# A VISIONARY ENTERPRISE

## 2015 ANNUAL REPORT

GENTING
HONG KONG

**Genting Hong Kong Limited**

(Continued into Bermuda with limited liability)

Stock Code : 678

# Mission Statement

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

# We will:

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

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

Generate a fair return to our shareholders.

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

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

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# CORPORATE PROFILE

**Genting Hong Kong Limited ("Genting Hong Kong")**
is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses.

Genting Hong Kong Limited ("Genting Hong Kong") is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses comprising of Star Cruises, "The Leading Cruise Line in the Asia Pacific"; Dream Cruises, "The first-ever Asian Luxury Cruise Line"; Crystal Cruises, "The World's Most Awarded Luxury Cruise Line"; German shipyard, Lloyd Werft; prominent nightlife brand Zouk; and, Resorts World Manila ("RWM"), 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, Germany, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Sweden, Taiwan, 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 has built its reputation on offering first-rate Asian hospitality throughout its fleet of six vessels including SuperStar Virgo, SuperStar Gemini, SuperStar Aquarius, SuperStar Libra, Star Pisces and The Taipan.

The first-ever Asian luxury cruise line, Dream Cruises' two new vessels Genting Dream (launching late 2016) and World Dream (launching late 2017) will deliver the highest level of guest service and spacious comfort in the region. Catering to the premium consumers in China and the Asia Pacific, the Dream Cruises experience will provide passengers with more choice, comfort and value to create a perfect dream voyage.

Crystal Cruises is the world's leading luxury cruise provider, having earned more "World's Best" awards than any other cruise line, hotel, or resort in history. In 2015, Crystal embarked on the most significant brand expansion in the history of luxury travel and hospitality, which will introduce three new classes of cruising – Crystal Yacht Cruises, Crystal River Cruises, Crystal Exclusive Class Ocean Cruises – and reaching new heights with Crystal Luxury Air. Crystal Cruises offers extensive itineraries traversing the globe, ranging from five days to approximately 100-day World Cruises and regionally-focused Grand Cruises.

To capitalise on the growing demand for new cruise ships and to realise the company's own expansion plans, Genting Hong Kong acquired Lloyd Werft in 2015. The acquisition enables Genting Hong Kong to leverage on the shipyard's technical expertise as well as their well-established and long track record in the shipbuilding industry.

Zouk is an iconic music-driven entertainment institution that provides a world-class clubbing experience by pushing the boundaries of electronic dance music and bringing in a constant flow of internationally renowned DJs to play. As the only club from the Asia Pacific region to regularly retain its top 10 position in DJ Mag's Top 100 Clubs global poll, Zouk is the trendsetter in propelling Asia's dance music scene forward.

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 topnotch entertainment and world-class leisure alternatives, featuring four hotels including the all-suite Maxims Hotel, an iconic shopping mall, four high-end cinemas and a multi-purpose performing arts theatre. Travellers has been listed on the Philippine Stock Exchange since 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 off 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 has a primary listing on the Main Board of the Stock Exchange of Hong Kong Limited under the stock code "678" and a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited under the stock code "S21". Travellers is listed on the Philippine Stock Exchange under the ticker "RWM".

# GREAT EXPECTATIONS

**Exotic destinations, inspiring journeys**

life is an adventure

we create transcendent experiences

# THE GENTING HONG KONG FLEET

STAR CRUISES | DREAM CRUISES | CRYSTAL CRUISES

Focusing on the Asia Pacific yet reaching all corners of the globe, Genting Hong Kong's fleet encompasses brands that cater to everyone from contemporary guests to ultra-luxury patrons. Genting Hong Kong's visionary plans for the company will soon see the addition of new vessels capable of yacht expeditions, river cruises, polar explorations and even soaring the skies to exotic destinations.

## STAR CRUISES

Star Cruises is the leading cruise line in the Asia Pacific and has a fleet of six ships, offering various cruise itineraries in the region.






## DREAM CRUISES

Dream Cruises, "The First-Ever Asian Luxury Cruise Line", is the newest addition to the Genting Hong Kong fleet. Dream Cruises' two new vessels, purpose-built for the China and Asia market, will offer inspirational luxury, which is Asian at heart and international in spirit.


Genting Dream (Nov 2016)


World Dream (Nov 2017)

## CRYSTAL CRUISES

Crystal Cruises is "The World's Most Awarded Luxury Cruise Line", having earned more "World's Best" accolades than any other cruise line, hotel, or resort in history.

Crystal Cruises has embarked on the most significant brand expansion in the history of luxury travel and hospitality, introducing three new classes of cruising — Crystal Yacht Cruises, Crystal River Cruises, Crystal Exclusive Class Ocean Cruises — and reaching new heights with Crystal Luxury Air.


Crystal Serenity


Crystal River Cruises (2016)


Crystal Symphony


Crystal Exclusive Class Ocean Cruises (2019)


Crystal Esprit


Crystal Luxury air (2017)

# RESORTS WORLD MANILA

## The year 2015 was a year filled with new challenges for Resorts World Manila ("RWM"). However, RWM performed well enough to be the only integrated resort in the Philippines that posted net profits for 2015.

The year 2015 was a year filled with new challenges for Resorts World Manila ("RWM"). China's economic slowdown saw a decrease in tourist arrivals while the on-going construction of highways in the vicinity of the property worsened traffic congestion, affecting the convenience of its guests. Despite these challenges, however, RWM remained resilient.

In fact, RWM performed well enough to be the only integrated resort in the Philippines that posted net profits for 2015.

Looking ahead, RWM has a concrete roadmap for the future with its Phase 2 and 3 expansion plans well underway, coupled with the development of its second Resorts World property in the Philippines, Westside City Resorts World, a new upscale integrated resort located in the Entertainment City and scheduled to be completed by the last quarter of 2020. These new developments will further showcase Manila as a truly world-class capital city, contributing to the growth of Philippines' tourism industry.

Since the launch of RWM, almost all of the profit generated in the past six years has been re-invested back to the business in building Phase 2 and 3, a clear indication of the shareholders/management's commitment and confidence in the country's economy and its future.

The company continued with its expansion projects throughout 2015, which led to the opening of more facilities, namely: the new Remington Entertainment Center, housing a new bingo and gaming area and the House Manila Ultra Lounge; and the Marriott Grand Ballroom, the biggest ballroom in the country and one of the most technologically advanced in Southeast Asia.

RWM will also soon welcome two more thrilling additions to its offerings in 2016: the Marriott Hotel West Wing, adding 228 more guest rooms by the first half of 2016; and in the second quarter of 2016, an iconic pedestrian bridge that will directly connect Terminal 3 of Ninoy Aquino International Airport to RWM, boosting the prospect of tourist arrivals and the occupancy rate of the hotels at the RWM property.

As RWM continues to build, expand, and improve its product offerings and services, the company remains committed to giving back to the community through various corporate social responsibility ("CSR") programmes.

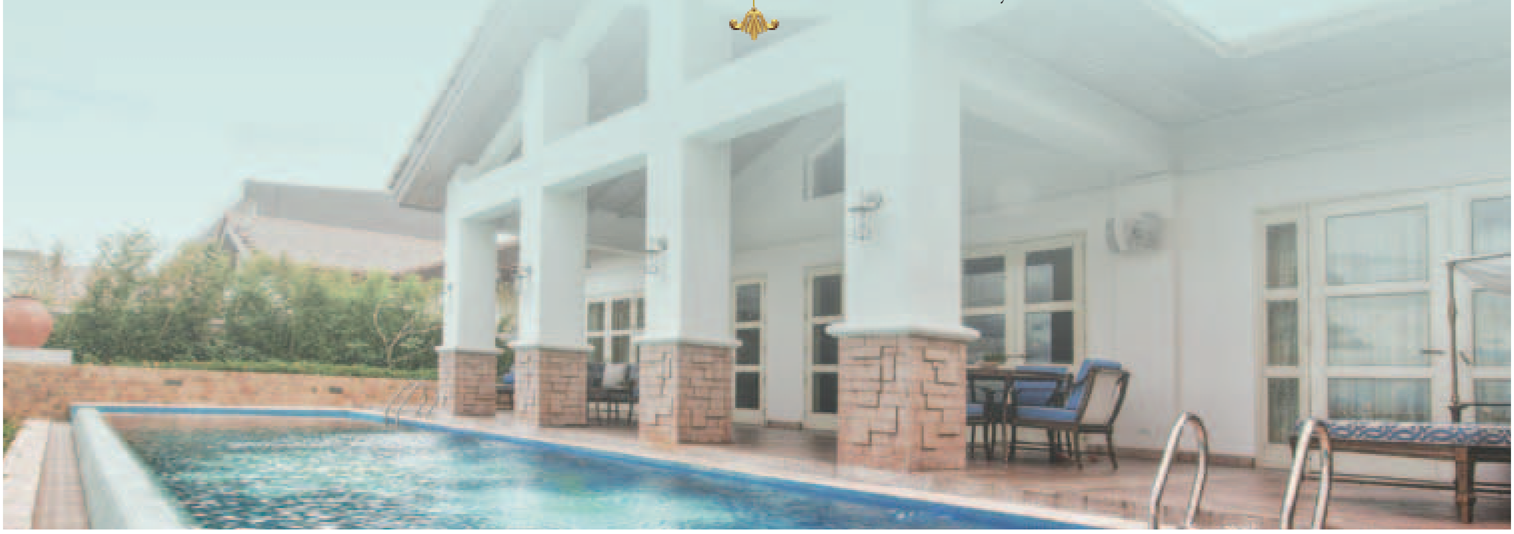
In 2015 alone, RWM spent over PHP400 million to construct more school buildings and computer laboratories for various academic institutions as part of its CSR efforts. Together with Habitat for Humanity, RWM also turned over a PHP32 million housing project and a two-classroom building for families in Ormoc, Leyte who lost their homes to Typhoon Yolanda (Haiyan) in 2013.

In line with its advocacy to nurture the performing arts, RWM also set up a PHP100 million fund for the Original Pilipino Performing Arts Foundation, or OPPA, which was launched in 2015 and will be in full swing in 2016 to support and develop Filipino performing artists through scholarships and grants.

Only a sample of the many CSR projects conducted last year, RWM will strive to serve the communities and continue to support various charitable causes in the years to come.

The future is bright for the Philippines' first integrated entertainment and tourism destination as it enters its seventh year in operation; RWM continues to grow in leaps and bounds while rising to meet the challenges that competition brings.

Based on the success of RWM's first six years in operation, it is clear that the best is yet to come.



# EXPANDING
## OUR HORIZONS

**Land, rivers, oceans and sky**
the world's our oyster
we're soaring to new heights


CRYSTAL

# CHAIRMAN'S STATEMENT

Dominating Genting Hong Kong Limited's ("GHK" or the "Company") activities last year was the aggressive expansion of its cruise and cruise related businesses to position GHK as one of the world's leading cruise companies.

## OVERVIEW

2015 was an eventful year for Genting Hong Kong Limited, highlighted by landmark deals and important milestones for this home-grown Asian company.

In May 2015, Genting Hong Kong completed a deal with Nippon Yusen Kabushiki Kaisha for the acquisition of acclaimed luxury cruise line, Crystal Cruises. The addition of Crystal Cruises to its portfolio will help Genting Hong Kong capitalise on the growing global demand in the luxury cruise market.

November 2015 saw the official announcement of the launch of Dream Cruises, the newest addition to Genting Hong Kong's international cruise portfolio. Dream Cruises is the first-ever Asian luxury cruise line designed to cater to the growing middle and affluent classes in China and the Asia Pacific.

In order to better service the growing Chinese and Southeast Asian markets, Star Cruises explored new homeports and new destinations throughout the region in 2015. The deployment of SuperStar Libra to Xiamen in July 2015 and subsequent new homeport in Haikou in November 2015, along with SuperStar Virgo's deployment in Guangzhou (Nansha) in January 2016 further reinforced the Star Cruises brand in China. SuperStar Gemini and SuperStar Aquarius continue to be well-received in their respective markets in Singapore and Taiwan through their appealing itineraries and the Company's signature Asian hospitality.

To facilitate Genting Hong Kong's fleet expansion and brand development plans and to tap into the growing demand for new cruise ships, the Company acquired German shipyard, Lloyd Werft, in Bremerhaven in 2015. The transaction saw the company invest approximately US$35.5 million for the entire interest of the new shipbuilding business and ownership of the shipyard land.

As Genting Hong Kong continues to expand its reach in attracting a younger and more lifestyle driven clientele, the Company acquired prominent Singapore nightlife brand Zouk towards the end of 2015. The addition of the iconic institution will further grow the lifestyle segment of the Company to ensure that GHK continues as the leader in the entertainment and leisure industry.

GHK's land-based enterprise in the Philippines, Resorts World Manila was the only integrated resort in the country to show a profit in 2015 and continued with its expansion projects throughout the year, highlighted by the opening of the new Remington Entertainment Center and the Marriott Grand Ballroom.

## PERFORMANCE

The turnover of Genting Hong Kong was US$689.9 million in 2015, up 20.9% from 2014. The improvement in turnover was due largely in part to the contribution from the solid performance of Crystal Cruises driven by strong sales and onboard demands.

Crystal Cruises has prided itself as the leader and the world's most awarded luxury cruise provider in the world. In commemoration of the line's 25th anniversary, special receptions and celebrations on board Crystal Symphony's North Cape and Arctic Circle itinerary introduced Genting Hong Kong to Crystal Cruises' loyal guests. During its anniversary year, Crystal Cruises also proudly announced the sale of a record-breaking four World Cruises in early 2018. Realising the first step in its ambitious expansion plan, Crystal Cruises officially welcomed Crystal Esprit to its fleet of ultra-luxury vessels in December 2015, as the sleek yacht was christened in an elegant ceremony held at Eden Island Marina in Mahé, Victoria, Seychelles.

Star Cruises maintained its advantage as the pioneering Asian cruise operator despite the softer economic backdrop of the Pan Asian market. In addition to Star Cruises' fleet deployment across China and Southeast Asia, Star Cruises' flagship, SuperStar Virgo, embarked on a 46-night voyage on 13 November 2015 through the Southern Hemisphere, visiting over 20 exotic ports of call during its epic journey – tapping into the growing demand for longer itineraries by the increasingly sophisticated travel consumers in the region.

To attract new guests and to broaden our clientele, Star Cruises is also committed to elevating its onboard offerings to maintain its prevailing status in the region and to help increase revenue. On the culinary front, Star Cruises continues to refine its dining options underlining its expertise in Asian cuisine.

# CHAIRMAN'S STATEMENT

Collaborations with Michelin starred restaurants offer guests onboard our ships award winning dishes from Sun Tung Lok, Kam's Kitchen and Ye Shanghai. Star Cruises also saw success at the World Master Chefs Competition for Cantonese Cuisine, sweeping aside the competition with three gold medals. Upping the ante for entertainment, Light Balance, a neon & LED light and choreography featured on Britain's Got Talent, debuted on Star Cruises' ships in 2015 to great acclaim.

Travellers, which owns and manages Resort World Manila ("RWM"), is operating into its sixth year. The Group's share of profit of Travellers totalled US$33.9 million in 2015, down 35.3% from the previous fiscal year, primarily due to broader economic slowdown, increased domestic capacity, and curtailment of tourist arrivals to Manila. Despite the recent slowing, RWM maintained its edge in the market with the opening of the Remington Entertainment Center, highlighted by the new House Manila Ultra Lounge; and, the Marriott Grand Ballroom, the biggest ballroom in the country and one of the most technologically advanced.

## CAPITAL AND FUNDING

In 2015, Genting Hong Kong's financial position remained very strong, well-funded and highly liquid.

The Group's liquidity as at 31 December 2015 amounted to US$2,008.5 million which comprised cash and cash equivalents and undrawn credit facilities, compared to US$1,150.0 million in 2014.

As at year end 2015, cash and cash equivalents amounted to US$1,778.7 million, an increase of US$1,060.1 million compared with US$718.6 million the previous year. The increase in cash and cash equivalents was primarily due to net cash inflow from the disposal of certain NCLH Shares of US$1,750.0 million, disposal of available-for-sale investments of US$48.8 million, dividend received from an associate, a joint venture ("JV") and available-for-sale investments of US$19.4 million, proceeds received from the disposal of a JV of US$111.4 million and secured loan drawdown during the year of US$300.0 million. The cash inflow was partially offset by cash outflow for the acquisition of Crystal Cruises, Lloyd Werft and Zouk (net of cash acquired) of US$360.7 million, repayment of existing bank loans and borrowings of US$167.7 million, dividend paid of US$84.8 million, reclassification to restricted cash of US$163.9 million and acquisition of property, plant and machinery of US$401.2 million (including US$33.4 million for existing Star Cruises fleet, US$139.8 million deposit and financing charges for Dream Cruises' new build vessels and US$219.7 million for Crystal Cruises' vessels and aircrafts).

The group remained in a net cash position of US$1,247.4 million as at 31 December 2015, an increase of nearly fourfold of the net cash position of US$260.1 million posted in 2014.

## CORPORATE SOCIAL RESPONSIBILITY

In 2015, the company's corporate social responsibility efforts were recognised by the Asian Excellence Recognition Awards, which named Genting Hong Kong one of the "Best CSR" companies in Asia for a third year after taking home the award in 2012 and 2013 previously.

To promote health and welfare across the region, Genting Hong Kong partnered with the Breast Cancer Foundation for the Wear the Pink Ribbon Campaign in Singapore to raise awareness for the disease during Breast Cancer Awareness Month in October. During the Christmas season, GHK partnered with Taiwan's Syin-Lu Social Welfare Foundation to organise a Charity Bear Christmas Sale on board SuperStar Aquarius to raise funds to support people with mental disabilities and their families. In collaboration with The Straits Times School Pocket Money Fund's 15th Anniversary, Star Cruises invited close to 350 beneficiaries and guests for a special port-stay event celebration on board SuperStar Gemini in Singapore. Elsewhere, Resorts World Manila spent over PHP400 million to construct school buildings and computer laboratories for various academic institutions and, with Habitat for Humanity, donated a PHP32 million housing project and a teaching facility for families in Ormoc, Leyte who lost their homes to Typhoon Yolanda (Haiyan) in 2013.

Reinforcing the importance of education, Genting Hong Kong, along with organisers the Taiwan Tourism Bureau Hong Kong Office and Partners Education Foundation, held its 2nd Dream Voyage to Taiwan – Learning at Sea educational cruise for disadvantaged students, setting sail from Hong Kong on 13 September 2015.

In support of local arts and culture, the Company, in association with charity partners Cha Duk Chang Children's Cantonese Opera Association and China Hong Kong Culture Exchange Association, also presented "Genting Cruise Across Culture Fund-raising Night" on 14 November 2015. In addition to raising awareness for Cantonese Opera, the evening was also a success on the charity front with HK$200,000 donated to the two charity partners. In the Philippines, Resorts World Manila initiated a PHP100 million fund for the Original Pilipino Performing Arts Foundation to support and develop Filipino performing artists through scholarships and grants.

## PROSPECTS

2016-2017 will remain a pivotal transitional period for Genting Hong Kong as we will continue to execute our global strategy for GHK and invest in new areas of growth to become the foremost provider of travel, leisure, entertainment and hospitality in the world.

> THE TURNOVER OF GENTING HONG KONG WAS **US$689.9** MILLION IN 2015, UP 20.9% FROM 2014.

With a huge population, rising affluence and still very low rate of penetration of cruising in the region, there is enormous potential for growth in our sector in the Asia Pacific. However, ongoing political tensions and territorial disputes in local waters threaten to disrupt cruise itineraries and sea lanes. Expediting the processing of travel documents and simpler visa-handling procedures would further benefit China/Taiwan routes as it would allow visitors to enjoy smoother trips and spend more time sightseeing and shopping. Overall, there is also concern that industry growth may be tempered by the weakening economic backdrop in the region and the softening of the Pan Asian Markets.

Despite a slowing economy, China will likely remain one of the world's fastest-growing consumer markets for the foreseeable future. Driving growth in demand in the country is the rise of the upper-middle-class and affluent households and a new generation of sophisticated consumers. Growth will accelerate in new product categories, particularly services and premium goods that enhance consumer lifestyle.

The cruise industry continues to heat up in China as the country's outbound tourism industry has been growing at a breakneck pace in recent years, with more travellers opting for cruises due to better awareness and education of this vacation option. The demand, especially in first and second-tier cities, has skyrocketed as more and more travellers are attracted to cruise vacations.

On the construction front, the rapid growth of the world cruise industry, especially in China, has led to cruise ship orders reaching an all-time high resulting in fewer new ship building slots among the world's biggest shipyards over the coming years which will bring further opportunities to the ship building industry.

## STRATEGY

As we look forward to the future, we remain opportunistic and ready to commit further to the growth of the Asian markets.

In view of the growing middle and affluent classes in Asia, Dream Cruises will make its debut with two ships currently under construction, Genting Dream and World Dream, scheduled to launch in 2016 and 2017, respectively. These vessels will offer our guests the highest level of service and spacious comfort in the region. Dream Cruises' product strategy transposes the elegant accommodations, luxury service standards and memorable on board experiences of Crystal Cruises and customises them to serve and inspire the emerging generation of Asia based travellers and more specifically, Chinese holiday makers. Genting Dream commences sailing in November 2016 and will have its primary homeport in Guangzhou (Nansha Port), China. The ship will serve residents of the Pearl River Delta and domestic/international fly-cruise guests arriving into the airports of Guangzhou, Shenzhen, Zhuhai, Macau and Hong Kong.

