2013, service revenue received from GSTA and GMS was US$0.1 million (2012: US$0.2 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.

Notes to the Consolidated Financial Statements (Continued)

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(r) 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 2013, the amount charged by CAL to NCLB in respect of the services amounted to US$286,000 (2012: US$301,000).

(s) 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 2013, the amount charged by Famous City to Travellers in respect of the services amounted to US$860,000 (2012: US$946,000).

(t) 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 2013, service revenue received from Travellers was US$999,000 (2012: US$1,020,000).

(u) 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 2013, mobilisation fee and service revenue received from SCHKMS were Nil (2012: Nil) and US$93,000 (2012: US$82,000) respectively.

(v) 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. Subsequently, the aircraft was transferred to Glass Castle in 2012.

(w) 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%)).

(x) On 7 March 2013, Symbol Smart Limited, a wholly-owned subsidiary of the Company, entered into a consultancy services agreement with NCLB in respect of the provision of certain consultation services from NCLB. During the year ended 31 December 2013, the consultancy fee charged by NCLB to Symbol Smart Limited amounted to US$1,200,000 (2012: Nil).

(y) On 8 August 2013, Star NCLC Holdings Ltd. ("Star NCLC", a wholly-owned subsidiary of the Company) entered into the underwriting agreement with NCLH and others pursuant to which Star NCLC sold 11.5 million ordinary shares in NCLH at an offering price of US$29.75 per share. The percentage of ordinary shares of NCLH beneficially owned by the Group has decreased from approximately 43.4% to approximately 37.7% as a result of the share disposal, with a disposal gain of approximately US$192.6 million to the Group.

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(z) On 30 October 2013, Star Cruises Ship Management Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a service agreement with APEC Assets Limited ("APEC", a wholly-owned subsidiary of Travellers) for the provision of technical consultancy services with effect from 14 October 2013. During the year ended 31 December 2013, service revenue received from APEC was US$32,000 (2012: nil).

(aa) On 3 December 2013, Star NCLC entered into the underwriting agreement with NCLH and others pursuant to which Star NCLC further sold 12.65 million ordinary shares in NCLH at an offering price of US$33.25 per share. The percentage of ordinary shares of NCLH beneficially owned by the Group has further decreased from approximately 37.5% to approximately 31.4% as a result of the share disposal, with a disposal gain of approximately US$259.1 million to the Group.

(bb) On 24 December 2013, SC (C) entered into a sale and purchase agreement with RWI in respect of the acquisition by SC (C) from RWI of the entire issued share capital in WCIL which together with its subsidiaries operates and administers the customer loyalty programme known as "WorldCard" outside Malaysia at the consideration of US$2. The acquisition was completed on 31 December 2013.

(cc) On 30 December 2013, Dynamic Merits entered into a cooperation agreement with 3rd Valley whereby 3rd Valley agreed to provide certain consultancy services and maintenance services, and grant certain access rights, in respect of the development of Genting World and Genting Residences by the Group, and grant the right to use all ski-related facilities at the Genting Resort, Secret Garden ("Secret Garden"), for an aggregate consideration of RMB20,000,000 (approximately US$3.3 million). Secret Garden is located at Chongli County, Zhang Jia Kou City, Hebei Province, the People's Republic of China. The durations of the maintenance services and access rights and each of the other services as set out in the cooperation agreement are 70 years and 3 years respectively, and the details of the durations of these services are more specifically defined and provided in the cooperation agreement. Genting World and Genting Residences are properties located and/or to be developed and constructed at Secret Garden, Chongli County, Zhang Jia Kou City, Hebei Province, the People's Republic of China. During the year ended 31 December 2013, the amount paid to 3rd Valley was approximately US$1,641,000 (2012: Nil).

(dd) On 30 December 2013, the Company entered into services agreements with 3rd Valley in respect of the provision of certain services by the Group to 3rd Valley Group, and/or vice versa, including, inter alia, the provision by the Group of travel agency, leasing of hotel rooms or shops, sales, contact center, marketing, advertising and promotion related services, and other related services, and the provision by 3rd Valley Group of hotel operation related and supporting services, property management, repair and maintenance, leasing of function rooms or dormitory, and other related services, as and when required, for 3 financial period/years ending 31 December 2015. During the year ended 31 December 2013, (i) the amounts charged from 3rd Valley Group to the Group was Nil (2012: Nil); and (ii) the amounts charged to 3rd Valley Group by the Group was Nil (2012: Nil).