# CHAIRMAN'S STATEMENT

Genting Hong Kong's vision for Crystal Cruises is to grow the brand to take guests to new levels of luxury, service and adventure whether it is by ocean, river or even air. To realise this goal, Genting Hong Kong announced a three-year expansion plan for Crystal Cruises to broaden its offerings to include expedition, river, yacht and air cruises. On 23 December 2015, Crystal Esprit embarked on her maiden voyage for Crystal Yacht Cruises as the first expansion of the Crystal Cruises fleet. GHK initiated other key investments for Crystal Cruises in 2015 including the purchase of a Boeing Business Jet B777-200LR for the launch of Crystal Luxury Air in 2017. Additionally, Crystal purchased a lavishly outfitted Bombardier Global Express XRS jet for the new Crystal Charter Air brand, which debuted in spring 2016 featuring privately chartered service for corporate travel or groups.

Crystal Cruises will also offer Crystal River Cruises beginning in July 2016 with the launch of Crystal Mozart, followed by four brand new cutting-edge river yachts in 2017. Finally, Crystal Cruises will extend its competencies in ocean cruises with new Crystal Exclusive Class vessels expected for delivery in 2019 and announced plans in February 2016 to restore America's flagship, the SS United States, such that more travellers can sail the sea on this landmark symbol of maritime excellence while enjoying the luxurious facilities of a modern day cruise liner. Crystal Cruises will continue to think bigger, aiming to create unparalleled luxury experiences and adventures for our loyal and new guests.

Star Cruises continues to develop China's cruise tourism market and expand its footprint in the country and across the region including signing memorandums of understanding in Guangzhou, Wenzhou and Hainan, the deployment of SuperStar Virgo at Guangzhou (Nansha) and upcoming in Shenzhen, and SuperStar Libra in Xiamen in 2016. In addition to increasing our presence in China, SuperStar Gemini and SuperStar Aquarius will maintain their year-round homeports in Singapore and Taiwan respectively further cementing Star Cruises' prominent position in each market while SuperStar Virgo will see more extensive Japan itineraries in 2016. Further complementing its award winning, Michelin-starred cuisine, Star Cruises will continue to raise the bar with entertainment options including performances from famous pop artists from China, Hong Kong and Taiwan while Beatship by Zouk will provide an outlet for younger, lifestyle driven guests to party the night away.

The purchase of Lloyd Werft in 2015 and Genting Hong Kong's acquisition of Nordic Yards' three shipyards in Wismar, Warnemunde, and Stralsund in Germany announced in February 2016 will combine to form the Lloyd Werft Group, enabling the Company to realise its global fleet strategy over the next decade for its three brands. It will also free the Company from both the delivery timing and pricing uncertainties due to the demand for new cruise ships, which is at a historic high, and allow management to focus on the strategic planning, design and deployment of its world-wide fleet.

Looking forward, Genting Hong Kong aims to expand home-grown Singapore brand Zouk regionally and globally with the premier of ZoukOut Boracay in April 2016, and branching out to other exciting and dynamic locations such as Hong Kong and Japan in the future.

To cater to and attract more local and overseas guests, Resorts World Manila will enhance its facilities with Phase 2 construction on the Marriott West Wing and the building of a pedestrian walkway linking Terminal 3 of the Ninoy Aquino International Airport directly with RWM. Phase 3 involves the extension of Maxims Hotel and the addition of two new properties by Hilton Hotels and Resorts and by Starwood Hotels and Resorts. Also underway is the development of its second Resorts World property in the Philippines, Westside City, a new upscale integrated resort located in the Entertainment City and scheduled to be completed by the last quarter of 2020.

## ACKNOWLEDGEMENT

It is my pleasure to represent the Board of Directors and Management in expressing our sincere gratitude to various central and local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their tremendous support throughout the year.

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

17 March 2016

# RAISING THE BAR

**Award winning brands, innovative new plans**

Pursuing excellence is our motivation

We dare to dream bigger

# AWARDS

Star Cruises was named Asia's Leading Cruise Line for the fourth time by the World Travel Awards 2015.

Chefs of SuperStar Libra won 1 Gold, 8 Silver and 11 Bronze medals and 5 diplomas at the 2nd Penang International HALAL Chefs Challenge 2015.

Star Cruises was once again honoured with the prestigious Travel Trade Gazette's "Travel Hall of Fame" Award for the eighth consecutive year.

Star Cruises' chefs at the World Master Chefs Competition for Cantonese Cuisine took home the Supreme Gold Medal in the Fruit & Vegetable Carving Category and two Excellent Gold Medals in the Hot Cooking Category.

Genting Hong Kong was presented Asia's Best CSR Award for the third time and its Executive Vice President (Financial Services) and Chief Financial Officer, Ms Joyce Tan, was named Asia's Best CFO (Investor Relations) at the Asian Excellence Award 2015.

Crystal Cruises was named "World's Best Cruise Ship" by Condé Nast Traveler's Readers' Choice Awards for a 22nd year while readers of Travel+Leisure also voted Crystal Cruises as "World's Best Large Ship Cruise Line" for a 20th consecutive year.

Star Cruises won its second consecutive "My Favourite Cruise — Asia" award at Hong Kong's U Magazine Travel Awards 2015.

RWM's original production, 'Bituing Walang Ningning: The Musical', won six major awards during the 28th Aliw Awards.

# GLOBAL HIGHLIGHTS

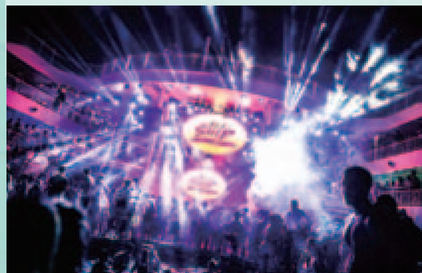
## ACTIVITY

### FEB
#### GENTING DREAM STEEL CUTTING CEREMONY
The steel cutting ceremony for Dream Cruises' Genting Dream was held on 9 February at Meyer Werft, marking the official start of production of the new ship.


### MAY
#### GENTING HONG KONG ACQUIRES CRYSTAL CRUISES
Genting Hong Kong successfully acquired Crystal Cruises, the world's leading luxury cruise brand with two award-winning vessels, Crystal Symphony and Crystal Serenity.

### JUL
#### SUPERSTAR LIBRA OPERATES LONGEST EVER HOMEPORT DEPLOYMENT IN XIAMEN, CHINA
Star Cruises held a festive celebration on 24 July marking the beginning of SuperStar Libra's homeport in Xiamen, China, the longest homeport of any industry cruise ship ever in Xiamen.

### JUL
#### STAR CRUISES LAUNCHES BEATSHIP
Star Cruises launched its first Beatship cruise, a new party and DJ experience event, on 1 July aboard SuperStar Virgo's newly renovated nightclub, ACES.



## Sep
### Genting Hong Kong sponsors the premiere of movie "All you Need is Love"

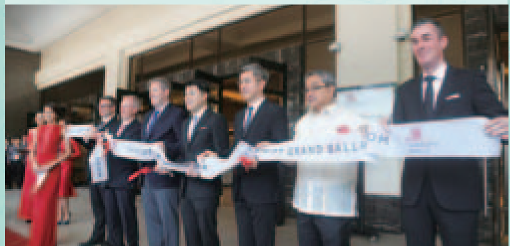
Genting Hong Kong partnered with the Taiwan Tourism Bureau to present superstar Richie Jen's motion picture directorial debut in "All you Need is Love", a romantic comedy set in the beautiful Penghu Islands, a port of call of SuperStar Libra in 2015.

## Jul
### Christening of Crystal Esprit

On 20 December, Crystal Cruises welcomed super yacht Crystal Esprit to it's fleet with a christening ceremony held at Eden Island, Seychelles.

## Oct
### Opening of the Marriott Grand Ballroom in RWM

RWM officially opened the Marriott Grand Ballroom in July. The Marriott Grand Ballroom is a three-story convention centre boasting the Philippine's largest pillarless ballroom and an 8,000 square metre MICE facility.



## Oct
### Acquisition of nightlife brand, Zouk

Genting Hong Kong acquired iconic Singapore entertainment brand, Zouk. A pioneer party destination in Singapore, Zouk has evolved into Asia's premier global nightlife brand.

## Nov
### Genting Hong Kong acquires Lloyd Werft

Genting Hong Kong acquired Lloyd Werft, a shipyard in Bremerhaven, Germany. The investment accounts for an interest of the new shipbuilding business and ownership of the shipyard land.

## NOV

### SUPERSTAR LIBRA HOMEPORTS IN HAIKOU

SuperStar Libra started her homeport deployment in Haikou, China on 4 November, offering multiple short destination cruises to Halong Bay, Danang and Hue in Vietnam.

## NOV

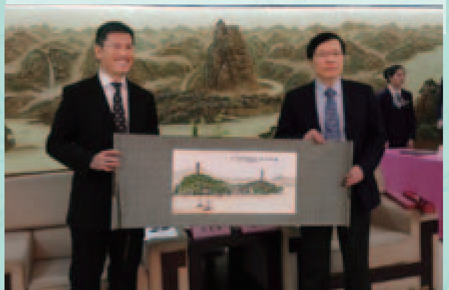
### GENTING HONG KONG LAUNCHES "DREAM CRUISES"

Genting Hong Kong unveiled its plans to claim Asia's premium cruise market with the introduction of Dream Cruises, the first-ever Asian luxury cruise line brand specially designed for the region.

## NOV

### STAR CRUISES SIGNS MEMORANDUM OF UNDERSTANDING WITH WENZHOU PORT GROUP

Star Cruises signed a memorandum of understanding with Wenzhou Port Group regarding Star Cruises' planned homeport deployment in Wenzhou.



## NOV

### GENTING DREAM KEEL LAYING CEREMONY

During the Keel Laying Ceremony of Genting Dream, the customary "lucky coin" was laid under the keel block of the new vessel as a symbol of good fortune and to bless the ship.



## NOV

### SUPERSTAR VIRGO'S PEARL RIVER DELTA DEPLOYMENT/ INAUGURAL CRUISE CEREMONY

Genting Hong Kong announced the 2016 deployment of SuperStar Virgo at Guangzhou's Nansha Terminal and the signing of two memorandums of understanding concerning the Nansha port facilities – reinforcing the company's commitment in developing China's Pearl River Delta into a world class cruise destination.

## NOV

### SuperStar Virgo is the first international cruise ship to visit Jakarta

On 24 November, SuperStar Virgo became the first international cruise ship to drop anchor at Tanjung Priok port in Jakarta, Indonesia.

## MAR & DEC

### Cycle Cruises

SuperStar Gemini and SuperStar Aquarius organised cycle cruises during their itineraries to Penang, Langkawi and Okinawa, attracting many cyclists to join.

## DEC

### SuperStar Virgo completed her first 46-night cruise to the Southern Hemisphere

SuperStar Virgo completed her epic 46-night Southern Hemisphere voyage which set sail from Hong Kong on 15 November with more than 1,200 guests to explore 21 exotic ports of call across eight different countries including Australia, Cambodia, Indonesia, Singapore, Thailand and Vietnam.

# Corporate Social Responsibility

## FEB

### Genting Hong Kong supports The Straits Times School Pocket Money Fund

Genting Hong Kong collaborated with The Straits Times School Pocket Money Fund hosting an event for beneficiaries on board SuperStar Gemini to celebrate their 15th Anniversary.

## FEB

### Ship tour for The Cerebral Palsy Children's Association of Penang

Star Cruises extended its love and care to 44 children, teachers and parents from The Cerebral Palsy Children's Association of Penang by inviting them to a memorable ship tour on board SuperStar Libra.

## Feb

### Genting Hong Kong supports Dementia Concern Campaign

Genting Hong Kong collaborated with the Dementia Concern Campaign organised by the Jockey Club Centre for Positive Ageing to hold seminars on board Star Pisces to raise awareness on the illness and teach how to care for dementia patients.

## Mar

### SuperStar Virgo celebrates Chinese New Year with the elderly

In celebration of the Chinese New Year, Genting Hong Kong extended its warm hospitality to 150 underprivileged elderly citizens from the Society For Community Organization for a festive lunch on board SuperStar Virgo on 17 February.

## Nov

### RWM supports local performing arts

In line with its advocacy to nurture the performing arts, RWM set up a PHP100 million fund for the Original Pilipino Performing Arts Foundation. Launched in 2015 and in full swing in 2016, the fund will support and develop Filipino performing artists through scholarships and grants.


## Feb

### Star Cruises sponsored Penangites' CNY Celebration 2015

Star Cruises sponsored the Penangites' CNY Celebration 2015 organised by Penang State Government and Penang Chinese Clan Council. This important cultural event in Penang attracted over 100,000 local and international visitors to George Town, a UNESCO World Heritage Site, to share in the festive revelry.

## Sep

### Star Cruises volunteers celebrate Chinese New Year with the elderly

Star Cruises and its crew members from SuperStar Aquarius, together with members of the Sabah Hotel Association organised a visit to the Sri Pritchard Old Folks Home in Sabah Malaysia on 12 February to celebrate Chinese New Year.

## Oct

### 2nd Dream Voyage to Taiwan – Learning at Sea educational cruise

Genting Hong Kong, along with the Taiwan Tourism Bureau Hong Kong Office and Partners Education Foundation launched the 2nd Dream Voyage to Taiwan – Learning at Sea educational cruise. Taiwanese Superstar, Richie Jen, was the special Goodwill Ambassador and singer Kandy Wong acted as mentor to the students during the voyage.

## Nov

### Genting Hong Kong supports the Breast Cancer Foundation

During the Breast Cancer Awareness Month in October, Genting Hong Kong joined hands with the Breast Cancer Foundation for the Wear The Pink Ribbon Campaign in Singapore to raise awareness on the fight against breast cancer.

## Nov

### RWM helps families affected by Typhoon Yolanda (Haiyan)

RWM and Habitat for Humanity turned over the 'Sun and Moon Village', a PHP32 million housing project and a two-classroom building, for families in Ormoc, Leyte who lost their homes during Typhoon Yolanda (Haiyan) in Philippines.


## Dec

### "Charity Bear Christmas Sale" aboard SuperStar Aquarius

Star Cruises partnered with the Syin-Lu Social Welfare Foundation to organise a Charity Bear Christmas Sale in December 2015. Star Cruises donated all proceeds to help fund a full range of services for people with mental disabilities and their families.

## Dec

### Genting Cruise Across Culture Fund-raising Night

Genting Hong Kong presented the "Genting Cruise Across Culture Fund-raising Night" featuring the first Cantonese opera performance combining Asian and western musical elements on board SuperStar Virgo. HK$200,000 was raised for Cha Duk Chang Children's Cantonese Opera Association and China Hong Kong Culture Exchange Association through a combination of ticket sales and cash donation from Genting Hong Kong.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

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

Mr. Lim Keong Hui
*(Executive Director – Chairman's Office and Chief Information Officer)*

### *Independent Non-executive Directors*

Mr. Alan Howard Smith
*(Deputy Chairman)*

Mr. Lam Wai Hon, Ambrose

Mr. Justin Tan Wah Joo

## 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
The Belvedere Building, 69 Pitts Bay Road,
Pembroke HM08, 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. Kenneth Ho
*Vice President – Corporate Finance*
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 29574635
E-mail: kenneth.ho@gentinghk.com

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

### GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

Genting Hong Kong Limited ("Genting Hong Kong") is a leading global leisure, entertainment and hospitality enterprise, with core competences in both land and sea-based businesses comprising of Star Cruises, "The Leading Cruise Line in the Asia Pacific"; Dream Cruises, "The first-ever Asian Luxury Cruise Line"; Crystal Cruises, "The World's Most Awarded Luxury Cruise Line"; German shipyard, Lloyd Werft; iconic Singapore entertainment brand Zouk; and, Resorts World Manila ("RWM"), 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, Germany, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Sweden, Taiwan, 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 has built its reputation on offering first-rate Asian hospitality throughout its fleet of six vessels including SuperStar Virgo, SuperStar Libra, SuperStar Gemini, SuperStar Aquarius, Star Pisces and The Taipan.

The first-ever Asian luxury cruise line, Dream Cruises' two new vessels Genting Dream (launching late 2016) and World Dream (launching late 2017) will deliver the highest level of guest service in the region. Catering to upscale consumers in China and the Asia Pacific, the Dream Cruises experience will provide passengers with more choice, comfort and value to create a perfect dream voyage.

Crystal Cruises is the world's leading luxury cruise provider, having earned more "World's Best" awards than any other cruise line, hotel, or resort in history. In 2015, Crystal embarked on the most significant brand expansion in the history of luxury travel and hospitality, which will introduce three new classes of cruising – Crystal Yacht Cruises, Crystal River Cruises, Crystal Exclusive Class Ocean Cruises – and Crystal Luxury Air. Crystal Cruises offers extensive itineraries traversing the globe, ranging from five days to approximately 100-day World Cruises and regionally-focused Grand Cruises.

To capitalise on the growing demand for new cruise ships and to realise the company's own expansion plans, Genting Hong Kong acquired Lloyd Werft in 2015. The acquisition enables Genting Hong Kong to leverage on the shipyard's technical expertise as well as their well-established and long track record in the shipbuilding industry.

Zouk is an iconic music-driven entertainment institution that provides a world-class clubbing experience by pushing the boundaries of electronic dance music and bringing in a constant flow of internationally renowned DJs to play. As the only club from the Asia-Pacific region to regularly retain its top 10 position in DJ Mag's Top 100 Clubs global poll, Zouk is the trendsetter in propelling Asia's dance music scene forward.

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 topnotch entertainment and world-class leisure alternatives, featuring four hotels including the all-suite Maxims Hotel, an iconic shopping mall, four high-end cinemas and a multi-purpose performing arts theatre. Travellers has been listed on the Philippine Stock Exchange since 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 off 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 has a primary listing on the Main Board of the Stock Exchange of Hong Kong Limited under the stock code "678" and a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited under the stock code "S21". Travellers is listed on the Philippine Stock Exchange under the ticker "RWM".

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

## TERMINOLOGY

Unless otherwise indicated in this report, the following terms have the meanings set forth below:

- Capacity Days: double occupancy per available cabin multiplied by the number of cruise days for the period
- Crystal Cruises: Crystal Cruises, LLC
- EBITDA: earnings before interest, taxes, depreciation and amortisation. EBITDA excludes, if any, share of profit of joint ventures and associates, other income/gains or expenses
- Gross Cruise Cost: the sum of total operating expenses and selling, general and administrative expenses less expenses relating to non-cruise activities
- Gross Yield: total revenue from cruise and cruise-related activities per Capacity Day
- Lloyd Werft: Lloyd Investitions- und Verwaltungs GmbH and Lloyd Werft Bremerhaven AG
- NCLH: Norwegian Cruise Line Holdings Ltd.
- Net Cruise Cost: Gross Cruise Cost less incentives, transportation and other expense and onboard expense
- Net Cruise Cost Excluding Fuel: Net Cruise Cost less fuel expense
- Net Revenue: total revenue from cruise and cruise-related activities less incentives, transportation and other expense and onboard expense
- Net Yield: Net Revenue per Capacity Day
- Occupancy Percentage: the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins
- PAGCOR: Philippine Amusement and Gaming Corporation, a government-owned and controlled corporation organised 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 authorise, supervise, license, and regulate the conduct and operations of casino gaming in the Philippines
- Passenger Cruise Days: the number of passengers carried for the period, multiplied by the number of days in their respective cruises
- Travellers: Travellers International Hotel Group, Inc.

## OVERVIEW

### *Total revenues*

Total revenues of the Group consist of the following:

Revenue from our cruise and cruise-related activities are categorised as "passenger ticket revenue" and "onboard revenue". Passenger ticket revenue primarily consists of revenue from the sale of passenger tickets and the sale of transportation to and from our cruise ships to the extent guests purchase these items from us. Onboard revenue primarily consists of revenue from food and beverage sales, shore excursion, entertainment and other onboard services. Revenue from our non-cruise activities primarily consists of revenue from our onshore hotel, travel agency, aviation, entertainment and shipyard businesses as well as international marketing activities in relation to our Manila operations and dividend income from investments, none of which are of a significant size to be reported separately.

## OVERVIEW (CONTINUED)

### *Operating expenses*

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel expenses, 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.

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 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014")

### *Turnover*

Revenue from cruise and cruise-related activities increased 23.0% to US$652.8 million in 2015 compared with US$530.7 million in 2014. Net Revenue in 2015 increased 18.1% to US$496.8 million from US$420.8 million in 2014 due to an increase in Capacity Days of 14.1% and 3.5% improvement in Net Yield. The increase in Capacity Days was primarily due to the addition of Capacity Days from the Crystal Cruises fleet. The improvement in Net Yield was due primarily to the addition of Crystal Cruises' brand to the fleet offset by softer gaming industry and economic conditions in the region. Revenue from non-cruise activities decreased 7.4% to US$37.1 million in 2015 compared with US$40.1 million in 2014 primarily due to lower income from aviation, travel agent and the international marketing activities in relation to our Manila operations.

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Costs and Expenses*

Total operating expenses, excluding depreciation and amortisation, increased 29.7% to US$528.4 million from US$407.4 million in 2014. Excluding the operating expenses of Crystal Cruises, operating expenses decreased by 1.2% due to favourable fuel, ship repair and maintenance costs. Such decrease was offset by higher provision against trade receivables which is in line with industry. Selling, general and administrative ("SG&A") expenses, excluding depreciation and amortisation, increased 35.6% to US$155.4 million in 2015 from US$114.6 million in 2014. Excluding the SG&A expenses of Crystal Cruises, SG&A decreased 13.4% to US$99.2 million due to a decrease in promotional spending.

Net Cruise Cost per Capacity Day increased 15.8% primarily due to inclusion of Crystal Cruises and higher onboard expenses. Such increase was partially offset by lower fuel expenses (2015: US$380 per metric ton; 2014: US$633 per metric ton) despite an unfavourable fuel hedge impact at Star Cruises.

Total depreciation and amortisation expenses increased 4.5% to US$94.9 million in 2015 compared with US$90.8 million in 2014, primarily due to the addition of the Crystal Cruises fleet.

### *EBITDA*

The Group's EBITDA for 2015 was US$6.2 million, compared to US$48.9 million for 2014.

### *Share of Profits of Joint Ventures ("JV") and Associates*

Share of profit of Travellers totalled US$33.9 million, compared with US$52.4 million in 2014, primarily due to the decrease in gaming volume at Travellers during the year.

Share of profit of NCLH amounted to US$2.9 million in 2015 compared with US$95.0 million in 2014, primarily due to reduction of the Group's equity interest in NCLH, reclassification of NCLH from "associate" to "available-for-sale investment" and lower net profit of NCLH.

### *Other (Expenses)/Income, net*

Net other expenses in 2015 amounted to US$42.9 million compared with US$8.4 million net other income in 2014. In 2015, net other expenses mainly included a foreign exchange loss of US$33.3 million resulting from the depreciation of certain foreign currencies against US dollars in 2015 (2014: US$8.6 million) and an impairment of US$12.8 million against the carrying value of leasehold land. In 2014, net other income mainly included a gain of US$13.8 million arising from the recovery of loan receivables from a third party which was previously impaired.

### *Other Gains, net*

Net other gains in 2015 amounted to US$2,223.8 million compared with US$301.0 million in 2014. In 2015, net other gains mainly included a US$658.8 million gain on disposal of certain NCLH Shares and an one-off accounting gain upon the reclassification of NCLH from an "associate" to an "available-for-sale investment" amounting to US$1,567.4 million as further explained in note 7 to the consolidated financial statements of this report.

Net other gains in 2014 mainly included (i) a US$152.6 million gain on disposal of certain NCLH Shares, (ii) a US$124.0 million gain arising from deemed partial disposal of a certain stake in NCLH as a result of its issuance of certain new shares for NCLH's acquisition of Prestige Cruises International, Inc., which was completed in November 2014, and (iii) a US$18.0 million gain on revaluation of certain financial assets.

### *Net Finance Costs*

Finance costs, net of finance income and interest capitalised for qualifying assets, decreased 20.9% from US$18.4 million in 2014 to US$14.6 million in 2015 mainly attributed to the redemption of the Group's matured RMB bonds in June 2014, conversion of certain convertible bonds and higher capitalised interest for certain qualifying assets.

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Profit Before Taxation*

Profit before taxation for 2015 was US$2,114.2 million compared to US$397.8 million for 2014.

### *Profit Attributable To Equity Owners*

Profit attributable to equity owners of the Company was US$2,112.7 million for 2015 compared to US$384.5 million in 2014.

### *Liquidity and Financial Resources*

As at 31 December 2015, cash and cash equivalents amounted to US$1,778.7 million, an increase of US$1,060.1 million compared with US$718.6 million as at 31 December 2014. The increase in cash and cash equivalents was primarily due to net cash inflow of (i) US$1,750.0 million from disposal of certain NCLH Shares, (ii) US$48.8 million from disposal of available-for-sales investments, (iii) US$19.4 million dividend received from an associate, JV and available-for-sale investments, (iv) US$111.4 million proceeds received from the disposal of a JV and (v) US$300.0 million secured loan drawdown during the year. The cash inflow was partially offset by cash outflow of (i) US$360.7 million for the acquisition of Crystal Cruises, Lloyd Werft and Zouk (net of cash acquired), (ii)US$167.7 million for repayment of existing bank loans and borrowings, (iii) US$84.8 million dividend paid, (iv) US$163.9 million reclassified to restricted cash and (v) US$401.2 million for capital expenditure (including US$33.4 million for existing Star Cruises fleet, US$139.8 million deposit and financing charges for Dream Cruises' new build vessels and US$219.7 million for Crystal Cruises' vessels and aircrafts).

The majority of the Group's cash and cash equivalents are held in US dollars, Singapore dollars, Hong Kong dollars, Australia dollars and Malaysia ringgit. The Group's liquidity as at 31 December 2015 amounted to US$2,008.5 million (31 December 2014: US$1,150.0 million), which comprised cash and cash equivalents and undrawn credit facilities.

As at 31 December 2015, total loans and borrowings amounted to US$531.3 million (31 December 2014: US$458.4 million) and were mainly denominated in US dollars. Approximately 2% (31 December 2014: 13%) of the Group's loans and borrowings was under fixed rate and 98% (31 December 2014: 87%) was under floating rate. Loans and borrowings of US$87.2 million (31 December 2014: US$220.8 million) are repayable within a year. The outstanding borrowings and unused credit facilities of the Group are secured by legal charges over assets including fixed and floating charges of US$1.2 billion (31 December 2014: US$1.6 billion).

The Group remained in a net cash position of US$1,247.4 million as at 31 December 2015, as compared with net cash position of US$260.1 million as at 31 December 2014. The total equity of the Group was approximately US$5,500.4 million (31 December 2014: US$3,240.5 million).

The Group adopts a prudent treasury policy with all financing and treasury activities being managed and controlled at its corporate head office. The Group manages its fuel and foreign exchange exposure primarily through fuel swap and forward rate agreements. It is also the Group's policy that hedging will not be performed in excess of actual requirement.

### *Travellers*

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 US dollars in conformity with the Group's reporting currency.

In 2015, Travellers reported US$609.8 million in total revenues and US$135.6 million in EBITDA, compared with US$710.2 million total revenues and US$178.1 million EBITDA in 2014. The decrease in total revenues was mainly due to lower VIP drop during the year.

Total operating expenses amounted to US$405.7 million in 2015, compared with US$475.8 million in 2014, which was mainly due to decrease in general marketing expenses which include commissions paid to gaming promoters and rebates paid to VIP patrons.

Finance costs decreased from US$23.1 million in 2014 to US$17.0 million in 2015 due to capitalisation of interest expense related to Marriott Grand Ballroom.

Net income decreased from US$122.5 million in 2014 to US$88.4 million in 2015.

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Travellers (Continued)*

The cash and cash equivalents balance decreased from US$398.2 million as at 31 December 2014 to US$262.0 million as at 31 December 2015, while the loans and borrowings balance remained stable at US$303.4 million as at 31 December 2015 compared with US$299.4 million in 2014.

Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

(a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on licensees;

(b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the temporary restraining order (TRO), or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;

(c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;

(d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its licensees; or,

(e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues, while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government.

In December 2014, the Supreme Court ("SC") issued a Decision in the case of PAGCOR v. BIR, G.R. No. 215427, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under Presidential Decree(P.D.) No. 1869, as amended, otherwise known as the PAGCOR Charter. The BIR's Motion for Reconsideration of the foregoing pronouncement was denied with finality in a resolution issued by the SC dated 10 March 2015.

Management is of the opinion that the similar case pending with the SC will result to a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR case that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. More so as, on 11 May 2015, the Court of Tax Appeals (CTA) issued a decision in the case of Perception Gaming, Inc. v. Commissioner of Internal Revenue, CTA Case No. 8509, ruling that the tax exempt status of PAGCOR under its Charter extends to other entities with whom PAGCOR or the operators has any contractual relationship in connection with the operations of the casinos authorised to be conducted under PAGCOR's Charter, thus including licensees. The CTA En Banc echoed the aforesaid ruling on 5 November 2015 in its decision in the case of Hon. Herbert Bautista v. PAGCOR, CTA EB No. 1159, further ruling that the silence of the SC with respect to the extension of PAGCOR's tax privilege to third parties with whom it has contractual relationships in connection with the operation of casinos is merely because the resolution of the petition was limited to clarifying the tax treatment of PAGCOR's income by the BIR and because PAGCOR's contractees and licensees were not parties to the suit, capping off its statement by stating that it believed the tax exemption of PAGCOR extends to its agents, contractees and licensees. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the ITA measure above.

## YEAR ENDED 31 DECEMBER 2015 (“YEAR 2015”) COMPARED WITH YEAR ENDED 31 DECEMBER 2014 (“YEAR 2014”) (CONTINUED)

### *Prospects*

On 11 November 2015, the Company launched Dream Cruises, Asia’s first-ever premium brand in cruising, and achieved its mission to develop a three-brand cruise portfolio with focus on each of the major cruise market segments – Crystal Cruises for the ultra-luxury segment, Dream Cruises for the premium segment and Star Cruises for the contemporary segment.

Crystal Cruises is the core of the world’s premier luxury hospitality and lifestyle brand portfolio, not only for the immediate future but for years to come. Crystal Cruises announced an expansion plan to broaden offerings to include expedition, river, yacht and air cruises. On 23 December 2015, the Crystal Esprit embarked on its maiden voyage for Crystal Yacht Cruises as the first expansion of the Crystal Cruises fleet. Crystal Cruises initiated other key investments in 2015 including Boeing Business Jet B777-200LR for the launch of Crystal Luxury Air in 2017. Additionally, Crystal Cruises purchased a lavishly outfitted Bombardier Global Express XRS jet for the new Crystal Charter Air brand, which debuted in spring 2016 featuring privately chartered service for corporate travel or groups. Crystal Cruises will offer Crystal River Cruises beginning in July 2016 with the launch of the Crystal Mozart, followed by four brand new cutting-edge river yachts in 2017. Crystal Cruises will also extend its competencies in ocean cruises with the new Crystal Endeavor and Crystal Exclusive Class vessels deliveries planned in 2018. On 4 February 2016, Crystal Cruises announced that it, along with various conservancy and government agencies, will save and restore “America’s Flagship”, the SS United States, such that more travellers can sail the sea on this landmark symbol of maritime excellence while enjoying luxurious facilities of a modern day cruise liner. Crystal Cruises will continue to think bigger, aiming to create unparalleled luxury experiences and adventures for our loyal and new guests.

Dream Cruises is a new cruise line – purposely conceived in and built for Asia. The Dream Cruises brand is dedicated to delivering luxury holiday experiences to the expanding Asian, and specifically Chinese, premium market. Our two Dream vessels under construction, Genting Dream and World Dream, will launch in 2016 and 2017, respectively. They will offer our guests the highest level of service and spacious comfort in the region. Dream Cruises’ product strategy transposes the elegant accommodations, luxury service standards and memorable onboard experiences of Crystal Cruises and customises them to serve and inspire the fast growing Chinese market and our Asian guests. Genting Dream commences sailing in November 2016 and will have its primary home port in Guangzhou (Nansha Port). The ship will serve residents of the Pearl River Delta region, and domestic/international fly-cruise guests flying into the airports of Guangzhou, Shenzhen, Zhuhai, Macau and Hong Kong.

Star Cruises will continue to develop China’s cruise tourism market and expand its footprint in the country and across the region including signing a memorandum of understanding with the Wenzhou Port Group in November 2015, the deployment of SuperStar Virgo at Guangzhou (Nansha) in the Pearl River Delta, and the return of SuperStar Libra to Xiamen in 2016. SuperStar Gemini and SuperStar Aquarius will continue maintain their year-round homeports in Singapore and Taiwan respectively further cementing Star Cruises’ prominent position in each market while SuperStar Virgo will see more extensive Japan itineraries in 2016. Further complementing its award winning, Michelin-starred cuisine, Star Cruises will continue to raise the bar with entertainment options including performances from famous pop artists from China, Hong Kong and Taiwan while Beatship by Zouk will provide an outlet for younger, lifestyle driven guests to party the night away.

The rapid growth of the world cruise industry, especially in China, has led to a cruise ship order book reaching all-time high and has become increasingly difficult for the Company to obtain the required building slots in the next 6 years. On 2 March 2016, the Company announced the acquisition of the three shipyards in Wismar, Warnemunde, and Stralsund, Germany. The purchase of three shipyards is directly complementary to Lloyd Werft, which was acquired in late 2015 and early 2016, and strengthens and completes our capability to construct high quality, state-of-the-art cruise ships. In order to build the required number of cruise ships in our plan to support our three brands on a timely basis, it became strategic that we own our cruise shipyards, which will free us from the long order book cycle for cruise ships. The acquisition further enables our access to cruise ship newbuilding slots on a more cost effective basis, which will generate attractive long term return on invested funds for our shareholders.

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

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Prospects (Continued)*

To further extend our offerings onboard and to expand our reach to the millennial generation and lifestyle-driven clientele, the Group has acquired the iconic Singapore nightclub brand, Zouk, on 19 October 2015. The acquisition establishes the Group as a premier lifestyle hub. The plan is to integrate the Zouk name and image into our other brands and products – starting with the new nightlife entertainment offerings onboard our upcoming Dream Cruises ships, Genting Dream and World Dream. As well, the long term strategy with Zouk is to expand throughout Asia and internationally, which will elevate the brand to the next level. In April 2016, Zouk will launch the first of many overseas installations of ZoukOut (an annual dance music festival held in Singapore in December), in Boracay, Philippines, with world-renowned DJs as headline attractions.

Travellers continues to focus on its expansion plans with the launch of the Marriott Grand Ballroom on 9 April 2015. The Ballroom boasts the largest, most versatile luxury space within the City of Manila and has taken centre stage as the preferred venue for conventions and social affairs inclusive of internationally acclaimed performers making full use of the impressive high-tech column free ballrooms. To further complement the Marriott Grand Ballroom, Travellers embarked on the extension of the Marriott Hotel Manila. The hotel will be increased from its current 342 rooms to 570 rooms with the addition of a new West wing. The Marriott West Wing will be completed and in operation by August 2016. Travellers has further undertaken extensive expansion with the development of three new hotels – The Hilton, Sheraton and new Maxims Hotel – and will bring an additional 945 five star rooms to the truly integrated resorts offering. All three hotels are earmarked for completion by the end of 2017. The new Phase 3 development will further house expanded gaming and retail facilities. Travellers, through its position fronting the NAIA International airport and as true integrated resorts operations, continues to attract both the domestic and international guests through its vast offerings within an easily accessible location.

### *Operating Statistics*

The following table sets forth selected statistical information:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| Passenger cruise days | **2,207,493** | 1,832,658 |
| Capacity days | **3,014,074** | 2,642,669 |
| Occupancy percentage | **73%** | 69% |

In relation to the Group's cruise and cruise-related activities, Net Revenue, Gross Yield and Net Yield were calculated as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015 US$'000** | 2014 US$'000 |
| Passenger ticket revenue | **289,133** | 141,396 |
| Onboard revenue | **363,713** | 389,350 |
| Total cruise and cruise-related revenue | **652,846** | 530,746 |
| Less: | | |
| Incentives, transportation and other expense | **(34,613)** | (31,546) |
| Onboard expense | **(121,418)** | (78,449) |
| Net Revenue | **496,815** | 420,751 |
| Capacity Days | **3,014,074** | 2,642,669 |
| Gross Yield (US$) | **216.6** | 200.8 |
| Net Yield (US$) | **164.8** | 159.2 |

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Operating Statistics (Continued)*

In relation to the Group's cruise and cruise-related activities, Gross Cruise Cost, Net Cruise Cost and Net Cruise Cost Excluding Fuel were calculated as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015 US$'000** | 2014 US$'000 |
| Total operating expenses | **615,942** | 490,801 |
| Selling, general and administrative expenses | **162,765** | 121,911 |
| | **778,707** | 612,712 |
| Less: depreciation and amortisation | **(94,908)** | (90,760) |
| | **683,799** | 521,952 |
| Less: expenses relating to non-cruise activities | **(65,502)** | (61,761) |
| Gross Cruise Cost | **618,297** | 460,191 |
| Less: | | |
| Incentives, transportation and other expense | **(34,613)** | (31,546) |
| Onboard expense | **(121,418)** | (78,449) |
| Net Cruise Cost | **462,266** | 350,196 |
| Less: Fuel expense | **(63,184)** | (62,967) |
| Net Cruise Cost Excluding Fuel | **399,082** | 287,229 |
| Capacity Days | **3,014,074** | 2,642,669 |
| Gross Cruise Cost per Capacity Day (US$) | **205.1** | 174.1 |
| Net Cruise Cost per Capacity Day (US$) | **153.4** | 132.5 |
| Net Cruise Cost Excluding Fuel per Capacity Day (US$) | **132.4** | 108.7 |

### *Strategy*

The Group's key aim is to maintain and strengthen its leadership positions in its core business segments, luxury, premium and contemporary. The Group does this by offering innovative products and superb services while keeping its cost structure efficient. The Company intends to leverage on its understanding of the markets to continue to identify opportunities within its core competencies and capabilities to drive its businesses globally. These initiatives include:

- growing its global three cruise brands – Crystal Cruises, Dream Cruises and Star Cruises – strategy;
- developing new 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;
- evaluating and investing in new classes of vessels, including air and cruise, to reinforce the Group's leading position in the global, as well as Asia-Pacific, cruise and travel and leisure markets;
- continuing refurbishment and upgrading of existing fleet; and
- rationalising asset through repositioning of ships and disposing of low-yielding assets.

In 2015, the Group has completed the acquisition of Crystal Cruises, a global luxury cruise line operator, to focus on the luxury segment of the cruise market. In addition, the Group will expand Crystal Cruises' luxury travel capabilities to become the first and only hospitality brand to offer luxurious explorations and adventures for ocean, expedition, river, yacht and air.

The Group has acquired Lloyd Werft in 2015 and announced the acquisition of three shipsyards from Nordic Yards in 2016. With the combination of the existing businesses of the Lloyd Werft, together with the assets and skills being acquired from Nordic Yards, the Group will be well placed to succeed as one of the best cruise and megayacht shipbuilding groups in the world.

## YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") COMPARED WITH YEAR ENDED 31 DECEMBER 2014 ("YEAR 2014") (CONTINUED)

### *Strategy (Continued)*

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 2015, Travellers' Phase 2 expansion is almost complete with the Marriott Grand Ballroom, which will host part of the APEC Summit, now fully operational. The Marriott West Wing, which will add 228 hotel rooms, is on track for completion this year. Phase 3 of Resort World Manila is scheduled to be completed by the end of 2017 and will consists of three hotels, adding a total of 936 hotel rooms – the Hilton Manila, the Sheraton Manila Hotel and six basement parking decks.

## HUMAN RESOURCES

As at 31 December 2015, the Group had approximately 8,200 employees, consisting of approximately 5,987(or 73%) shipbased officers and crew as well as approximately 2,213 (or 27%) 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 2015, 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 US dollar as a substantial portion of the Group's transactions are realised or settled in US dollars. Transactions in currencies other than US dollars ("foreign currencies") are translated into US 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 date of consolidated statement of financial position. 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 US 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, Australia dollar, Malaysia Ringgit and the Hong Kong dollar. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time 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 US 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.

## FINANCIAL INSTRUMENTS (CONTINUED)

### *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 entering into fuel swap agreements. The Group had fuel swap agreements to pay fixed prices entered into in previous years. The total outstanding amount of approximately US$35.5 million at the beginning of 2015 have matured and settled during the year.

## HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

The Group has established a corporate policy with the objectives of fulfilling its commitment to foster a safe and healthy cruise ship environment for its passengers and crew as well as to preserve the environment in the regions where it operates. In line with this corporate policy and in compliance with the relevant environmental laws, rules and regulations (including, the new air pollution regulation in Hong Kong and Cruise Lines International Association (CLIA) regulations for handling of waste water), appropriate measures have been implemented for our fleet, where applicable.

## COMPLIANCE WITH LAWS & REGULATIONS

The Group has working units and procedures in place to review and observe strict compliance with all applicable laws, rules and regulations that have an impact on the Group's operations. The Group's policies and practices on compliance with legal and regulatory requirements for its businesses and operations are regularly reviewed, with regard to their effectiveness and adequacy, particularly for those that may have a significant impact. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant operational units.

## WORKPLACE QUALITY

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. 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.

## PROCUREMENT

Suppliers play an integral part to support our business in delivering quality, timely supply products and/or services. We strive to continue engaging suppliers with professional, ethical, competitive and cost effective manner, consistent with the Group's policies, procedures and integrity of the procurement process.