Notes to the Consolidated Financial Statements (Continued)

# 35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## Transactions with Directors

(ee) 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 2013 and the outstanding share options as at 31 December 2013 are set out in the section headed "Share Options" in the Report of the Directors.

## Key management compensation

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

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Salaries and other short-term employee benefits | **19,611** | 16,329 |
| Post-employment benefits | **2,803** | 107 |
| Non-cash share option expenses | **516** | 1,013 |
| | **22,930** | 17,449 |

# 36. COMMITMENTS AND CONTINGENCIES

## (i) Capital expenditure

In October 2013, the Group contracted with a shipyard to purchase a ship with anticipated delivery in the fourth quarter of 2016. The aggregate cost of the ship under construction and on firm order (based on Euro/U.S, dollar exchange rate at the financial position date) as at 31 December 2013 is as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Contracted but not provided for | | |
| – Cruise ship and related costs | **963,011** | – |

# 36. COMMITMENTS AND CONTINGENCIES (CONTINUED)

## (ii) Other commitments

As at 31 December 2013 and 2012, the Group's future commitments contracted but not provided for are as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Contracted but not provided for | | |
| – Property under development | **30,647** | 20,962 |

## (iii) Jointly controlled entity

In addition to the above, the Company entered into a number of subscription agreements to acquire, through its wholly owned subsidiaries, an aggregate of 50% (direct and indirect) effective interest in the share capital of Resorts World Bayshore City, Inc. ("RWB") for a total consideration of US$19.6 million to pursue strategic and collaborative arrangements in relation to the development and operation of another hotel and casino complex in the Philippines. As at 31 December 2013, the Group has paid US$12.8 million for the acquisition of the 50% effective interest in RWB with the remaining US$6.8 million payable upon certain post-completion events.

## (iv) Operating leases

Rental expense under non-cancellable operating lease commitments was US$3.2 million for the year ended 31 December 2013 (2012: US$3.1 million).

At 31 December 2013, future minimum lease payments payable under non-cancellable operating leases are as follows:

| | GROUP | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Within one year | **3,371** | 3,024 |
| In the second to fifth year inclusive | **7,274** | 6,807 |
| After the fifth year | **4,088** | 6,196 |
| | **14,733** | 16,027 |

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

# 36. COMMITMENTS AND CONTINGENCIES (CONTINUED)

## (v) Charter-hire

For the year ended 31 December 2013, charter-hire revenue receivable under the operating lease commitments in respect of cruise ships and onboard equipment from Norwegian was nil (2012: US$8.7 million).

## (vi) 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.

# 37. 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.

# 37. SHARE OPTION SCHEME (CONTINUED)

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

**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.

## 37. 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) 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; (ii) 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 (iii) 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.

# 37. 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:

| | 2013 Average exercise price in HK$ per share | 2013 Options (thousands) |
|---|---|---|
| **At 1 January** | **2.2149** | **53,508** |
| Exercised | **2.7800** | **(21,253)** |
| Forfeited | **1.8064** | **(100)** |
| **At 31 December** | **2.4831** | **32,155** |

| | 2012 Average exercise price in HK$ per share | 2012 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 |

A summary of the share options outstanding as at 31 December 2013 is as follows:

| | Options outstanding | | Options exercisable |
|---|---|---|---|
| **Exercise price** | **Number outstanding (in thousands)** | **Weighted average remaining life (years)** | **Number (in thousands)** |
| HK$1.6202 | **9,965** | **0.6** | **9,965** |
| HK$1.7800 | **10,090** | **4.4** | **10,090** |
| HK$3.7800 | **12,100** | **6.9** | **7,260** |
| | **32,155** | **4.3** | **27,315** |