Quality and safety is a vital part in our procurement process whereby only reputable/certified suppliers and manufacturers are selected to ensure all products are safe and fully adhered to safety standard in compliance with applicable regulations of the relevant authorities. Products delivered shall be in sound condition, in original packaging, free from spoilage, filth, damage and sign of contamination, in right temperature and must be safe for human consumption. Suppliers are required to ensure the sources obtained comply with all applicable laws including proper packaging, labelling and delivery to ensure internal food safety standard are well implemented along the whole supply process chain.

## CORPORATE SOCIAL RESPONSIBILITY

Our continuous dedication and commitment to Corporate Citizenship defines who we are, a core value that is deeply infused within the Group's culture. Since its inception in 1993, the Group continues to extend its support and contributions towards various Non-Governmental Organisations (NGOs) and charitable causes, expanding and undertaking new corporate social and sustainability initiatives that include a variety of community relations efforts and environmental initiatives, as well as providing scholarship and internship programmes for community service and development. The Group's Corporate Social Responsibility (CSR) initiatives continue to be recognised both locally and internationally by our peers and by the industry, awarded Asia's Best CSR for a third year at the 5th Asian Excellence Recognition Awards 2015 and listed annually as one of The Hong Kong Council of Social Service's Caring Companies since 2008.

# 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 64, 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 a Director of Travellers International Hotel Group, Inc., which is listed on the Main Board of The Philippine Stock Exchange, Inc. and an associate of the Company. Tan Sri Lim had also served as a Director and the Chairman of the Board of Directors of Norwegian Cruise Line Holdings Ltd., which is listed on the NASDAQ Global Select Market and was an associate of the Company, since July 2011 until he resigned in March 2015. 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 49.31% 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 ("KHR"), Kien Huat International Limited ("KHI"), Parkview Management Sdn Bhd, Golden Hope Limited, Joondalup Limited and Cove Investments Limited. GENT, GENM, Sierra Springs Sdn Bhd, RWL, KHR, KHI, 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, investments, genomics research and development and oil and gas exploration and development activities.

In addition, Tan Sri Lim is a Founding Member and a Permanent Trustee 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, the Executive Director – Chairman's Office and Chief Information Officer, and a substantial shareholder of the Company.

Tan Sri Lim graduated with a Bachelor of Science (Civil Engineering) degree from the University of London in 1975 and attended the Program for Management Development at the Harvard Graduate School of Business in 1979.

## DIRECTORS' PROFILES (CONTINUED)

### *Executive Directors (Continued)*

**Mr. Lim Keong Hui**
***Executive Director – Chairman's Office and Chief Information Officer***

Mr. Lim Keong Hui, aged 31, was appointed an Executive Director of the Company in June 2013. He is currently the Executive Director – Chairman's Office and Chief Information Officer of the Company and has served the Company for more than seven 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 has taken up additional role of Chief Information Officer of the Company since 1 December 2014.

Mr. Lim is also a Non-Independent Executive Director, the Executive Director – Chairman's Office and the Chief Information Officer of GENT, and a Non-Independent Executive Director and the Chief Information Officer 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 49.31% equity interest in GENM. Mr. Lim is also a director of KHR and 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, investments, genomics research and development 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 and 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 72, 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) 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. Mr. Smith had been a director of Crown International Corporation Limited (formerly known as VXL Capital Limited), which is listed on the Stock Exchange, during the period from April 2004 to May 2014.

## DIRECTORS' PROFILES (CONTINUED)

### *Independent Non-executive Directors (Continued)*

**Mr. Lam Wai Hon, Ambrose**

Mr. Lam Wai Hon, Ambrose, aged 62, 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.

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.

**Mr. Justin Tan Wah Joo**

Mr. Justin Tan Wah Joo, aged 65, was first appointed a Non-executive Director of the Company in August 2014 and was subsequently re-designated as an Independent Non-executive Director and appointed as a member and the Chairman of the Audit Committee of the Company with effect from 22 April 2015.

Mr. Tan has extensive experience in corporate finance and management especially in leisure and hospitality business. He had also served on the boards of a number of listed and public companies. Mr. Tan had been a Non-Executive Director of Genting Singapore PLC ("GENS") from November 1991 to October 2000 and was appointed as its Managing Director from November 2000 to February 2010. Mr. Tan was previously a Non-Independent Non-Executive Director of GENM from September 2005 to December 2005 (prior to that, he held the position of Executive Director from April 1999 up to August 2005). GENS is a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited since December 2005 (GENS had also been listed on the Luxembourg Stock Exchange from April 1990 until March 2007 following its application for de-listing). GENM is a public company listed on the Main Market of Bursa Malaysia Securities Berhad since December 1989. GENS and GENM are subsidiaries of GENT; and GENT and GENM are substantial shareholders of the Company. Mr. Tan was also a director of Genting UK Plc from October 2006 to May 2010. He was the President of Resorts World Inc Pte. Ltd. from February 2010 until he retired in April 2013.

Mr. Tan was awarded with a Bachelor of Economics (Honours) degree from the University of Malaya in 1973 and is a Fellow of the Australian Society of Certified Practising Accountants and an Associate Member of the Chartered Institute of Management Accountants, United Kingdom.

## SENIOR MANAGEMENT PROFILES

**Mr. Blondel So King Tak**
***Executive Vice President (Corporate Services) and Country Head of Hong Kong & Macau***

Mr. Blondel So King Tak, aged 55, joined the Company in July 2007 as Chief Financial Officer until September 2009 and was appointed as Chief Operating Officer of the Company in October 2009. In August 2014, Mr. So has been appointed as Executive Vice President (Corporate Services) and Country Head of Hong Kong & Macau. He 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 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.

**Ms. Tan Wei Tze**
***Executive Vice President (Financial Services) and Chief Financial Officer***

Ms. Tan Wei Tze, aged 43, 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. She assumed the position of Executive Vice President (Financial Services) and Chief Financial Officer in August 2014. Prior to joining the Company, she held positions in financial advisory, corporate finance, investment banking and asset management institutions in Hong Kong and Malaysia. She started her career with PricewaterhouseCoopers in the United Kingdom and thereafter joined NM Rothschild & Sons in Hong Kong as a Utilities & Natural Resources banker. Ms. Tan graduated with a Bachelor of Science (Honours) degree in Accounting 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.

**Mr. Michael Geoffrey Johansen**
***Executive Vice President (Casino Operations)***

Mr. Michael Geoffrey Johansen, aged 56, joined the Company as Executive Vice President of Casino Marketing in January 2010. In his current role of Executive Vice President (Casino Operations), Mr. Johansen is responsible for Casino Operations, Surveillance, Membership and Casino Marketing. Prior to joining the Company, he held senior casino marketing related positions with Crown Limited based in both Macau and Australia, Conrad International, Harrah's and the Venetian Las Vegas, Foxwoods Connecticut and Resorts World Genting (formerly known as Genting Highlands Resort) and Casino Malaysia. Mr. Johansen entered the casino industry as a croupier in 1977 and worked in casino operations until 1985 when he moved into VIP Casino Marketing.

**Mr. Michael Alexander Hackman**
***Executive Vice President (Marine Operations & New Ship Building) and Country Head for Philippines***

Mr. Michael Alexander Hackman, aged 57, joined the Company in February 2012 as Senior Vice President, Philippine Operation. In his current role, he is responsible for the Marine Operations, including New Ship Building projects and the support functions of Port Operations, Crewing Operations, Corporate Security and Aviation. He is also Country Head for Philippines where the Company has its Resorts World Manila investment and back office support functions of Contact Centre and IT. He also acts as a director of various subsidiaries of the Company. He has over 35 years' experience in the gaming and cruise industries.

Mr. Hackman holds a Masters degree in Politics and Public Policy from Macquarie University, and a Graduate Diploma in Management from the Australian Graduate School of Management at the University of New South Wales. He is also a Fellow of the Australian Institute of Company Directors.

## SENIOR MANAGEMENT PROFILES (CONTINUED)

**Mr. Ang Moo Lim**
***Executive Vice President (Sales) and Country Head of China***
***President, Star Cruises***

Mr. Ang Moo Lim, aged 41, assumed the position of President, Star Cruises in November 2015, he also holds the position of Executive Vice President of Sales, cum Country Head of China of Genting Hong Kong Limited. Mr. Ang joined the Company in May 1999, and has over the years assumed responsibilities in Finance, Corporate Planning and Investor Relations, before transferring to China in September 2008 as the Vice President of China Operations. Thereafter, he was progressively promoted to the position of Executive Vice President of Sales, Marketing and Hotels in August 2014. He also acts as the legal representative and director for a number of subsidiaries of the Company. Mr. Ang holds a Master degree in Business Administration from Universiti Putra Malaysia, and a Bachelor degree in Economic Statistics from Universiti Kebangsaan Malaysia.

**Ms. Edie Maxine Rodriguez**
***President and Chief Executive Officer, Crystal Cruises***

Ms. Edie Maxine Rodriguez, aged 54, was named President and Chief Executive Officer of Crystal Cruises, the world's most awarded luxury cruise line, on 15 May 2015. Ms. Rodriguez joined Crystal Cruises as President and Chief Operating Officer in October 2013 and was promoted to CEO following the acquisition of Crystal Cruises by Genting Hong Kong Limited in May 2015. She has 35-years of executive experience in the international cruise, luxury travel and technology industries, that has seen her rise to be the only female CEO in the luxury cruise industry. In July 2015, Ms. Rodriguez unveiled the blueprint for Crystal's brand expansion, to take place over the next three years. Ms. Rodriguez will lead and oversee all facets of the brand extensions including the introduction of three new classes of cruising with the recently launched Crystal Yacht Cruises (December 2015), Crystal River Cruises (July 2016), Crystal Exclusive Class Ocean Cruises (late 2018) – and Crystal Luxury Air (March 2016). She received a Bachelor of Science degree from Nova Southeastern University.

**Mr. Thatcher Gihon Brown**
***President, Dream Cruises***

Mr. Thatcher Gihon Brown, aged 48, joined the Company in August 2015 as Chief Marketing Officer and was appointed President of Dream Cruises, the Company's newest cruise brand, in November 2015. Mr. Brown is responsible for providing strategic and operational leadership for Dream Cruises with the Board and other management to successfully position and launch Dream Cruises as 'The first-ever Asian luxury cruise line'. To this end, he is also responsible for defining Dream Cruises' longer term brand and business strategies that contribute to the overall growth of the Company. Prior to joining the Company, Mr. Brown held senior management positions in operations, brand strategy and marketing with such international hospitality companies as Crystal Cruises, Costa Cruises, Jumeirah Group and Fairmont Hotels & Resorts. He has over 25 years' experience in the hospitality and cruise industries. Mr. Brown graduated from the School of Hotel Administration at Cornell University with a Bachelor of Science degree in international management.

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES, BUSINESS REVIEW 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. Further review, discussion and analysis of these activities as required by paragraph 28(2)(d) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and Schedule 5 to the Hong Kong Companies Ordinance (including a fair review of the Group's business, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business) can be found in the Chairman's Statement and the Management's Discussion and Analysis of Financial Condition and Results of Operations set out on pages 8 to 12 and 21 to 31 of this annual report respectively, which form part of this report.

Details of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

Geographical analysis of financial information for the year ended 31 December 2015 is set out in note 5 to the consolidated financial statements.

## RESULTS

The results of the Company and its subsidiaries for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on pages 94 and 95.

## DIVIDENDS

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2015.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out on pages 101 to 102.

## 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 178.

## 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 2015, save for the issuance by the Company of 445,796,459 new ordinary shares of US$0.10 each in the Company pursuant to the conversion of all the outstanding principal amount of US$65,000,000 7.5% unsecured convertible bonds due 2016.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to US$13,544.50.

## PRINCIPAL PROPERTIES

Details of the principal properties owned by the Group as at 31 December 2015 are set out on page 179.

## SHARE CAPITAL AND CONVERTIBLE BONDS

Details of the movements in share capital and convertible bonds of the Company are set out in notes 25 and 27 to the consolidated financial statements, respectively.

# REPORT OF THE DIRECTORS

## INDEBTEDNESS

Details of long-term financing facilities of the Company and its subsidiaries as at 31 December 2015 are set out in note 26 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. Heah Sieu Lay *(resigned on 3 February 2015)*
Mr. Lam Wai Hon, Ambrose
Mr. Lim Keong Hui
Mr. Justin Tan Wah Joo *(re-designated from Non-executive Director to Independent Non-executive Director on 22 April 2015)*

In accordance with Bye-law 99 of the Company's Bye-laws, Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose will retire by rotation at the forthcoming Annual General Meeting and will 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. Lam Wai Hon, Ambrose and Mr. Justin Tan Wah Joo) an annual confirmation of his independence and considers that each of the Independent Non-executive Directors ("INEDs") is independent in accordance with the guidelines set out in Rules 3.13(a) and (c) of the Listing Rules. The Company considers that all INEDs (including Mr. Justin Tan Wah Joo who had served as a Non-executive Director of the Company prior to his re-designation as an INED of the Company on 22 April 2015) shall be regarded as having satisfied the independence guidelines set out in the Listing Rules and are accordingly independent in accordance therewith. Further information relating to the re-designation and re-election of Mr. Tan as an INED is set out on page 89 of the Corporate Governance Report.

Biographical details of the Directors and senior management are set out on pages 32 to 36.

## 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.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Significant Related Party Transactions and Balances" in note 32 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or the Director's connected entity (within the meaning of section 486 of the Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONTROLLING SHAREHOLDERS' INTERESTS 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 32 to the consolidated financial statements, no contracts of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries 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 2015 are disclosed in note 32 to the consolidated financial statements.

(b) Transactions set out in items (a), (b), (c), (g), (v) and (gg) of these related party transactions constitute continuing connected transactions under the Listing Rules, details of which are 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 to include information technology 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.

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 on 23 December 2013 separately to extend the term of the respective agreements (together with such supplemental agreements, the "First 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.

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

## CONNECTED TRANSACTIONS (CONTINUED)

The pricing policies and guidelines for the above transactions have been determined as follows:

| Nature of transactions | Pricing policies and guidelines |
|---|---|
| Secretarial, share registration, investor and other related services | The service fees were based on the total direct and indirect costs incurred to perform the services and included an arm's length mark-up of a fixed percentage on total costs. Such rate was comparable with, or no less favourable than, that of independent third party providers of the same or similar services. |
| Air ticket purchasing, travel and other related services | Cost plus fixed rate of mark-up over corporate rates or net contractual rates offered by third party airlines or travel agents. Total price of each of the services was either comparable with, or no less favourable than, the equivalent price available from independent third party suppliers of the same services. |
| Limousine services | Charges based on number of hours, destination and vehicle type, and was comparable with, or no less favourable than, that of independent third party service providers. |
| Office leasing, administrative and support | Fixed rate of monthly rental per lease contract and cost plus fixed rate of mark-up for the administrative and support services. Prices were comparable with, or no less favourable than, that of independent third party landlords in the area and service providers of the same services. |
| Information technology and implementation, support and maintenance services, and other services in relation to information technology support and central reservation services | The readily available softwares were developed specifically for hotel and casino operation and synchronised with our operational systems. It was charged by cost with a fixed rate of mark-up charged for the software and man-hours spent in providing the services, the rates were comparable with, or no less favourable than terms available from independent third parties providing similar services. |

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 and Chief Executive Officer, an Executive Director and a substantial shareholder of the Company) and Mr. Lim Keong Hui (an Executive Director, the Executive Director – Chairman's Office and Chief Information Officer 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 49.31% and 52.89% equity interests in GENM and GENS respectively while GENM held approximately 16.87% equity interest in the Company. Apart from its deemed interest in the Company through GENM, GENT also held approximately 0.24% 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, the Executive Director – Chairman's Office and the Chief Information Officer of GENT, and a Non-Independent Executive Director and the Chief Information Officer of GENM.

## CONNECTED TRANSACTIONS (CONTINUED)

The maximum aggregate annual consideration (the "Annual Cap") for the transactions contemplated under the First 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 ended/ending 31 December 2014, 2015 and 2016 was/is expected to be as follows:

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

For the year ended 31 December 2015, the aggregate amount paid/payable by the Group in respect of the transactions contemplated under the First Amended GENT-GENHK Services Agreement, the Second Amended GENM-GENHK Services Agreement and the Second Amended GENS-GENHK Services Agreement was approximately US$0.007 million, US$1.3 million and US$0.04 million respectively and has not exceeded the Annual Cap of US$0.5 million, US$7 million and US$2 million respectively.

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

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 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.

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

The pricing policies and guidelines for the above transactions have been determined as follows:

| Nature of transactions | Pricing policies and guidelines |
|---|---|
| Tourism consultancy and other related services | Fixed price referenced to the cost per work station and was comparable with or no less favourable to the Group than, that charged to independent third parties. |
| Air ticket purchasing, travel related services, administrative services | Cost plus a fixed rate of mark-up, comparable with, or no less favourable to the Group, than the pricing applied to independent third party customers. |

## CONNECTED TRANSACTIONS (CONTINUED)

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 ended/ending 31 December 2014, 2015 and 2016 was/is expected to be as follows:

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

For the year ended 31 December 2015, the aggregate amount received/receivable by the Group in respect of the transactions contemplated under the Amended GENHK-GENM Services Agreement and the Amended GENHK-GENS Services Agreement was approximately US$0.05 million and US$0.1 million respectively and has not exceeded the Annual Cap of US$1.5 million and US$4 million respectively.

(3) As announced in the Company's announcement dated 31 December 2013:

(i) pursuant to the joint promotion and marketing agreement dated 19 January 2004 entered into between GENM and Star Cruise Management Limited ("SCM") as amended and supplemented by the addendum 1, the supplemental agreement and the second supplemental agreement (collectively, the "JPM Agreement"), GENM and Genting WorldCard Services Sdn Bhd ("GWCSSB"), being members of the GENM group, and SCM and Star Cruise (C) Limited ("SC (C)"), being members of the Group, have agreed to implement certain joint promotion and marketing programmes from time to time for the joint promotion of their respective businesses;

(ii) the customer loyalty programme known as "WorldCard" ("WC Programme") has been operated and managed by the GENM group in Malaysia and by the WCIL (as defined below) 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 GWCSSB and WorldCard Services Sdn Bhd ("WCSSB"), both being members of the GENM group, and WCI Management Limited ("WCIM"), being member of the WCIL group; and

(iii) in view of the expiry of the JPM Agreement and the Inter-Operator Agreement on 31 December 2013, the Group and the GENM group entered into supplemental agreements (the "JPM Third Supplemental Agreement" and the "Inter-Operator Supplemental Agreement IV") on 31 December 2013 to renew the JPM Agreement and the Inter-Operator Agreement and the continuing connected transactions thereunder for a further period of 3 years from 1 January 2014 to 31 December 2016.

Transactions under 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) and the Inter-Operator Agreement (as supplemented by the Inter-Operator Supplemental Agreement IV) are collectively referred to as the "JPM/WC Transactions".

## CONNECTED TRANSACTIONS (CONTINUED)

The pricing policies and guidelines for the above transactions have been determined as follows:

| Nature of transactions | Pricing policies and guidelines |
|---|---|
| Share of costs and expenses incurred in the joint promotion and marketing programmes | Share of actual utilisation rates on case to case basis and included bases such as floor usage ratio, turnover ratio, number of personnel used or provided by each party and marketing materials expenses. Pricing terms were comparable with or no less favourable than, terms applied by independent third parties for similar transaction in the retail or hospitality industry. |
| Amount payable for membership loyalty points awarded by the Group to GENM group members and amount receivable for membership loyalty points awarded by GENM group to the Group members in the retail or hospitality transactions | The points to monetary value conversion rate was a fixed percentage on the retail price of the transactions available to independent third party customers, taken into account of foreign exchange rates as agreed between the parties annually, such rates were comparable with or no less favourable than, that applied by independent third parties for similar transaction in the retail or hospitality industry. |
| Amount payable for product(s) and/or service(s) redeemed by Group members at the GENM outlet and amount receivable for product(s) and/or service(s) redeemed by GENM members at the Group outlet | The amounts payable and receivable were the retail price of the transactions available to independent third party customers applying the applicable foreign exchange rates as agreed between the parties annually, such computation was comparable with or no less favourable than, that applied by independent third parties for similar transaction in the retail or hospitality industry. |

SCM and SC (C) are wholly-owned subsidiaries of the Company. WorldCard International Limited ("WCIL") has become a wholly-owned subsidiary of SC (C) subsequent to the completion of the acquisition of the WCIL group by SC (C) on 31 December 2013. WCIM is a wholly-owned subsidiary of WCIL. GWCSSB and WCSSB are wholly-owned subsidiaries of GENM.

The Annual Cap for the aggregate amounts paid/payable and the aggregate amounts received/receivable by the Group under the terms of 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) and the Inter-Operator Agreement (as supplemented by the Inter-Operator Supplemental Agreement IV) for each of the financial years ended/ending 31 December 2014, 2015 and 2016 was/is expected to be as follows:

| | For the year ended/ending 31 December | | |
|---|---|---|---|
| | 2014 US$ | 2015 US$ | 2016 US$ |
| Annual amounts paid/payable by the Group under the JPM/WC Transactions | 5 million | 5 million | 5 million |
| Annual amounts received/receivable by the Group under the JPM/WC Transactions | 5 million | 6 million | 7 million |

For the year ended 31 December 2015, (i) the aggregate amount paid/payable by the Group in respect of the JPM/WC Transactions was approximately US$0.06 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 JPM/WC Transactions was approximately US$0.5 million and has not exceeded the Annual Cap of US$6 million.