# Notes to the Consolidated Financial Statements (Continued)

## 38. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2013:

| Name of Company | Country of Incorporation and place of business | Principal activities | Proportion of ordinary shares held by the Company (%) | Proportion of ordinary shares held by the Group (%) | Proportion of ordinary shares held by non-controlling interests (%) |
|---|---|---|---|---|---|
| **Subsidiaries held directly:** | | | | | |
| Star Cruises Asia Holding Ltd. | Bermuda | Investment holding | 100 | 100 | – |
| Star NCLC Holdings Ltd. | Bermuda | Investment holding | 100 | 100 | – |
| **Subsidiaries held indirectly:** | | | | | |
| Star Cruise Management Limited | Note (1) | Investment holding and provision of management services | – | 100 | – |
| Cruise Properties Limited | Isle of Man | Investment holding | – | 100 | – |
| Inter-Ocean Limited | Note (2) | Investment holding and cruise services | – | 100 | – |
| Star Cruise Services Limited | Note (2) | Investment holding and cruise services | – | 100 | – |
| Superstar Virgo Limited | Note (2) | Bareboat chartering | – | 100 | – |
| My Inn (Hangzhou) Hotel Co. Limited | The People's Republic of China | Hotel management and accommodation | – | 100 | – |
| Suzhou My Inn Hotel Co., Ltd. | The People's Republic of China | Operation and management of internal facilities of budget hotel and hotel room | – | 100 | – |
| Shanghai My Inn Hotel Co., Ltd. | The People's Republic of China | Operation and management of internal facilities of budget hotel and guest room | – | 100 | – |

## 38. PRINCIPAL SUBSIDIARIES (CONTINUED)

| Name of Company | Country of Incorporation and place of business | Principal activities | Proportion of ordinary shares held by the Company (%) | Proportion of ordinary shares held by the Group (%) | Proportion of ordinary shares held by non-controlling interests (%) |
|---|---|---|---|---|---|
| **Subsidiaries held indirectly: (Continued)** | | | | | |
| Chongli My Inn Hotel Company Limited | The People's Republic of China | Operation and management of hotel | – | 100 | – |
| Suzhou Trip-X Information Technologies Co., Ltd. | The People's Republic of China | Software development of tourist information system | – | 100 | – |
| Genting (Shanghai) Education Information Consulting Co., Limited | The People's Republic of China | Education information consulting (except study abroad consulting and agent service) | – | 100 | – |
| Treasure Island Entertainment Complex Limited | Macau Special Administrative Region | Development of hospitality facilities | – | 75 | 25 |
| Genting Philippines Holdings Limited | Note (3) | Investment holding | – | 100 | – |
| Genting Securities Limited | Hong Kong Special Administrative Region | Securities dealing and securities margin financing | – | 100 | – |
| Genting Credit Limited | Hong Kong Special Administrative Region | Provision of credit services | – | 100 | – |
| Star Cruises (HK) Limited | Hong Kong Special Administrative Region | Cruise sales, marketing and support services | – | 100 | – |
| Star Cruises China Holdings Limited | Hong Kong Special Administrative Region | Travel agent and provision of consultancy services | – | 100 | – |
| Dynamic Merits Limited | Hong Kong Special Administrative Region | Investment holding | – | 100 | – |
| WorldCard International Limited | Isle of Man | Investment holding | – | 100 | – |

Notes to the Consolidated Financial Statements (Continued)

## 38. PRINCIPAL SUBSIDIARIES (CONTINUED)

*Notes:*

(1) This company was incorporated in Isle of Man and provides ship management and marketing services to cruise ships operating substantially in international waters.

(2) These companies were incorporated in Isle of Man and provide cruise services substantially in international waters.

(3) This company was incorporated in British Virgin Islands and the place of business is in Republic of the Philippines.

All subsidiaries are included in the consolidation. The proportion of the voting rights in the subsidiaries held directly by the holding company does not differ from the proportion of ordinary shares held. The holding company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

The subsidiaries that have non-controlling interests are not material to the Group.

## 39. SIGNIFICANT SUBSEQUENT EVENTS

In January 2014, the Group entered into and completed a sale and purchase agreement with RWD US LLC ("RWD", an indirect wholly-owned subsidiary of Genting Malaysia Berhad) for the disposal of an aircraft to RWD at a consideration of US$17.3 million.

In February 2014, the Group entered into the second shipbuilding contract with a ship builder company in relation to the construction and delivery of the second vessel at a contract price of Euro 697.2 million (equivalent to approximately US$961.6 million). The vessel is expected to be delivered in October 2017.

In March 2014, the Group entered into and completed another underwriting agreement to further dispose 7.5 million ordinary shares of Norwegian Cruise Line Holdings Ltd. ("NCLH") at a total consideration of approximately US$246.9 million (after deduction of relevant expenses). As a result of the share disposal, the percentage of ordinary shares of NCLH owned by the Group further decreased from approximately 31.4% to approximately 27.7%.

As announced by the Company on 5 March 2014, the Company proposes to seek from its shareholders a disposal mandate (subject to certain parameters including the mandate period and price setting mechanism as set out in the announcement), allowing the Company the flexibility in effecting future disposal(s) of the remaining NCLH shares held by the Group, as and when the Directors consider appropriate. The proposed disposal mandate is subject to shareholders' approval at a special general meeting to be convened as soon as practicable.

## 40. FINAL DIVIDENDS

A final dividend in respect of the year ended 31 December 2013 of US$0.01 per ordinary share (2012: Nil) amounting to a total dividend of approximately US$80,342,000 is recommended by the Directors at a meeting held on 19 March 2014, which will be payable subject to shareholders' approval at the 2014 annual general meeting of the Company. The proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014. The Company will make further announcement on the record date, closure of registers of members and payment date in respect of the shareholders' entitlement to the said recommended final dividend.

## 41. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2014.

# 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 its subsidiaries (together, the "Group") set out on pages 97 to 188, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement 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 2013, 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, 19 March 2014

# AUDITED FIVE YEARS FINANCIAL SUMMARY

| | **2013 US$'000** | 2012 US$'000 | 2011 US$'000 | 2010 US$'000 | 2009 US$'000 |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Turnover | **554,729** | 520,381 | 494,008 | 399,831 | 373,384 |
| Results from continuing operations before impairment loss | **(35,479)** | 62,744 | 57,365 | 36,772 | 7,022 |
| Reversal of previously recognised impairment loss/(Impairment loss) | **–** | – | – | 7,042 | (28,588) |
| | **(35,479)** | 62,744 | 57,365 | 43,814 | (21,566) |
| Share of profit of jointly controlled entities | **43,278** | 162,893 | 127,933 | 40,152 | 28,079 |
| Share of profit/(loss) of associates | **31,291** | 203 | (404) | 9,851 | (2,512) |
| Other (expenses)/ income, net | **(14,903)** | 1,588 | 23,291 | 18,231 | 2,238 |
| Other gains, net | **576,254** | 259 | – | – | – |
| Finance income | **13,219** | 12,032 | 4,182 | 2,776 | 209 |
| Finance costs | **(47,800)** | (55,073) | (34,518) | (29,815) | (24,191) |
| Profit/(Loss) before taxation | **565,860** | 184,646 | 177,849 | 85,009 | (17,743) |
| Taxation | **(13,909)** | (1,313) | (2,532) | (2,117) | (4,319) |
| Profit/(Loss) for the year from continuing operations | **551,951** | 183,333 | 175,317 | 82,892 | (22,062) |
| Profit for the year from discontinued operations | **–** | 14,672 | 10,110 | – | – |
| Profit/(Loss) for the year | **551,951** | 198,005 | 185,427 | 82,892 | (22,062) |
| Attributable to: | | | | | |
| Owners of the Company | **552,389** | 198,361 | 182,204 | 82,635 | (20,399) |
| Non-controlling interest | **(438)** | (356) | 3,223 | 257 | (1,663) |
| | **551,951** | 198,005 | 185,427 | 82,892 | (22,062) |
| Basic earnings/(loss) per share (US cents) | **7.00** | 2.55 | 2.34 | 1.10 | (0.27) |
| Diluted earnings/(loss) per share (US cents) | **6.61** | 2.45 | 2.26 | 1.10 | (0.27) |
| **Assets and Liabilities** | | | | | |
| Total assets | **3,866,985** | 3,450,017 | 3,122,257 | 2,698,458 | 2,603,988 |
| Total liabilities | **(917,799)** | (1,077,919) | (935,921) | (698,574) | (770,092) |
| Total equity | **2,949,186** | 2,372,098 | 2,186,336 | 1,999,884 | 1,833,896 |

# PROPERTIES SUMMARY

As at 31 December 2013

| | 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. | East Suzhou Avenue, Suzhou Industrial Park, Suzhou, China | Lot No: 75034 | 4,220m$^2$ | 13,830m$^2$ | 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)

# WORLDWIDE OFFICES AND REPRESENTATIVES

## Corporate Headquarters
Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong S.A.R.
Tel: (852) 2378 2000
Fax: (852) 2314 3809

## Australia
Level 8, 401 Sussex Street, Sydney, 2000 NSW, Australia
Tel: (61) 2 9212 6288
Fax: (61) 2 9212 6188

## China
### Beijing
Unit 1203, Level 12, China World Tower 1, No. 1 Jian Guo Men Wai Avenue, Beijing 100004, P.R.C.
Tel: (86) 10 6505 6223
Fax: (86) 10 6505 6221