(4) On 21 January 2010, Crystal Aim Limited ("CAL") entered into a services agreement (the "RWS Services Agreement") with Resorts World at Sentosa Pte. Ltd. ("RWS") 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").

## CONNECTED TRANSACTIONS (CONTINUED)

The pricing policy and guidelines for the above transaction have been determined as follows:

| Nature of transaction | Pricing policy and guidelines |
|---|---|
| Call centre service | Fixed fee based on actual operating costs plus fixed rate of mark-up, such total price being comparable to, or no less favourable to the Company than, the average industry rates charged by local service providers in the business process outsourcing industry. |

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

On 31 December 2012, CAL entered into a second supplemental agreement with RWS (the "Second Supplemental Agreement") to renew the RWS Services Agreement (as amended by the first supplemental agreement dated 29 December 2011 (the "First Supplemental Agreement", together with the RWS Services Agreement and the Second Supplemental Agreement, the "Second Amended RWS Services 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 Second Amended RWS Services Agreement for each of the three financial years ended 31 December 2013, 2014 and 2015 would not exceed US$4 million, US$5 million and US$5 million respectively.

For the year ended 31 December 2015, the aggregate amount received/receivable by CAL in respect of the RWS Transactions was approximately US$1.5 million and has not exceeded the Annual Cap of US$5 million.

As announced in the Company's announcement dated 21 December 2015, in view of the expiry of the Second Amended RWS Services Agreement on 31 December 2015, CAL entered into a third supplemental agreement with RWS on 21 December 2015 (the "Third Supplemental Agreement", together with the Second Amended RWS Services Agreement, the "Third Amended RWS Services Agreement") to renew the Second Amended RWS Services Agreement and continuing connected transactions thereunder for a further one year from 1 January 2016 to 31 December 2016.

The Annual Cap for the transactions contemplated under the Third Amended RWS Services Agreement for the financial year ending 31 December 2016 will not exceed US$5 million. Details of the Third Supplemental Agreement and transactions contemplated thereunder have been set out in the announcement issued by the Company on 21 December 2015 and will be disclosed in subsequent published annual reports and accounts of the Company for the said financial year in accordance with the Listing Rules.

(5) On 30 December 2013, Dynamic Merits Limited ("Dynamic Merits") entered into a cooperation agreement (the "Cooperation Agreement") with 3rd Valley (Zhang Jia Kou) Resort Corporation ("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 (equivalent to approximately US$3.3 million) (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 pricing policy and guidelines for the above transaction have been determined after taking into account the tight time schedule required to obtain the relevant titles, approvals and licenses for the land use rights, the continued commitment to develop and maintain public utilities and infrastructure of Secret Garden, as well as the enhanced value of the usage of the facilities at Secret Garden in relation to the ski apartment holders (no less favourable than prices of ski pass of surrounding areas operated by independent third parties).

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.

## CONNECTED TRANSACTIONS (CONTINUED)

Dynamic Merits is an indirect wholly-owned subsidiary of the Company. 3rd Valley is a company in which Golden Hope Limited ("Golden Hope") as trustee of the Golden Hope Unit Trust ("GHUT")) has 40.05% indirect equity interest and Datuk Lim Chee Wah has 59.95% indirect equity interest. Golden Hope as trustee of the GHUT is a substantial shareholder of the Company and Datuk Lim Chee Wah is a brother of Tan Sri Lim Kok Thay.

To comply with the Listing Rules, an independent financial adviser ("IFA") has been appointed to advise the Board in respect of the duration of the 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 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 considered that it is normal business practice for service of this type to be of such duration.

For the year ended 31 December 2015, the aggregate amount paid/payable to 3rd Valley in respect of the 3rd Valley (Payable) Transactions was Nil. From the date of the Cooperation Agreement until 31 December 2015, the aggregate amount paid/payable to 3rd Valley in respect of the 3rd Valley (Payable) Transactions was approximately US$1,653,000 and has not exceeded the aggregate consideration of RMB20,000,000 (equivalent to approximately US$3.3 million) as mentioned in the Cooperation Agreement.

(6) As announced in the Company's announcement dated 24 November 2015, the completion of the acquisition of, inter alia, 70% of the total issued shares in Lloyd Werft Bremerhaven AG ("LWB") by the Group as purchaser from Petram Beteiligungs GmbH ("Petram") and the other 2 sellers took place on 23 November 2015 (the "Completion"). Immediately after the Completion, LWB was held as to 70% by the Group and 30% by Petram, LWB became an indirect non-wholly-owned subsidiary of the Company and Petram (by virtue of being a substantial shareholder of LWB) became a connected person of the Company at the subsidiary level for the purpose of the Listing Rules. Accordingly, the various continuing transactions entered into between the LWB group and the Petram group prior to the Completion had become continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules after the Completion. The Agreement On Charged Rates (as defined below) was disclosed in the Company's announcement dated 24 November 2015 pursuant to the Listing Rules.

On 19 October 2015, LWB entered into an agreement on charged rates for the provision of dock facilities and related services and personnel leasing (the "Agreement On Charged Rates") with German Dry Docks GmbH & Co. KG ("GDD KG", a wholly-owned subsidiary of Petram) in relation to the provision of dock facilities, personnel leasing, services and other works (i) by GDD KG to the LWB group and (ii) by the LWB group to GDD KG respectively for a period from 19 October 2015 to 31 December 2016.

Transactions under the Agreement On Charged Rates are referred to as the "LWB Transactions".

The pricing policy and guidelines for the above transactions have been determined as follows:

| Nature of transactions | Pricing policy and guidelines |
|---|---|
| Provision of dock facilities, personnel leasing, services and other works (i) by GDD KG to LWB group and (ii) by LWB group to GDD KG respectively | The fees were determined on an arm's length basis and consistent with the prevailing market rates at the time for similar services. In determining the market price, LWB primarily considered the following factors: (i) cost of service and (ii) prices of the same or similar type of services provided by LWB to other independent customers. |

## CONNECTED TRANSACTIONS (CONTINUED)

The Annual Cap for the aggregate amounts paid/payable (i) by the LWB group to GDD KG and (ii) by GDD KG to the LWB group under the Agreement On Charged Rates for the period ended/year ending 31 December 2015 and 31 December 2016 was/is expected to be as follows:

| | For the period ended/ year ending 31 December | |
|---|---|---|
| | 2015<br>EUR | 2016<br>EUR |
| Annual amounts paid/payable by the LWB group to GDD KG under the Agreement On Charged Rates | 64,000 | 395,000 |
| Annual amounts paid/payable by GDD KG to the LWB group under the Agreement On Charged Rates | 1,870,000 | 11,655,000 |

For the period ended 31 December 2015, (i) the aggregate amount paid/payable by the LWB group to GDD KG under the Agreement On Charged Rates was Nil and has not exceeded the Annual Cap of EUR64,000 and (ii) the aggregate amount paid/payable by GDD KG to the LWB group under the Agreement On Charged Rates was approximately EUR1,785,000 and has not exceeded the Annual Cap of EUR1,870,000.

As announced in the Company's announcement dated 31 December 2015, the Group issued an exercise notice to Petram on 31 December 2015 to exercise a call option for the acquisition by the Group from Petram of, inter alia, 30% of the total issued shares in LWB (the "Remaining Petram LWB Shares"). Subsequently, upon completion of the acquisition of the Remaining Petram LWB Shares on 11 January 2016, LWB became an indirect wholly-owned subsidiary of the Company and Petram ceased to be a substantial shareholder of LWB but continued to be a connected person of the Company at the subsidiary level for the purpose of the Listing Rules for a period of 12 months by virtue of being an associate (as defined under Chapter 14A of the Listing Rules) of former members of the supervisory board of LWB. Accordingly, the various continuing transactions (including the LWB Transactions) entered or to be entered (if any) into between the LWB group and the Petram group still constitute continuing connected transactions of the Company up to 10 January 2017, or the expiry of their respective terms, if earlier.

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 JPM/WC Transactions, the RWS Transactions, the 3rd Valley (Payable) Transactions and the LWB 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) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Non-exempt Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 on pages 39 to 46 of this annual report in accordance with Rule 14A.56 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 (hh) and (ii) of these related party transactions, which constitute connected transactions under the Listing Rules, details of which as required to be disclosed in this annual report in accordance with the Listing Rules are given in notes 32(hh) and (ii) to the consolidated financial statements.

## CONNECTED TRANSACTIONS (CONTINUED)

(d) Transaction set out in item (h)(2) of these related party transactions, which constitutes connected transaction under the Listing Rules, is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as this transaction was entered into on normal commercial terms or better and its consideration is less than the relevant de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

(e) Transactions set out in items (e), (f), (h)(1), (i) to (l), (r), (w), (aa) and (bb) 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 Chapter 14A of the Listing Rules as these transactions were entered into on normal commercial terms or better and the respective aggregate annual consideration under these continuing connected transactions for the year ended 31 December 2015 is less than the relevant de minimis threshold of 0.1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

(f) Other related party transactions entered into by the Group during the year ended 31 December 2015 as set out in note 32 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, a shareholder and a warrant holder of Genting Berhad ("GENT") as well as the Chairman and Chief Executive, a shareholder and a holder of the rights to participate in the performance shares of Genting Malaysia Berhad ("GENM"). GENT and GENM are substantial shareholders of the Company and both are 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 the Singapore Exchange Securities Trading Limited.

Mr. Lim Keong Hui, an Executive Director, the Executive Director – Chairman's Office and Chief Information Officer of the Company, is also a Non-Independent Executive Director, the Executive Director – Chairman's Office and the Chief Information Officer of GENT, and a Non-Independent Executive Director, the Chief Information Officer and a holder of the rights to participate in the performance shares of GENM.

GENM is involved in a tourist resort business at Genting Highlands and its principal activities cover leisure and hospitality services, which comprise gaming, hotel, entertainment and amusement. The principal activities of GENM's subsidiaries include operation of casinos, property development and management, leisure and hospitality services, investments, timeshare ownership scheme, tours and travel related services, provision of sales and marketing services and information technology related services. The principal activities of GENS and its subsidiaries are in the development and operation of integrated destination resorts comprising gaming, hospitality, MICE (meetings, incentives, conferences and exhibitions), leisure and entertainment facilities. GENS owns Resorts World Sentosa in Singapore and is currently developing an integrated resort in Jeju, South Korea. As at the date of this report, GENT held approximately 49.31% and 52.89% 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.

## INTERESTS OF DIRECTORS

As at 31 December 2015, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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 voting shares |
| | | | Number of ordinary shares *(Notes)* | | | |
| Tan Sri Lim Kok Thay | 368,643,353 | 36,298,108 *(1)* | 1,487,453,288 *(2)* | 6,003,571,032 *(3) and (4)* | 6,408,512,493 *(5)* | 75.55 |
| Mr. Lim Keong Hui *(6)* | — | — | — | 6,003,571,032 *(3) and (4)* | 6,003,571,032 | 70.78 |
| Mr. Justin Tan Wah Joo | 968,697 *(7)* | 968,697 *(7)* | — | — | 968,697 *(5)* | 0.01 |

*Notes:*

As at 31 December 2015:

(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 1,487,453,288 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% equity interests; and (ii) 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 6,003,571,032 ordinary shares.

(4) Out of the same block of 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope Limited as trustee of Golden Hope Unit Trust, 3,104,131,600 ordinary shares were 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) These shares were jointly held by Mr. Justin Tan Wah Joo and his wife.

(8) The Company had one class of issued shares, namely the ordinary shares, each of which carried equal voting right.

(9) 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, if any. Interests of the Director, Tan Sri Lim Kok Thay, set out in this subsection (A) shall 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 2015, 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 voting shares | Capacity in which such interests were held |
|---|---|---|---|
| Tan Sri Lim Kok Thay | 7,000,000 | 0.083 | Beneficial owner |

Further details of share options granted to the Director under the Post-listing Employee Share Option Scheme are set out in the section headed "Share Options" below and note 36 to the consolidated financial statements.

These interests in share options represented long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the Director, Tan Sri Lim Kok Thay, set out in this subsection (B) shall 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 voting 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)* | 40 |
| Star Cruises Hong Kong Management Services Philippines, Inc. ("SCHKMS") *(9)* | Tan Sri Lim Kok Thay | — | 5,000 *(10)* | 5,000 *(11)* | 5,000 *(12)* | 5,000 *(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)* | 35.74 |

REPORT OF THE DIRECTORS

## INTERESTS OF DIRECTORS (CONTINUED)

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

*Notes:*

As at 31 December 2015:

(1) Starlet had one class of issued shares, namely the ordinary shares, each of which carried equal voting right. Each of a subsidiary of the Company and International Resort Management Services Pte. Ltd. ("IRMS") had a 50% interest in Starlet. 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 2,000 common shares and 3,000 series A preferred shares, each of which carried equal voting right. 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 had one class of issued shares, namely the common shares, each of which carried equal voting right. 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 common 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 common shares of SCHKMS comprising (i) 3,000 common shares directly held by SC Alliance; and (ii) 2,000 common 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 common shares of SCHKMS.

(13) Travellers had two classes of issued shares, namely 15,755,874,850 common shares and 10,000,000,000 preferred B shares, each of which carried equal voting right. 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.

(17) Tan Sri Lim Kok Thay 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 2015, 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 in, or debentures of, the Company or any other body corporate.

## SHARE OPTIONS

Details of the Company's Post-listing Employee Share Option Scheme are set out in note 36 to the consolidated financial statements. The Post-listing Employee Share Option Scheme has expired on 29 November 2010 whereupon no further options can be granted under the scheme but the outstanding options remain exercisable subject to the terms and conditions of the respective grants and the provisions of the scheme. Details of the movement in the share options granted to the Directors of the Company and the employees of the Group under the Post-listing Employee Share Option Scheme during the year and outstanding as at 31 December 2015 were as follows:

### *Post-listing Employee Share Option Scheme*

| | Number of options outstanding at 01/01/2015 | Number of ordinary 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 31/12/2015 | Date granted | Exercise price per ordinary share | Exercisable period |
|---|---|---|---|---|---|---|---|---|
| Tan Sri Lim Kok Thay (Director) | 7,000,000 | — | — | — | 7,000,000 | 27/05/2008 | HK$1.7800 | 28/05/2009 – 27/05/2018 |
| | **7,000,000** | — | — | — | **7,000,000** | | | |
| All other employees | 2,525,000 | — | — | — | 2,525,000 | 27/05/2008 | HK$1.7800 | 28/05/2009 – 27/05/2018 |
| | 10,550,000 | — | (200,000) | — | 10,350,000 | 16/11/2010 | HK$3.7800 | 16/11/2011 – 15/11/2020 |
| | **13,075,000** | — | **(200,000)** | — | **12,875,000** | | | |
| **Grand Total** | **20,075,000** | — | **(200,000)** | — | **19,875,000** | | | |

The share options under the Post-listing Employee Share Option Scheme granted on (i) 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 five years from 2009 to 2013; and (ii) 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 five 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

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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 shares, 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 voting 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 *(22)* | 17.11 |
| Kien Huat International Limited *(2)* | — | — | 1,451,155,180 *(11)* | — | — | 1,451,155,180 | 17.11 |
| Kien Huat Realty Sdn. Berhad *(3)* | — | — | 1,451,155,180 *(11)* | — | — | 1,451,155,180 | 17.11 |
| Genting Berhad *(4)* | — | — | 1,451,155,180 *(11)* | — | — | 1,451,155,180 | 17.11 |
| Genting Malaysia Berhad *(5)* | — | — | 1,431,059,180 *(12)* | — | — | 1,431,059,180 | 16.87 |
| Sierra Springs Sdn Bhd *(6)* | — | — | 1,431,059,180 *(12)* | — | — | 1,431,059,180 | 16.87 |
| Resorts World Limited *(6)* | 1,431,059,180 | — | — | — | — | 1,431,059,180 | 16.87 |
| First Names Trust Company (Isle of Man) Limited (as trustee of a discretionary trust) *(7)* | — | — | 4,552,415,852 *(14)* | 4,552,415,852 *(16)* | 4,552,415,852 *(18)* | 4,552,415,852 *(22)* | 53.67 |
| Cove Investments Limited *(8)* | — | — | — | — | 4,552,415,852 *(19)* | 4,552,415,852 | 53.67 |
| Golden Hope Limited (as trustee of Golden Hope Unit Trust) *(9)* | — | — | 546,628,908 *(15)* | 4,552,415,852 *(17) and (21)* | — | 4,552,415,852 *(22)* | 53.67 |
| Joondalup Limited *(10)* | 546,628,908 | — | — | — | — | 546,628,908 | 6.44 |
| Puan Sri Wong Hon Yee | — | 6,408,512,493 *(20(a))* | 36,298,108 *(20(b))* | — | — | 6,408,512,493 *(22)* | 75.55 |

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

*Notes:*

As at 31 December 2015:

(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 were 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 were wholly-owned by KHI.

(4) Genting Berhad ("GENT") was a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 39.76% 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 49.31% 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 ("Joondalup") was wholly-owned by Golden Hope as trustee of GHUT.

(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 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT (comprising 4,005,786,944 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(15) Golden Hope as trustee of GHUT had a corporate interest in the same block of 546,628,908 ordinary shares held directly by Joondalup.

(16) First Names in its capacity as trustee of the Discretionary Trust 2 had a deemed interest in the same block of 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT (comprising 4,005,786,944 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(17) The interest in 4,552,415,852 ordinary shares was held directly and indirectly by Golden Hope in its capacity as trustee of GHUT (comprising 4,005,786,944 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(18) First Names as trustee of the Discretionary Trust 2 was deemed to have interest in the same block of 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(19) Cove which held 0.01% of the units in GHUT was deemed to have interest in the same block of 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

*Notes: (Continued)*

(20) (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 6,408,512,493 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 shall 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.

(21) Out of the same block of 4,552,415,852 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT, 3,104,131,600 ordinary shares were pledged ordinary shares.

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

(23) The Company had one class of issued shares, namely the ordinary shares, each of which carried equal voting right.

(24) 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, if any.

### *(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 voting shares | Nature of interests |
|---|---|---|---|
| Puan Sri Wong Hon Yee | 7,000,000 *(Note)* | 0.083 | Interests of spouse |

*Note:*

As at 31 December 2015, Puan Sri Wong as the spouse of Tan Sri KT Lim, was deemed to have a family interest in 7,000,000 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 shall 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 2015, 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 32 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 combined and the aggregate amount of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of such revenue.

## 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 ordinary shares in 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.

## PERMITTED INDEMNITY PROVISIONS FOR DIRECTORS

Certain permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of certain Directors of the Company and its associated companies (as defined in the Hong Kong Companies Ordinance) are currently in force and were in force throughout the financial year.

# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

In the opinion of the Directors, during the year ended 31 December 2015, 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 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 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 58 to 93.

## REVIEW BY AUDIT COMMITTEE

This annual report has been reviewed by the Audit Committee which currently comprises three Independent Non-executive Directors of the Company, namely Mr. Justin Tan Wah Joo, 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 obtained a new secured term loan and revolving credit facility in an aggregate amount of US$600 million 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 April 2014, the Group obtained another new secured term loan facility in an aggregate amount of USD equivalent of up to EUR593,760,000 with a term of 144 months after the first utilisation of the facility by the Group under the facility agreement (the "First Vessel Loan Facility Agreement") for financing the construction and purchase of the vessel to be constructed pursuant to the shipbuilding contract dated 7 October 2013.

In May 2014, the Group obtained another new secured term loan facility in an aggregate amount of USD equivalent of up to EUR606,842,214 with a term of 144 months after the first utilisation of the facility by the Group under the facility agreement (the "Second Vessel Loan Facility Agreement") for financing the construction and purchase of the vessel to be constructed pursuant to the shipbuilding contract dated 10 February 2014 and the Hermes Fee (as defined in the Second Vessel Loan Facility Agreement).

In April 2015, the Group obtained another new secured term loan facility in an aggregate amount of up to the lower of US$300 million and 60% of the aggregate market value of two vessels, namely, Crystal Serenity and Crystal Symphony (the "Vessels"), with a term of 84 months after the utilisation of the facility by the Group under the facility agreement (the "Crystal Vessel Loan Facility Agreement") for part financing the acquisition of the entire equity interest in Crystal Cruises, LLC (the indirect owner of the Vessels) by the Borrower (as defined in the Crystal Vessel Loan Facility Agreement which is an indirect wholly-owned subsidiary of the Company) as purchaser pursuant to the purchase agreement dated 3 March 2015 and for general corporate purpose of the Borrower.

## GENERAL DISCLOSURE PURSUANT TO THE LISTING RULES (CONTINUED)

### *Facility Agreements of the Group (Continued)*

Pursuant to (i) the US$600 million Facility Agreement; (ii) the First Vessel Loan Facility Agreement; (iii) the Second Vessel Loan Facility Agreement; and (iv) the Crystal Vessel Loan 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 aforesaid 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 (Chapter 571 of the Laws of Hong Kong) (Disclosure of Interests) and in addition, any interest in the Company held by GENT, GENM and their respective Affiliates (as defined in each of the respective facility agreements).