### Chengdu
Room 2802, Yanlord Landmark Office Tower, No. 1, Section 2 of Ren Min Nan Road, Jin Jiang District, Chengdu, P.R.C.
Tel: (86) 28 8658 7988
Fax: (86) 28 8657 7899

### Guangzhou
Unit 1901, Tower West, Yuexiu Neo-metropolis, No. 238 Zhong Shan Liu Road, Guangzhou, P.R.C.
Tel: (86) 20 3811 6388
Fax: (86) 20 3811 6488

### Sanya
No.1, Yingbin Road, Sanya, Hainan, P.R.C.
Tel: (86) 898 8839 0238
Fax: (86) 898 8839 0618

### Shanghai
Unit 1506 Westgate Plaza, No.1038 West Nanjing Road, Jingan District, Shanghai, P.R.C.
Tel: (86) 21 6272 0101
Fax: (86) 21 6218 2826

### Shenzhen
Unit 101, 1/F, Block 20, Shen Gang Yi Hao, Huang Yu Yuan, Fu Tian District, Shenzhen, P.R.C.
Tel: (86) 755 8278 9299
Fax: (86) 755 2390 2606

### Xiamen
29/F Block E, Xiamen International Plaza, No.8 Lu Jiang Dao, Xiamen, P.R.C.
Tel: (86) 592 2110 268
Fax: (86) 592 2110 298

## India
### Mumbai
Office No. 811, B Wing, 215 Atrium, Mathuradas Vasanji Road (Andheri Kurla Road) Andheri (East), Mumbai, India
Tel: (91) 22 6138 8888
Fax: (91) 22 6138 8811

### New Delhi
606, DLF Tower A, Jasola District Center, New Delhi, India
Tel: (91) 11 4107 7900-01-02
Fax: (91) 11 4054 8883

### Ahmedabad
# 1002, 10th Floor, Aditya Building, Nr. Mithakhali Six Roads, Behind Sardar Sewa Samaj Hall, Navrangpura, Ahmedabad, Gujarat, India
Tel: (91) 79 40031999/(91) 79 40032999

## Indonesia
Wisma Nusantara 8th Floor, JI. MH Thamrin No. 59, Jakarta, Indonesia
Tel: (62) 21 3190 1978
Fax: (62) 21 3190 2782

## Japan
8F Palazzo Siena, 2-4-6 Higashi Shinbashi Minato-ku, Tokyo, Japan
Tel: (81) 3 6403 5188
Fax: (81) 3 6403 5189

## Malaysia
### Kuala Lumpur
21st Floor, Wisma Genting, 28, Jalan Sultan Ismail, Kuala Lumpur, Malaysia
Tel: (60) 3 2302 1288
Fax: (60) 3 2302 8015

### Kota Kinabalu
Unit No. P1/L/71 Ground Floor, Block L, KK Times Square, Signature Office, Off Coastal Highway, Kota Kinabalu, Sabah, Malaysia
Tel: (60) 88 25 5238
Fax: (60) 88 25 5318

### Penang
Logan Heritage, No 6 Beach Street, George Town, Penang, Malaysia
Tel: (60) 4 269 8388
Fax: (60) 4 261 2888

## Philippines
4/F, Star Cruises Centre, 100 Andrews Avenue, Newport Pasay City, Metro Manila, Philippines
Tel: (63) 2 8366 000
Fax: (63) 2 8366 835

## Singapore
9 Penang Road, #11-08 Park Mall, Singapore
Tel: (65) 6226 1168
Fax: (65) 6220 6993

## Sweden
Star Cruises AB
S:t Johannesgatan 2, 3 tr., SE 211 46 MALMÖ, SWEDEN
Tel: (46) 40 6880 988

## Taiwan
6/F, No 168, Dun Hua North Road, Taipei 105, Taiwan R.O.C.
Tel: (886) 2 2175 9500
Fax (886) 2 2175 9501

## Norwegian Cruise Line-Headquarters
7665 Corporate Center Drive, Miami, Florida 33126, U.S.A.
Toll Fee: 1 800 327 9020
Tel: (1) 305 436 4000
Fax: (1) 305 436 4112

## Resorts World Manila
Travellers International Hotel Group, Inc.
10F NECC Building, Newport Boulevard, Newport City, Pasay 1309, Metro Manila, Philippines
Tel: (63) 2 908 8000

**Genting Hong Kong Limited**

Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong SAR

www.gentinghk.com