As at 31 December 2015, the aggregate principal amount under the above facility agreements was US$2,212.6 million and the aggregate outstanding loan balance thereunder was approximately US$534 million.

## SIGNIFICANT SUBSEQUENT EVENTS

(i) After completion of the acquisition of the 50% equity interest in Lloyd Investitions- und Verwaltungs GmbH ("LIV") and the 70% equity interest in Lloyd Werft Bremerhaven AG ("LWB") pursuant to the sale and purchase agreement dated 17 September 2015, on 31 December 2015, the Group exercised the call option to acquire the remaining 50% equity interest in LIV and 30% equity interest in LWB at a total consideration of EUR16,469,000 (equivalent to approximately US$18,178,000 when the call option was exercised). Prior to acquisition of the remaining interest in LIV and LWB, both LIV and LWB have been accounted for as subsidiaries of the Group. Upon completion of the acquisition of the remaining equity interest in LIV and LWB in January 2016, each of LIV and LWB became a 100% owned subsidiary of the Group.

(ii) On 1 March 2016, the Group entered into a sale and purchase agreement to acquire, inter alia, the assets required for the Group's construction of cruise ships and real estate properties of three shipyards in Germany located respectively in Wismar, Warnemünde and Stralsund, from an independent third party for an aggregate consideration of EUR230.6 million (equivalent to approximately US$254.9 million at the date of the agreement). Completion of the acquisition shall be subject to fulfilment or waiver of all the closing conditions whichever is applicable. As at the date of this report, the acquisition has not yet been completed.

## 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, 17 March 2016

# 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 2015 has applied the principles and complied with the code provisions as set out in the Corporate Governance Code in effect during the year ended 31 December 2015 (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 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 should 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 should 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 should be kept by a duly appointed secretary of the meeting and should 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 should 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 should 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 should arrange appropriate insurance cover in respect of legal action against its Directors. | No | All Directors are provided with appropriate insurance cover in respect of legal action against them. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### A. *Directors (Continued)*

A.2 Chairman and Chief Executive

***Principle***

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

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| A.2.1 | Roles of Chairman and Chief Executive should be separate and should 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. 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.<br><br>Tan Sri KT Lim provides leadership for the Board in considering and setting the overall strategies and objectives of the Company; and with support of the other Executive Director of the Company and the Senior Management team of the Group, 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 the arrangements in having the same individual performing the dual roles of Chairman and Chief Executive Officer are in the interests of the Company as they enable the Board to 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. |

## (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.2.1 (Continued) | | | Given that there is a balanced Board with a number of experienced Non-executive Directors (including three Independent Non-executive Directors ("INEDs") since the re-designation of Mr. Justin Tan Wah Joo from a Non-executive Director ("NED") to an INED of the Company with effect from 22 April 2015, 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. |
| A.2.2 | The Chairman should 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 should 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 should 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 finalisation. |

## (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.2.5 | The Chairman should 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 should 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 should 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 INEDs of the Company. |
| A.2.8 | The Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. | No | Shareholders' Communication Policy has been established by the Board to ensure that an effective system of communication with shareholders is in place. Shareholders are encouraged to participate in general meetings whereat members of the Board and Board Committees are available to answer their questions. |
| A.2.9 | The Chairman should 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. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### *A. Directors (Continued)*

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 should be identified in all corporate communications that disclose the names of Directors. | No | Due to the resignation of Mr. Heah Sieu Lay as an INED with effect from 3 February 2015, the number of INEDs fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules. Since the re-designation of Mr. Justin Tan Wah Joo from a NED to an INED with effect from 22 April 2015, the number of INEDs of the Board has been restored to three, 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, NED has been disclosed in all corporate communications. |
| A.3.2 | Issuer should 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 should 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 office of Mr. Justin Tan Wah Joo 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>The initial term of office of Mr. Justin Tan Wah Joo, who was appointed as a NED of the Company on 22 August 2014 and re-designated as an INED of the Company with effect from 22 April 2015, has expired at the conclusion of the 2015 AGM of the Company held on 2 June 2015 and he was re-elected as an INED of the Company by shareholders of the Company at the 2015 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. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### A. *Directors (Continued)*

A.4 Appointments, re-election and removal (Continued)

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| 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 2015 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. |

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 should 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 should 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 should 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. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### A. *Directors (Continued)*

A.5 Nomination Committee (Continued)

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| A.5.4 | The Nomination Committee should 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 should 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 should be elected and considers him to be independent. | No | For the proposed re-appointment of the retiring INED 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 considered him to be independent and recommended him to be re-elected. |
| A 5.6 | The Nomination Committee (or the Board) should 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 | 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. |

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 should receive a comprehensive, formal and tailored induction on appointment. Subsequently, he should receive such briefing and professional development as is necessary. | No | On appointment, new Directors will be given a comprehensive formal induction.<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 should 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 should 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 should 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 2015 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 or as otherwise resolved by the Board from time to time. |

## (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 should participate in continuous professional development to develop and refresh their knowledge and skills. The issuer should 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 should 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 organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. | No | Each Director is required, on appointment, to disclose to the Board his directorships in public companies or organisations 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, should 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 should also attend general meetings and develop a balanced understanding of the views of shareholders. | No | During the year under review, all INEDs and, where relevant, the NED 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 (as the case may be).<br><br>All INEDs of the Company had attended the general meetings of the Company held during the year under review, including the 2015 AGM and the special general meeting of the Company ("SGM") both held on 2 June 2015, and were available to answer questions thereat.<br><br>Save for the aforesaid, 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, should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments. | No | Following the resignation of Mr. Heah Sieu Lay as an INED of the Company with effect form 3 February 2015, the number of INEDs of the Company fell below the minimum number as required under the Listing Rules. As approved by the Board, Mr. Justin Tan Wah Joo has been re-designated from a NED to an INED with effect from 22 April 2015. Accordingly, the independent element of the Board was restored to comply with the requirement of the minimum number of INEDs of the Company under the Listing Rules. 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, where relevant, the NED 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 should 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 has an obligation to supply the Board and its committees with adequate information in a timely manner. The Board and individual Directors should 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 should 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 should 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 should 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 should 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 should 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 should disclose details of any remuneration payable to members of Senior Management by band in their annual reports. | No | Remuneration paid to members of Senior Management has been disclosed by band in the Company's Annual Report. Please refer to note 13 headed "Benefits and Interests of Directors and Emoluments of Senior Management" of the Notes to the Consolidated Financial Statements in the Company's Annual Report. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### *C. Accountability and Audit*

C.1 Financial reporting

***Principle***

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

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| C.1.1 | Management should 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 should 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 should acknowledge in this Report their responsibility for preparing the accounts. There should 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 2015, the Directors have:<br>(i) selected suitable accounting policies and applied them consistently;<br>(ii) made judgements and estimates that are prudent and reasonable; and<br>(iii) prepared accounts on the going concern basis.<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 should 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 should 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. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### *C. Accountability and Audit (Continued)*

C.2 Internal control

***Principle***

The Board should ensure that the issuer maintains sound and effective internal control 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 at least annually conduct a review of the effectiveness of the issuer's and its subsidiaries' internal control systems 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 control, 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 control relevant to its level of operations.<br><br>Please refer to section (II) of this Report headed "State of Internal Control" for the details. |
| C.2.2 | The Board's annual review should, 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. |

In August 2015, in light of the amendments to the CG Code regarding risk management which would take effect from 1 January 2016 for accounting periods beginning on or after 1 January 2016, the Board has considered and adopted an enhanced risk management framework and program ("RM Framework and Program") with supporting policy and manual for the Group which shall be applied from 2016.

Pursuant to the RM Framework and Program, the Audit Committee has been delegated oversight authority and responsibilities over risk management matters and should report to the Board its findings and recommendations for confirmation. A risk management committee (the "Risk Management Committee") has been established at the executive management level with the authority and responsibilities to oversee the effective establishment, implementation and maintenance of the Group's RM Framework and Program at operational level, which is assisted by the Risk Management Department (the "RMD"). The RMD is responsible for determining the in-scope business lines/projects/investment undertakings etc. to be covered in the annual risk management exercise (the "Units"), training, risk, control and action plan identification etc. with these Units. In addition, the Internal Audit Department would perform an annual assessment of the efficiency and effectiveness of the RM Framework and Program and report directly to the Audit Committee.

The terms of reference of the Audit Committee have been revised to incorporate and clarify the functions and duties of the Audit Committee in regard to risk management and the Group has commenced the 2016 risk management exercise according to the RM Framework and Program.

## (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 should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meetings should 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 should 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 should include at least the prescribed specific duties. | No | The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.<br><br>In August 2015, the terms of reference of the Audit Committee have been revised to incorporate and clarify the functions and duties of the Audit Committee in regard to risk management. Please refer to section C.2 of this Report headed "Internal Control" for further details. |
| C.3.4 | The Audit Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer. | No | The relevant versions of the terms of reference of the Audit Committee (including its role and functions) are available on the websites of the Exchange and the Company during their respective applicable periods. |

## (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 should 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 should 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 | The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. 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 should 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>(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 should 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 should have formal letters of appointment for Directors who should 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 should 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 should 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) should 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 should 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 should 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 should attend the annual general meeting and invite the Chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend and in their absence, 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 should 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 2015 AGM pursuant to the Company's Bye-laws and he together with the Chairman and/or 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. |

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### *E. Communication with Shareholders (Continued)*

E.1 Effective communication (Continued)

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| E.1.3 | The issuer should 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 2015 AGM.<br><br>During the year under review, more than 10 clear business days' notice period had been given for the SGM.<br><br>Save for the aforesaid, no other general meeting was convened during year 2015. |
| E.1.4 | The Board should establish a shareholders' communication policy and review it regularly to ensure its effectiveness. | No | Shareholders' Communication Policy has been established by the Board and will be reviewed regularly to ensure its effectiveness. |

E.2 Voting by poll

***Principle***

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

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

## (I) STATEMENT OF COMPLIANCE (CONTINUED)

### F. *Company Secretary*

***Principle***

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

| Summary of Code Provisions | | Any deviations? | Governance practices of the Company |
|---|---|---|---|
| F.1.1 | The Company Secretary should 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 should 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 should report to the Board Chairman and/or the Chief Executive. | Yes | The Company Secretary reports to the Board of Directors on Board matters and to the Executive Vice President of Corporate Services on company secretarial and administrative matters.<br><br>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 should 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 CONTROL

### *(A) Board responsibilities*

The Board has the ultimate responsibilities for the Group's system of internal control 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 organisation 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 control. 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 control 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 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 CONTROL (CONTINUED)

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

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

For the Risk Management Program of 2015, the program 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 program and meetings were held to assess the progress of the program 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.

In August 2015, an enhanced risk management framework and program ("RM Framework and Program") with supporting policy and manual for the Group has been adopted by the Board which shall be applied for the Risk Management Program from 2016. This RM Framework and Program has set out the oversight authority and responsibilities of the Board, Audit Committee and Risk Management Committee which is assisted by the Risk Management Department. The Program includes self risk and control assessments, action plan initiation and confirmation on the adherence to the RM Framework and Program by the business units.

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 control, 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 control 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 in force during the year ended 31 December 2015.

### *(A) Board of Directors*

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

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

  (a) Overall strategic direction;

  (b) Annual operating plan;

  (c) Annual capital expenditure plan;

  (d) Major acquisitions and disposals;

  (e) Major capital projects; and

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

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

(4) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2015 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 2015 to 31 December 2015 (both dates inclusive), 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 took place:

  (a) Mr. Heah Sieu Lay resigned as an Independent Non-executive Director of the Company with effect from 3 February 2015; and

  (b) Mr. Justin Tan Wah Joo has been re-designated from a Non-executive Director to an Independent Non-executive Director of the Company with effect from 22 April 2015.

## (III) OTHER INFORMATION (CONTINUED)

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

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

| | Board Meeting Attendance | 2015 AGM Attendance | SGM Attendance |
|---|---|---|---|
| *Executive Directors:* | | | |
| Tan Sri Lim Kok Thay *(Note 1)* | | | |
| *(Chairman and Chief Executive Officer)* | 4/4 | 1/1 | 1/1 |
| Mr. Lim Keong Hui *(Note 1)* | 4/4 | 1/1 | 1/1 |
| *INEDs:* | | | |
| Mr. Alan Howard Smith | | | |
| *(Deputy Chairman)* | 4/4 | 1/1 | 1/1 |
| Mr. Lam Wai Hon, Ambrose | 4/4 | 1/1 | 1/1 |
| Mr. Justin Tan Wah Joo *(Note 2)* | 4/4 | 1/1 | 1/1 |
| Mr. Heah Sieu Lay *(Note 3)* | N/A | N/A | N/A |

*Notes:*

(1) Tan Sri Lim Kok Thay is the father of Mr. Lim Keong Hui.

(2) Re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 22 April 2015.

(3) Resigned as an Independent Non-executive Director on 3 February 2015.

(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.

(8) During the year 2015, in accordance with the CG Code, the Board has, inter alia:

(a) reviewed the progress and status in respect of the implementation of the Group's anti-money laundering program ("AML Program") (which was adopted by the Board and launched in 2013) with an aim to monitoring and ensuring due and proper implementation of the AML Program and its effectiveness for complying with all applicable laws and regulations relating to anti-money laundering, counter-terrorism and economic sanctions;

(b) considered and adopted the risk management framework and program, policy and manual; and established the Risk Management Committee and revised the terms of reference of the Audit Committee accordingly; and

(c) considered and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, taking into account the related reports and views of the Board Committees in their respective areas.

## (III) OTHER INFORMATION (CONTINUED)

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

(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.. The updates and briefings covered a broad range of topics including, inter alia, directors' duties, dealing in securities by directors, disclosure obligation of inside information, financial information and general information, and rules and regulations relating to notifiable transactions, connected transactions and corporate governance. During the year 2015, 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. In addition, as part of the continuous professional development programmes, on-site visits to shipyards and familiarisation cruises on board vessels of the Group/industry peers have been organised and funded by the Company for the Directors to keep them abreast of the recent development of the businesses of the Group and the industry.

(11) The participation by individual Directors in the continuous professional development programmes in 2015 is summarised as follows:

| | Type of trainings |
|---|---|
| *Executive Directors:* | |
| Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)* | A, B, D |
| Mr. Lim Keong Hui | A, B, D |
| *INEDs:* | |
| Mr. Alan Howard Smith *(Deputy Chairman)* | A, B, C, D |
| Mr. Lam Wai Hon, Ambrose | A, B, C, D |
| Mr. Justin Tan Wah Joo *(Note 1)* | A, B, D |
| Mr. Heah Sieu Lay *(Note 2)* | N/A |

*Notes:*

(1) Re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 22 April 2015.

(2) Resigned as an Independent Non-executive Director on 3 February 2015.

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

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

C: attending training/seminars/conferences on applicable laws, rules and regulations update

D: attending training relevant to the Group's business/paying visits to the facilities of the Group/industry peers

## (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)* | 1/1 |

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

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

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

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

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

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

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

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

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

(3) During the year 2015, 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 Executive Directors and certain Senior Management; and

(b) recommended the Directors' fee for the year 2014 which has been approved by the shareholders of the Company at the 2015 AGM.

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

## (III) OTHER INFORMATION (CONTINUED)

### *(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<br>*(Chairman of the Nomination Committee and INED)* | 1/1 |
| Tan Sri Lim Kok Thay<br>*(Chairman and Chief Executive Officer)* | 1/1 |
| Mr. Lam Wai Hon, Ambrose *(INED)* | 1/1 |

(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;

(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 2015, the Nomination Committee has (a) reviewed the contribution of Directors and assessed the sufficiency of time spent by Directors in performing their duties and responsibilities; (b) reviewed the structure, size and composition of the Board and assessed the independence of the INEDs; and (c) following due consideration, (i) nominated the retiring Directors for re-appointment and (ii) recommended Mr. Justin Tan Wah Joo for re-designation as an INED taking into account, inter alia, his qualifications, experience, expertise, Board diversity aspects as set out in the Director Nomination Policy (as outlined below) and 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) approved the re-designation of Mr. Justin Tan Wah Joo as an INED of the Company with effect from 22 April 2015; and

(b) recommended the re-appointment of Mr. Alan Howard Smith and Mr. Lim Keong Hui (both retired by rotation pursuant to Bye-law 99 of the Company's Bye-laws) and Mr. Justin Tan Wah Joo (who held office until the first annual general meeting after his appointment pursuant to Bye-law 102(B) of the Company's Bye-laws) as Directors of the Company at the 2015 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders of the Company.

## (III) OTHER INFORMATION (CONTINUED)

### *(C) Nomination Committee (Continued)*

Following re-appointment of the retiring Directors at the 2015 AGM of the Company 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 2016 AGM of the Company pursuant to the Company's Bye-laws;

(b) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose as members of the Remuneration Committee to hold office until the conclusion of the 2016 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Remuneration Committee;

(c) re-appointed Mr. Alan Howard Smith, Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose as member of the Nomination Committee to hold office until the conclusion of the 2016 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Nomination Committee; and

(d) re-appointed Mr. Justin Tan Wah Joo, Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose as members of the Audit Committee to hold office until the conclusion of the 2016 AGM of the Company and re-appointed Mr. Justin Tan Wah Joo as the Chairman of the Audit Committee.

(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 recognised 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 candidate to be nominated for appointment as Director 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 candidate that would add to and complement the existing Board;

(ii) other relevant details of the candidate 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.

## (III) OTHER INFORMATION (CONTINUED)

### *(C) Nomination Committee (Continued)*

(e) In consideration of the re-designation of Mr. Justin Tan Wah Joo as an INED of the Company, the Nomination Committee has assessed the independence of Mr. Justin Tan Wah Joo and considered Mr. Tan, notwithstanding his minor interest as a shareholder of the Company and a shareholder/warrant holder/bondholder of certain core connected persons of the Company (namely, Genting Berhad, Genting Malaysia Berhad and Genting Singapore PLC) and his role as a NED of the Company since 22 August 2014, should be regarded as having satisfied the independence guidelines set out in Rule 3.13 of the Listing Rules. Mr. Tan has not held any executive or management function or position in the Company or its subsidiaries since his appointment as NED of the Company. Mr. Tan is independent from management and any major shareholder group of the Company and is free from any business or other relationship that might interfere with the exercise of his independent judgement.

Accordingly, 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 and the factors of independence set out in Rule 3.13 of the Listing Rules), had recommended to the Board for its approval for the re-designation of Mr. Justin Tan Wah Joo as an INED of the Company and his appointment as a member and the Chairman of the Audit Committee, all with effect from 22 April 2015 to fill up the vacancy arising since the resignation of Mr. Heah Sieu Lay as an INED of the Company on 3 February 2015 in order to enable the Company to re-comply with the requirement of a minimum of three INEDs and an INED assuming the role of Audit Committee Chairman as set out in Rule 3.10(1) and Rule 3.21 of the Listing Rules respectively. On the same basis, the Nomination Committee recommended to the Board the re-election of Mr. Tan as an INED upon his retirement at the Company's 2015 AGM.

By taking into account the opinion and recommendation of the Nomination Committee, the Board was of the view that Mr. Justin Tan Wah Joo, should be regarded as independent and having satisfied the independence guidelines set out in Rule 3.13 of the Listing Rules, and therefore approved the re-designation of Mr. Justin Tan Wah Joo as an INED of the Company and his appointment as a member and the Chairman of the Audit Committee with effect from 22 April 2015; and recommended the re-election of Mr. Tan as an INED of the Company at the 2015 AGM.

Biographical details (including background, knowledge, experience and expertise) of Mr. Justin Tan Wah Joo are disclosed in the section of "Directors and Senior Management Profiles" of this Annual Report.

### *(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. Justin Tan Wah Joo *(Chairman of the Audit Committee)* [(Note 1)] | 1/1 |
| Mr. Alan Howard Smith | 2/2 |
| Mr. Lam Wai Hon, Ambrose | 2/2 |
| Mr. Heah Sieu Lay [(Note 2)] | N/A |

*Notes:*

(1) Re-designated as an Independent Non-executive Director and appointed as a member and the Chairman of the Audit Committee with effect from 22 April 2015.

(2) Resigned as an Independent Non-executive Director and ceased to act as a member and the Chairman of the Audit Committee on 3 February 2015.

## (III) OTHER INFORMATION (CONTINUED)

### *(D) Audit Committee (Continued)*

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

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

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

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

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

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

(i) any changes in accounting policies and practices;

(ii) major judgemental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

(f) in regard to (e) above,

(i) members of the Audit Committee should liaise with the Board and Senior Management and the Audit Committee must meet, at least twice a year, with the auditor; 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, risk management and internal control systems;

(j) to discuss the risk management and 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;

## (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.

In August 2015, the above terms of reference of the Audit Committee have been revised to incorporate and clarify the functions and duties of the Audit Committee in regard to risk management matters to conform with the amendments to the CG Code which took effect on 1 January 2016 for accounting periods beginning on or after 1 January 2016.

(3) During the year 2015, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2014 and for the six months ended 30 June 2015;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the Group's systems of internal control 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 32 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 auditor 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$1.2 million was paid/payable to the Company's external auditor for the provision of audit services in 2015. During the same year, the fees paid/payable to the external auditor for non-audit related activities amounted to US$1.8 million of which US$0.2 million related to tax services fees and US$1.6 million related to regulatory reporting and due diligence services fees.

### *(F) Shareholders' Rights*

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

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

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

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

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

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

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

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

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

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

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

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

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

## (III) OTHER INFORMATION (CONTINUED)

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

(3) Procedures for making proposals at shareholders' meetings

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

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

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

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

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

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

### *(G) Investor Relations*

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 2015

| | Note | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|
| Turnover | 5 | **689,954** | 570,810 |
| Operating expenses | | | |
| Operating expenses excluding depreciation and amortisation | | **(528,437)** | (407,356) |
| Depreciation and amortisation | 9 | **(87,505)** | (83,445) |
| | | **(615,942)** | (490,801) |
| Selling, general and administrative expenses | | | |
| Selling, general and administrative expenses excluding depreciation and amortisation | | **(155,362)** | (114,596) |
| Depreciation and amortisation | 9 | **(7,403)** | (7,315) |
| | | **(162,765)** | (121,911) |
| | | **(778,707)** | (612,712) |
| | | **(88,753)** | (41,902) |
| Share of profit of joint ventures | 17 | **247** | 1,530 |
| Share of profit of associates | 18 | **36,418** | 147,276 |
| Other (expenses)/income, net | 6 | **(42,888)** | 8,424 |
| Other gains, net | 7 | **2,223,778** | 300,952 |
| Finance income | | **11,363** | 12,997 |
| Finance costs | 8 | **(25,959)** | (31,442) |
| | | **2,202,959** | 439,737 |
| Profit before taxation | 9 | **2,114,206** | 397,835 |
| Taxation | 10 | **(8,151)** | (13,771) |
| Profit for the year | | **2,106,055** | 384,064 |

| | *Note* | **2015 US$'000** | 2014 US$'000 |
|---|---|---|---|
| Profit for the year | | **2,106,055** | 384,064 |
| Other comprehensive income/(loss): | | | |
| Items that may be reclassified to profit or loss: | | | |
| Foreign currency translation differences | | **(41,578)** | (27,278) |
| Fair value loss on derivative financial instruments | | **(4,230)** | (17,953) |
| Fair value gain on available-for-sale investments | | **215,187** | 75,722 |
| Share of other comprehensive income/(loss) of an associate | | **16,658** | (47,746) |
| Cash flow hedges transferred to profit or loss | | **19,365** | 927 |
| Release of reserves upon disposal of equity interest in an associate | | **29,191** | 2,844 |
| Release of reserves upon disposal of a joint venture | | **1,721** | — |
| Release of reserves upon deemed disposal of joint ventures | | **—** | (18) |
| Release of reserves upon disposal of available-for-sale investments | | **(63,517)** | — |
| Other comprehensive income/(loss) for the year | | **172,797** | (13,502) |
| Total comprehensive income for the year | | **2,278,852** | 370,562 |
| Profit attributable to: | | | |
| Equity owners of the Company | | **2,112,687** | 384,475 |
| Non-controlling interests | | **(6,632)** | (411) |
| | | **2,106,055** | 384,064 |
| Total comprehensive income attributable to: | | | |
| Equity owners of the Company | | **2,285,484** | 370,973 |
| Non-controlling interests | | **(6,632)** | (411) |
| | | **2,278,852** | 370,562 |
| Earnings per share attributable to equity owners of the Company | | | |
| – Basic (US cents) | 11 | **25.50** | 4.79 |
| – Diluted (US cents) | 11 | **25.48** | 4.61 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | *Note* | **2015 US$'000** | 2014 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **1,978,555** | 1,146,285 |
| Land use right | 15 | **4,040** | 4,278 |
| Intangible assets | 16 | **52,372** | — |
| Interests in joint ventures | 17 | **6,942** | 127,706 |
| Interests in associates | 18 | **542,319** | 1,394,279 |
| Deferred tax assets | 29 | **761** | 312 |
| Available-for-sale investments | 19 | **207,530** | 209,943 |
| Other assets and receivables | 23 | **23,918** | 35,226 |
| | | **2,816,437** | 2,918,029 |
| **CURRENT ASSETS** | | | |
| Properties under development | 20 | **20,393** | 17,820 |
| Inventories | 21 | **52,553** | 17,983 |
| Trade receivables | 22 | **51,257** | 80,066 |
| Prepaid expenses and other receivables | 23 | **126,192** | 90,322 |
| Available-for-sale investments | 19 | **1,488,341** | 15,515 |
| Amounts due from related companies | 32 | **1,752** | 3,225 |
| Restricted cash | 34 | **173,035** | 9,517 |
| Cash and cash equivalents | 24 | **1,778,745** | 718,574 |
| | | **3,692,268** | 953,022 |
| **TOTAL ASSETS** | | **6,508,705** | 3,871,051 |

| | Note | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Capital and reserves attributable to the equity owners of the Company | | | |
| Share capital | 25 | **848,249** | 803,669 |
| Reserves: | | | |
| Share premium | | **41,634** | 16,618 |
| Contributed surplus | | **936,823** | 936,823 |
| Additional paid-in capital | | **111,644** | 123,761 |
| Convertible bonds - equity component | 27 | **—** | 3,854 |
| Foreign currency translation adjustments | | **(93,784)** | (63,430) |
| Available-for-sale investments reserve | | **218,264** | 76,097 |
| Cash flow hedge reserve | | **(3,009)** | (76,303) |
| Retained earnings | | **3,400,760** | 1,372,898 |
| | | **5,460,581** | 3,193,987 |
| Non-controlling interests | | **39,865** | 46,497 |
| **TOTAL EQUITY** | | **5,500,446** | 3,240,484 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Loans and borrowings | 26 | **444,150** | 237,659 |
| Deferred tax liabilities | 29 | **14,913** | 7,850 |
| Retirement benefit obligations | 33 | **7,906** | — |
| | | **466,969** | 245,509 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 30 | **68,284** | 33,271 |
| Current income tax liabilities | | **7,527** | 4,369 |
| Provisions, accruals and other liabilities | 31 | **169,368** | 93,592 |
| Current portion of loans and borrowings | 26 | **87,160** | 220,792 |
| Derivative financial instruments | 28 | **3,009** | 16,191 |
| Amounts due to related companies | 32 | **571** | 522 |
| Advance ticket sales | | **205,371** | 16,321 |
| | | **541,290** | 385,058 |
| **TOTAL LIABILITIES** | | **1,008,259** | 630,567 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,508,705** | 3,871,051 |
| **NET CURRENT ASSETS** | | **3,150,978** | 567,964 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **5,967,415** | 3,485,993 |

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

**Mr. Lim Keong Hui**
*Executive Director*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Note | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash (used in)/generated from operations | (a) | **(158,969)** | 50,413 |
| Interest paid | | **(29,397)** | (27,418) |
| Payment of loan arrangement fees | | **(3,071)** | — |
| Interest received | | **9,847** | 14,361 |
| Income tax paid | | **(5,186)** | (6,104) |
| Net cash (outflow)/inflow from operating activities | | **(186,776)** | 31,252 |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries and business, net of cash acquired | 38 | **(360,693)** | (39,658) |
| Disposal of equity interest in an associate | (b) | **862,992** | 299,980 |
| Disposal of equity interest in a joint venture | (c) | **111,386** | — |
| Purchase of property, plant and equipment | | **(401,191)** | (188,194) |
| Proceeds from sale of property, plant and equipment | | **83** | 17,313 |
| Proceeds from disposal of available-for-sale investments | | **935,825** | 5,115 |
| Acquisition of equity shares and preferred shares in a joint venture | 17 | **(576)** | (118,309) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **—** | 59,947 |
| Dividends received | | **19,369** | 37,425 |
| Repayment of impaired loan | | **—** | 13,827 |
| Repayments of loans from third parties | | **—** | 1,341 |
| Loans to third parties | | **—** | (5,642) |
| Loans to a joint venture | | **—** | (3,741) |
| Refund of capital from a joint venture | | **—** | 10,223 |
| Net cash inflow from continuing investing activities | | **1,167,195** | 89,627 |
| Net cash inflow from discontinued operations | (d) | **37,043** | 37,043 |
| Net cash inflow from investing activities | | **1,204,238** | 126,670 |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | | **300,770** | — |
| Repayments of loans and borrowings | | **(167,722)** | (290,288) |
| Proceeds from issuance of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | | **—** | 620 |
| Restricted cash | | **—** | 169 |
| Dividends paid | | **(84,825)** | (80,345) |
| Net cash inflow/(outflow) from financing activities | | **48,223** | (369,844) |
| Effect of exchange rate changes on cash and cash equivalents | | **(5,514)** | (4,917) |
| Net increase/(decrease) in cash and cash equivalents | | **1,060,171** | (216,839) |
| Cash and cash equivalents at beginning of year | | **718,574** | 935,413 |
| Cash and cash equivalents at end of year | 24 | **1,778,745** | 718,574 |

**Notes to Consolidated Statement of Cash Flows**

(a) Cash generated from continuing operations

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **2,114,206** | 397,835 |
| Depreciation and amortisation | | |
| – relating to operating function | **87,505** | 83,445 |
| – relating to selling, general and administrative function | **7,403** | 7,315 |
| | **94,908** | 90,760 |
| Finance costs | **25,959** | 31,442 |
| Finance income | **(11,363)** | (12,997) |
| Share of profit of joint ventures | **(247)** | (1,530) |
| Share of profit of associates | **(36,418)** | (147,276) |
| Loss on disposal of a joint venture | **6,364** | — |
| Gain on dilution of interest in a joint venture | **—** | (6,332) |
| Gain on deemed disposal of an associate | **—** | (123,964) |
| Gain on disposal of equity interest of an associate | **(212,500)** | (152,638) |
| Gain on de-recognition of an associate | **(1,954,508)** | — |
| Gain on disposal of available-for-sale investments | **(63,134)** | (20) |
| Gain on disposal of property, plant and equipment | **(2,522)** | (3,501) |
| Reversal of impairment of loan receivables from a third party | **—** | (13,827) |
| Provision of loan receivable from a third party | **—** | 103 |
| Fair value gain on financial assets at fair value through profit or loss | **—** | (17,998) |
| Foreign exchange difference on RMB bonds | **—** | (7,327) |
| Dividend income from available-for-sale investments | **(4,403)** | (6,031) |
| Impairment loss on property, plant and equipment | **12,840** | — |
| Others | **2,383** | 1,699 |
| | **(28,435)** | 28,398 |
| Decrease/(Increase) in: | | |
| Trade receivables | **42,199** | 59,536 |
| Inventories | **(2,962)** | 4,047 |
| Restricted cash | **(163,876)** | — |
| Other assets, prepaid expenses and other receivables | **(42,082)** | 12,786 |
| Increase/(Decrease) in: | | |
| Trade payables | **8,667** | (13,681) |
| Provisions, accruals and other liabilities | **21,363** | (44,162) |
| Amounts due to related companies | **2,105** | 3,374 |
| Advance ticket sales | **3,715** | 115 |
| Retirement benefit obligations | **337** | — |
| Cash (used in)/generated from operations | **(158,969)** | 50,413 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

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

(b) Sales of equity interest in an associate

In March 2015, the Group entered into an underwriting agreement to sell 6.25 million ordinary shares in Norwegian Cruise Line Holdings Ltd. ("NCLH") at an offering price of US$50.76 per share. As a result of the share disposal, a gain of approximately US$212.5 million to the Group was recorded and the percentage of ordinary shares in NCLH beneficially owned by the Group decreased from approximately 24.9% to approximately 22.1%.

In May 2015, the Group entered into an underwriting agreement to sell 10.0 million ordinary shares in NCLH at an offering price of US$54.66 per share. As a result of the share disposal, a gain of approximately US$387.1 million to the Group was recorded and the percentage of ordinary shares in NCLH beneficially owned by the Group decreased from approximately 22.0% to approximately 17.7%.

In March 2014, the Group completed the underwriting agreement to sell 7.5 million shares in NCLH at an offering price of US$32.97 per share less 3.25% underwriting discount and commission. The percentage of ordinary shares in NCLH beneficially owned by the Group has decreased from approximately 31.4% to approximately 27.7% as a result of the share disposal, with a disposal gain of approximately US$152.6 million to the Group.

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

| | **2015 As at date of disposal US$'000** | 2014 As at date of disposal US$'000 |
|---|---|---|
| Net assets disposed of | **254,735** | 93,795 |
| Release of reserves upon disposal of equity interest of an associate | **8,678** | 468 |
| Gain on disposal of equity interest of an associate | **599,579** | 152,638 |
| Net proceeds | **862,992** | 246,901 |
| Sales proceeds received in cash: | | |
| Cash received | **862,992** | 246,901 |

For the year ended 31 December 2014, the Group also received US$53,079,000 as deferred consideration for the disposal of 12.65 million ordinary shares in NCLH in December 2013.

(c) Proceeds from disposal of equity interest in a joint venture

In October 2015, the Group disposed of all of its 50% interest in Magical Gains Holdings Limited ("Magical Gains"), a joint venture of the Group for a consideration of approximately US$111.4 million. As a result of the disposal, a loss of approximately US$6.4 million to the Group was recorded.

The details of net assets disposed of and cash flows arising from the disposal of Magical Gains are as follows:

| | **2015 As at date of disposal US$'000** |
|---|---|
| Net assets disposed of | **116,029** |
| Release of reserves upon disposal of equity interest of a joint venture | **1,721** |
| Loss on disposal of equity interest of a joint venture | **(6,364)** |
| Net proceeds | **111,386** |
| Sales proceeds received in cash: | |
| Cash received | **111,386** |

(d) Net cash flows from discontinued operations

On I June 2012, the Group as a 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 for a consideration of approximately US$259.3 million. The disposal was completed on 6 June 2012.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Share premium US$'000 | Contributed surplus US$'000 | Additional paid-in capital US$'000 | Convertible bonds - equity component US$'000 | Foreign currency translation adjustments US$'000 | Cash flow hedge reserve US$'000 | Available-for-sale investments reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| At 1 January 2015 | 803,669 | 16,618 | 936,823 | 123,761 | 3,854 | (63,430) | (76,303) | 76,097 | 1,372,898 | 3,193,987 | 46,497 | 3,240,484 |
| Comprehensive income: | | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | – | 2,112,687 | 2,112,687 | (6,632) | 2,106,055 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | |
| Foreign currency translation differences | – | – | – | – | – | (41,578) | – | – | – | (41,578) | – | (41,578) |
| Fair value loss on derivative financial instruments | – | – | – | – | – | – | (4,230) | – | – | (4,230) | – | (4,230) |
| Cash flow hedges transferred to profit or loss | – | – | – | – | – | – | 19,365 | – | – | 19,365 | – | 19,365 |
| Share of other comprehensive income/(loss) of an associate | – | – | – | 17,168 | – | – | (510) | – | – | 16,658 | – | 16,658 |
| Fair value gain on available-for-sale investments | – | – | – | – | – | – | – | 215,187 | – | 215,187 | – | 215,187 |
| Release of reserves upon disposal of available-for-sales investments | – | – | – | – | – | 9,503 | – | (73,020) | – | (63,517) | – | (63,517) |
| Release of reserves upon disposal of equity interest of an associate | – | – | – | (29,478) | – | – | 58,669 | – | – | 29,191 | – | 29,191 |
| Release of reserves upon disposal of a joint venture | – | – | – | – | – | 1,721 | – | – | – | 1,721 | – | 1,721 |
| Total comprehensive income/(loss) | – | – | – | (12,310) | – | (30,354) | 73,294 | 142,167 | 2,112,687 | 2,285,484 | (6,632) | 2,278,852 |
| Transactions with equity owners: | | | | | | | | | | | | |
| Issue of ordinary shares upon conversion of convertible bonds | 44,580 | 25,016 | – | – | (3,854) | – | – | – | – | 65,742 | – | 65,742 |
| Amortisation of share option expense | – | – | – | 193 | – | – | – | – | – | 193 | – | 193 |
| Dividends paid | – | – | – | – | – | – | – | – | (84,825) | (84,825) | – | (84,825) |
| At 31 December 2015 | 848,249 | 41,634 | 936,823 | 111,644 | – | (93,784) | (3,009) | 218,264 | 3,400,760 | 5,460,581 | 39,865 | 5,500,446 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Share premium US$'000 | Contributed surplus US$'000 | Additional paid-in capital US$'000 | Convertible bonds - equity component US$'000 | Foreign currency translation adjustments US$'000 | Cash flow hedge reserve US$'000 | Available-for-sale investments reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| At 1 January 2014 | 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 |
| Comprehensive income: | | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | – | 384,475 | 384,475 | (411) | 384,064 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | |
| Foreign currency translation differences | – | – | – | – | – | (27,278) | – | – | – | (27,278) | – | (27,278) |
| Fair value loss on derivative financial instruments | – | – | – | – | – | – | (17,953) | – | – | (17,953) | – | (17,953) |
| Cash flow hedges transferred to profit or loss | – | – | – | – | – | – | 927 | – | – | 927 | – | 927 |
| Share of other comprehensive income/(loss) of an associate | – | – | – | 11,569 | – | – | (59,315) | – | – | (47,746) | – | (47,746) |
| Fair value gain on available-for-sale investments | – | – | – | – | – | – | – | 75,722 | – | 75,722 | – | 75,722 |
| Release of reserves upon disposal of equity interest of an associate | – | – | – | (452) | – | – | 3,296 | – | – | 2,844 | – | 2,844 |
| Release of reserves upon deemed disposal of equity interest of joint ventures | – | – | – | – | – | (18) | – | – | – | (18) | – | (18) |
| Total comprehensive income/(loss) | – | – | – | 11,117 | – | (27,296) | (73,045) | 75,722 | 384,475 | 370,973 | (411) | 370,562 |
| Transactions with equity owners: | | | | | | | | | | | | |
| Issue of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | 291 | 329 | – | – | – | – | – | – | – | 620 | – | 620 |
| Amortisation of share option expense | – | – | – | 461 | – | – | – | – | – | 461 | – | 461 |
| Dividends paid | – | – | – | – | – | – | – | – | (80,345) | (80,345) | – | (80,345) |
| At 31 December 2014 | 803,669 | 16,618 | 936,823 | 123,761 | 3,854 | (63,430) | (76,303) | 76,097 | 1,372,898 | 3,193,987 | 46,497 | 3,240,484 |

# 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 primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and secondary listed on the Main Board 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 available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and retirement benefit assets 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 2015**

From 1 January 2015, the Group has adopted the following revised HKFRS/Hong Kong Accounting Standard ("HKAS"), amendments and interpretations to existing standard, which are relevant to its operations.

HKAS 19 (Amendment), 'Defined benefit plans - Employee contributions' (effective from 1 July 2014). The amendment requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to services, they should be attributed to periods of services as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to the periods of service. 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 16 and HKAS 38 (Amendments), 'Clarification of acceptable methods of depreciation and amortisation' (effective from 1 January 2016). The amendments clarify the prohibition of revenue based depreciation for property, plant and equipment and rebuttable presumption that revenue based amortisation is not appropriate for intangible assets. The standards and amendments are not expected to have a material impact on the Group's consolidated financial statements.

(ii) HKAS 16 and HKAS 41 (Amendments), 'Bearer plants' (effective from 1 January 2016). The amendments includes plant that meet the definition of a bearer plant are accounted for as property, plant and equipment according to HKAS 16. The amendment is not relevant to the Group.

(iii) HKAS 27 (Amendments), 'Equity method in separate financial statements' (effective from 1 January 2016). The amendments include the option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The standard and amendment are 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)**

(iv) HKFRS 9, 'Financial Instruments' (effective from 1 January 2018). HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised costs, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit and lost. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedge ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is required but is different to that currently prepared under HKAS 39. The impact on the Group's consolidated financial statements is still in the process of review.

(v) HKFRS 10 and HKAS 28 (Amendments), 'Sale or contribution of assets between an investor and its associate or joint venture' (to be determined). The amendments clarify the treatment of gains and losses on the sale of a subsidiary to an associate or joint venture which did not qualify as a business as defined in HKFRS 3. The standards and amendments are not expected to have a material impact on the Group's consolidated financial statements.

(vi) HKFRS 11 (Amendments), 'Accounting for acquisitions of interests in joint operations' (effective from 1 January 2016). The amendments clarify the treatment of acquisition of interest in joint operations that meet the definition of business in HKFRS 3. The standards and amendments are not expected to have a material impact on the Group's consolidated financial statements.

(vii) HKFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018). The objective of HKFRS 15 is to clarify the principles of revenue recognition. This includes removing inconsistencies and perceived weaknesses and improving the comparability of revenue recognition practices across companies, industries and capital markets. In doing so, HKFRS 15 establishes a single revenue recognition framework. The core principle of the framework is, that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Group will apply HKFRS 15 from 1 January 2018. The Group is assessing the impact of HKFRS 15.

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.

**New Hong Kong Companies Ordinance (Cap.622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 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**

A subsidiary is an entity (including a structured entity) over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 unless the transaction provides evidence of an impairment of the transferred asset. 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, interests 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.

**(iii) Disposal of subsidiaries**

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in relation to that entity are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. This means if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss and if a gain or loss that would not be reclassified to profit or loss previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the Group transfers the respective gain or loss directly to retained earnings.

**(iv) 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 interests 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.

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

### *(b) Consolidation (Continued)*

**(iv) Associates (Continued)**

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.

**(v) Joint ventures**

The Group's interests in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of post-acquisition results of joint ventures 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, 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 ventures that is attributable to other venturers. The Group does not recognise its share of profits or losses from the joint ventures that result from the purchase of assets by the Group from the joint ventures 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 joint ventures was prepared using accounting policies of the respective countries and appropriate adjustments were made to conform the accounting policies adopted by the Group.

**(vi) Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The options over the equity of the subsidiary that are to be settled by exchange of a fixed amount of cash or another financial assets for a fixed number of shares in the subsidiary to transfer to the Group are accounted for as a contingent consideration arrangement. In the event that the options expire unexercised, the liabilities is derecognised with a corresponding adjustment to the non-controlling interests.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of comprehensive income.

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

### *(b) Consolidation (Continued)*

**(vi) Business combinations (Continued)**

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

(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 joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences, are reattributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposal (that is, reduction in the Group's ownership interest in associates or joint venture 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. Where services are provided on credit, revenue is recognised net of discounts and rebates 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.

Revenue from aviation service and onshore hotel operations are recognised when the services are rendered.

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.

Contract revenue is recognised by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred to date, as compared to the estimated total costs for the contract.

### *(e) Dividend income*

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

### *(f) Drydocking costs*

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 date of consolidated statement of financial position 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 date of consolidated statement of financial position 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 joint venture, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### *(j) Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments which are subject to an insignificant risk of change in value and exclude restricted cash and bank overdraft. In the statement of financial position, bank overdrafts are shown within loans and borrowings in current liabilities.

### *(k) Convertible bonds*

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

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

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

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

### *(l) Inventories*

Inventories included consumable inventories and inventories used in construction.

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.

Inventories used in construction consist of raw materials and work-in-progress and are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Raw materials will be used in the construction contracts, therefore they are not written down to net realisable value when the market prices for those inventories fall below cost, if the overall construction contract is expected to be profitable.

### *(m) Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### *(n) Trade receivables*

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

### *(o) Financial assets*

**(i) Classification**

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

***Financial assets at fair value through profit or loss***

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

***Loans and receivables***

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

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

### (o) *Financial assets (Continued)*

**(i) Classification (Continued)**

***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 date of consolidated statement of financial position.

**(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. Investments 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, net, in the year in which they arise.

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

The Group assesses at each date of consolidated statement of financial position 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 (n).

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".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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

### *(p) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### *(q) 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.

Provisions for warranty are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

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

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

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

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

### *(r) Trade payables*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

### *(s) Assets under leases*

**(i) 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.

**(ii) Operating leases – where the Group is the lessor**

When assets are leased out under an operating lease, 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.

### *(t) Intangible assets*

**(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generated units ("CGUs") or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**(b) Tradenames**

Separately acquired tradenames are shown at historical cost. Tradenames acquired in a business combination are recognised at fair value at the acquisition date. Tradenames have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of tradenames over their estimated useful lives of 10 years to 40 years.

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

### *(u) Property, plant and equipment*

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

Cruise ships, passenger ferry and ships improvement are depreciated to their estimated residual values on a straight-line basis over periods ranging from 15 to 40 years. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Jetties, docks, buildings and terminal building | 20 – 50 years |
| Equipment and motor vehicles | 3 – 20 years |
| Aircraft | 15 years |
| Yacht, boat equipment and submersible | 10 years |

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

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.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. This includes cost of construction, plant and equipment and other directly attributable costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy stated above.

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 (bb)).

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

### (v) *Earnings per share*

Basic earnings per share is computed by dividing profit 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 is adjusted to eliminate the interest expense. For the share options, certain shares under option have an effect on the adjusted weighted average number of shares in issue as the average option price is lower than the average exercise price.

### (w) *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 date of consolidated statement of financial position, 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.

### (x) *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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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

### *(x) Retirement benefit costs (Continued)*

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated statement of comprehensive income, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

### *(y) 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 date of consolidated statement of financial position.

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

### *(z) Share capital*

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

### *(aa) 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 date of consolidated statement of financial position.

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

### *(bb) Impairment of assets*

At each date of consolidated statement of financial position, both internal and external sources of information are considered to assess whether there is any indication that interests in subsidiaries, joint ventures, associates, property, plant and equipment and intangible assets 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, impairment assessment is performed at least on an annual basis. Such impairment losses are recognised in the profit and loss. For the purpose of assessing impairment, assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The Group measures the amount of the impairment by comparing the carrying amount of an asset to its recoverable amount, which is the higher of an asset's fair value less costs of disposal or its value in use. The Group estimates recoverable amount based on the best information available making whatever estimates, judgements and projections considered necessary. Fair value less costs of disposal 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.

### *(cc) 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 shareholders or directors, where appropriate.

### *(dd) 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.

### *(ee) 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.

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

### *(ff) 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 28. 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) 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 when the underlying hedged items are recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

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.

### *(gg) Customer loyalty programmes*

The Group operates loyalty programmes where customers accumulate points for voyages made which entitle them to discounts or onboard benefit on future voyages. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as a liability at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage, the proportion of points that are expected to expire, is recognised as reward points are redeemed based upon a number of assumptions including historical experience, expected redemption rates and programme design.

## 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, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to 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 US dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure relates to the Australia dollar, Singapore dollar, Renminbi, Malaysia Ringgit and the Hong Kong dollar. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions when appropriate.

At 31 December 2015, if the Singapore dollar, Renminbi, Malaysia Ringgit and Australia dollar had weakened/strengthened by 5% (2014: 5%) against US dollar with all other variables held constant, the foreign exchange losses/gains as a result of translation of Singapore dollar, Renminbi, Malaysia Ringgit and Australia dollar denominated trade receivables, trade payables and cash and cash equivalents would be as follows:

| | **2015<br>US$'000** | 2014<br>US$'000 |
|---|---|---|
| Foreign exchange losses/gains | **8,175** | 11,817 |

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

**(ii) Price risk**

The Group is exposed to equity and debt securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale investments. As at 31 December 2015, if the equity and debt securities price had increased/decreased by 10% (2014: 10%) with all other variables held constant, other comprehensive income would have been increased/decreased by US$168.5 million (2014: US$21.0 million). To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group is exposed to fluctuations in fuel price relates to the consumption of fuel on its ships. Management monitors the market conditions and fuel price fluctuations and where appropriate, fuel swap agreements are entered to mitigate the financial impact.

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### *(a) Financial risk factors (Continued)*

**(iii) Credit risk**

Credit risk arises from cash and cash equivalents, receivable from a former associate relating to disposal of m.v. Norwegian Sky, deposits with banks and financial institutions, loans granted to joint venture and advances to third parties, as well as sales of services made on deferred credit terms. The Group has no significant concentration 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.

**(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 (2015: US$1,778.7 million and 2014: US$718.6 million) and committed credit lines available (2015: US$229.8 million and 2014: US$431.4 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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the date of consolidated statement of financial position 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 amounts, as the impact of discounting is not significant.

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### *(a) Financial risk factors (Continued)*

**(iv) Liquidity risk (Continued)**

| | 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 |
|---|---|---|---|---|
| **2015** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Loans and borrowings | **90,844** | **82,544** | **247,656** | **125,017** |
| Trade payables | **68,284** | **—** | **—** | **—** |
| Accruals and other liabilities | **146,638** | **—** | **—** | **—** |
| Amounts due to related companies | **571** | **—** | **—** | **—** |
| **Derivative financial liabilities** | | | | |
| Inflow arising from derivative financial instruments | **(256,926)** | **—** | **—** | **—** |
| Outflow arising from derivative financial instruments (note 28(b)) | **262,636** | **—** | **—** | **—** |
| 2014 | | | | |
| **Non-derivative financial liabilities** | | | | |
| Loans and borrowings | 226,802 | 50,000 | 200,000 | — |
| Trade payables | 33,271 | — | — | — |
| Accruals and other liabilities | 82,167 | — | — | — |
| Amounts due to related companies | 522 | — | — | — |
| **Derivative financial liabilities** | | | | |
| Outflow arising from derivative financial instruments (note 28(a)) | 16,191 | — | — | — |

**(v) Fair value interest rate risk**

As at 31 December 2015 and 2014, the Group had loans and borrowings bearing fixed interest rates which exposed the Group to fair value interest rate risk. The Group has assessed and considered the fair value interest rate risk to be insignificant.

**(vi) Cash flow interest rate risk**

For the year ended 31 December 2015, 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:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Decrease/Increase in profit before taxation | **5,339** | 4,000 |

### *(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.

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) *Capital risk management (Continued)*

The gearing ratio as at 31 December 2015 was as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Total borrowings (note 26) | **531,310** | 458,451 |
| Less: cash and cash equivalents (note 24) | **(1,778,745)** | (718,574) |
| Net cash | **(1,247,435)** | (260,123) |
| Total equity | **5,500,446** | 3,240,484 |
| Gearing ratio | **N/A** | N/A |

### (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 three 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:

| | Level 1<br>US$'000 | Level 2<br>US$'000 | Level 3<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments | **1,684,940** | **10,931** | **—** | **1,695,871** |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | **—** | **3,009** | **—** | **3,009** |
| 2014 | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments | 213,361 | 12,097 | — | 225,458 |
| **Financial liabilities** | | | | |
| Convertible bonds | — | 67,285 | — | 67,285 |
| Derivatives financial instruments | — | 16,191 | — | 16,191 |

There have been no transfers between the levels of the fair value hierarchy during the years ended 31 December 2015 and 2014.

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

The fair value of financial instruments that are not 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.

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) *Fair value estimation (Continued)*

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 date of consolidated statement of financial position, 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

***Certain short-term financial instruments***

The fair values of cash and cash equivalents, trade and other receivables, trade payables 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:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Carrying amount | **531,310** | 458,451 |
| Fair value | **531,310** | 458,451 |

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.

### (d) *Fair value of financial assets and liabilities measured at amortised cost*

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

## 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, 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 dates of consolidated statement of financial position and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group.

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

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

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

### *(c) 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 date of consolidated statement of financial position.

### *(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 joint ventures 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 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.

### *(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 reassesses the measurement basis used for calculating the fair value of customer loyalty award credits for redemption of cabin onboard on a regular basis.

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

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

The Group follows the guidances of HKFRS 39 'Financial Instruments: Recognition and Measurement' to determine when available-for-sale investments is impaired. The determination requires significant judgements. 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.

### *(i) Construction contracts*

The Group uses the percentage-of-completion method in accounting for its construction contracts. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total contract costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue, respectively. In making these estimates, management have used their accumulative knowledge of the industry, market conditions, and its customers, and corroborated with the experience gained from the most recent deliveries.

### *(j) Warranty provision*

The provision for warranty is based on estimates from known and expected warranty work and legal and constructive obligation for further work to be performed after completion. The warranty provision could differ from future claims.

## 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 divided into cruise operation and non-cruise operation. Accordingly, two reportable segments namely, cruise and cruise-related activities and non-cruise activities are identified.

Revenue from our cruise and cruise-related activities are categorised as "passenger ticket revenue" and "onboard revenue". Passenger ticket revenue primarily consists of revenue from the sale of passenger tickets and the sale of transportation to and from our cruise ships to the extent guests purchase these items from us. Onboard revenue primarily consists of revenue from food and beverage sales, shore excursion, entertainment and other onboard services.

Revenue from our non-cruise activities primarily consists of revenue from our onshore hotel, travel agency, aviation, entertainment and shipyard businesses as well as international marketing activities in relation to our Manila operations and dividend income from investments, none of which are of a significant size to be reported separately.

During 2015, certain revenue, primarily port charges revenue, has been reallocated to "passenger ticket revenue" and revenue in relation to onboard services and activities, including gaming revenue, has been combined under "onboard revenue" within the "cruise and cruise-related activities". In addition, certain revenue, primarily revenue from aviation and travel agent businesses, and certain expenses, primarily selling, general and administrative expenses, have been reallocated from "cruise and cruise-related activities" to "non-cruise activities" segment. These reclassifications were made in a manner consistent with the information reviewed by senior management and the comparative figures have been reclassified to conform with the current year presentation accordingly.

Passenger ticket revenue increased significantly in 2015 due to the contribution from Crystal Cruises. However, the higher provision against trade receivables in 2015 has resulted in an increase in segmental loss of our "cruise and cruise–related activities". The increase in segmental loss of our 'non-cruise activities" was mainly due to higher operating loss from our international marketing activities in relation to our Manila operations and lower revenue from aviation operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The segment information of the Group for the year ended 31 December 2015 and 2014 are as follows:

| 2015 | Cruise and cruise-related activities US$'000 | Non-cruise activities US$'000 | Total US$'000 |
|---|---|---|---|
| Passenger ticket revenue | 289,133 | — | 289,133 |
| Onboard revenues | 363,713 | — | 363,713 |
| Others | — | 37,108 | 37,108 |
| Total turnover | 652,846 | 37,108 | 689,954 |
| Segment results | (49,513) | (39,240) | (88,753) |
| Share of profit of joint ventures | | | 247 |
| Share of profit of associates | | | 36,418 |
| Other expenses, net | | | (42,888) |
| Other gains, net | | | 2,223,778 |
| Finance income | | | 11,363 |
| Finance costs | | | (25,959) |
| Profit before taxation | | | 2,114,206 |
| Taxation | | | (8,151) |
| Profit for the year | | | 2,106,055 |
| Segment assets | 3,498,752 | 3,009,953 | 6,508,705 |
| Total assets | | | 6,508,705 |
| Segment liabilities | 408,560 | 60,862 | 469,422 |
| Loans and borrowings (including current portion) | 519,180 | 12,130 | 531,310 |
| | 927,740 | 72,992 | 1,000,732 |
| Tax liabilities | | | 7,527 |
| Total liabilities | | | 1,008,259 |
| Capital expenditure | 390,259 | 10,937 | 401,196 |
| Depreciation and amortisation | 84,062 | 10,846 | 94,908 |

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

| 2014 (restated) | Cruise and cruise-related activities US$'000 | Non-cruise activities US$'000 | Total US$'000 |
|---|---|---|---|
| Passenger ticket revenue | 141,396 | — | 141,396 |
| Onboard revenues | 389,350 | — | 389,350 |
| Others | — | 40,064 | 40,064 |
| Total turnover | 530,746 | 40,064 | 570,810 |
| Segment results | (9,783) | (32,119) | (41,902) |
| Share of profit of joint ventures | | | 1,530 |
| Share of profit of associates | | | 147,276 |
| Other income, net | | | 8,424 |
| Other gains, net | | | 300,952 |
| Finance income | | | 12,997 |
| Finance costs | | | (31,442) |
| Profit before taxation | | | 397,835 |
| Taxation | | | (13,771) |
| Profit for the year | | | 384,064 |
| Segment assets | 2,241,693 | 1,629,358 | 3,871,051 |
| Total assets | | | 3,871,051 |
| Segment liabilities | 152,632 | 15,115 | 167,747 |
| Loans and borrowings (including current portion) | 448,935 | 9,516 | 458,451 |
| | 601,567 | 24,631 | 626,198 |
| Tax liabilities | | | 4,369 |
| Total liabilities | | | 630,567 |
| Capital expenditure | 202,879 | 6,920 | 209,799 |
| Depreciation and amortisation | 82,326 | 8,434 | 90,760 |

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### *Geographical information*

**Turnover**

Turnover from cruise and cruise-related activities are analysed based on geographical territory of departure port. Turnover from non-cruise activities are based on the location at which the services were provided or based on the location of the customers in respect of contract revenue.

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Asia Pacific | **478,712** | 570,810 |
| North America | **66,629** | — |
| Europe | **130,989** | — |
| Others | **13,624** | — |
| | **689,954** | 570,810 |

**Non-current assets, other than financial instruments and deferred tax assets**

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Asia Pacific (note (a)) | **1,786,780** | 1,811,620 |
| North America | — | 857,382 |
| Europe | **37,237** | 3,546 |
| Unallocated (note (b)) | **760,211** | — |
| | **2,584,228** | 2,672,548 |

*Notes:*

(a) Asia Pacific mainly includes Australia, Cambodia, China, Hong Kong, Indonesia, Japan, Malaysia, Singapore, Taiwan, Thailand and Vietnam.

(b) Unallocated included non-current assets other than financial instruments and deferred tax assets (where applicable) of Crystal Cruises as it operates on a global basis. Accordingly, management considers that there is no suitable basis for allocating such assets by geographical territory.

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | **2,522** | 3,501 |
| Loss on foreign exchange | **(33,269)** | (8,592) |
| Impairment loss on leasehold land (note (a)) | **(12,840)** | — |
| Reversal of impairment of loan receivables from a third party (note (b)) | — | 13,827 |
| Reversal of gain on damages claim from a litigation | — | (1,000) |
| Other income, net | **699** | 688 |
| | **(42,888)** | 8,424 |

*Notes:*

(a) The Group performed a review of the carrying value of certain of its property, plant and equipment and the interest in leasehold land. Accordingly, for the year ended 31 December 2015, the Group wrote down the carrying value of the leasehold land by US$12.8 million, being the excess of the carrying value over the recoverable amount.

(b) During the year ended 31 December 2014, the Group received full settlement of the promissory notes and loan receivables from a third party amounting to US$13.8 million against which an impairment was made in prior year.

## 7. OTHER GAINS, NET

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Gain on de-recognition of an associate (note (a)) | **1,954,508** | — |
| Gain on disposal of equity interest in an associate (note (b)) | **212,500** | 152,638 |
| Gain on deemed disposal of an associate (note (c)) | — | 123,964 |
| Loss on disposal of a joint venture (note (d)) | **(6,364)** | — |
| Gain on dilution of interest in a joint venture (note (e)) | — | 6,332 |
| Gain on disposal of available-for-sale investments (note (f)) | **63,134** | 20 |
| Fair value gain on financial assets at fair value through profit or loss (note (g)) | — | 17,998 |
| | **2,223,778** | 300,952 |

*Notes:*

(a) In May 2015, the Group entered into an underwriting agreement to sell 10.0 million ordinary shares in NCLH ("NCLH Shares") at an offering price of US$54.66 per share and the disposal was completed on 26 May 2015. As a result, the percentage of NCLH Shares owned by the Group decreased from approximately 22.0% to approximately 17.7% and the Group ceased to account for its share of results and net assets of NCLH as an "associate" and, thereafter, recognised its interest in NCLH as an "available-for-sale investment", giving rise to a gain amounting to approximately US$1,954.5 million, which comprised (i) a gain of approximately US$387.1 million representing the difference between the sale proceeds and the carrying value of the NCLH Shares disposed of, and (ii) an one-off accounting gain of approximately US$1,567.4 million representing the difference between the market value of NCLH Shares retained by the Group as at 26 May 2015 and the carrying value of such retained NCLH Shares in the Group's consolidated financial statements upon the reclassification of the Group's interest in NCLH.

(b) In March 2015, the Group entered into an underwriting agreement to sell 6.25 million NCLH Shares at an offering price of US$50.76 per share. As a result of the share disposal, a gain of approximately US$212.5 million to the Group was recorded and the percentage of NCLH Shares owned by the Group decreased from approximately 24.9% to approximately 22.1%.

In March 2014, the Group entered into an underwriting agreement to sell 7.5 million NCLH Shares at an offering price of US$32.97 per share. As a result of the share disposal, a gain of approximately US$152.6 million to the Group was recorded and the percentage of NCLH Shares owned by the Group decreased from approximately 31.4% to approximately 27.7%.

(c) In November 2014, the Group's equity interest in NCLH was diluted from approximately 27.9% to approximately 25.4% as a result of NCLH's issuance of certain new shares for its acquisition of Prestige Cruises International, Inc. ("Prestige") and consequently the Group recorded a gain on deemed disposal of an associate of approximately US$124.0 million.

(d) In October 2015, the Group disposed of all of its 50% interest in Magical Gains Holdings Limited, a joint venture of the Group for a consideration of approximately US$111.4 million. As a result of the disposal, a loss of approximately US$6.4 million to the Group was recorded.

(e) In August 2014, the Group's equity interest in Resorts World Bayshore City Inc. (now known as Westside City Resorts World Inc. ("WCRWI")) was diluted from 50.0% to approximately 2.5% as a result of the subscription of new common shares in WCRWI by Travellers International Hotel Group, Inc. ("Travellers") and consequently the Group recorded a gain on dilution of interest in a joint venture of approximately US$6.3 million. Upon completion of the subscription, WCRWI ceased to be a joint venture and became an available-for-sale investment of the Group.

(f) In August and December 2015, the Group entered into an underwriting agreement to dispose of 10.0 million and 5.17 million NCLH Shares respectively for a consideration of approximately US$590.0 million and approximately US$296.5 million respectively. Accordingly, a gain of approximately US$44.5 million and approximately US$14.7 million respectively to the Group was recorded.

In addition, the Group recorded a gain of US$3.9 million, arising from the disposal of other available-for-sale investments.

(g) The Group recorded a fair value gain of US$18.0 million during the year ended 31 December 2014, arising from the disposal of certain financial assets.

## 8. FINANCE COSTS

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Amortisation of: | | |
| – bank loans arrangement fees and commitment fees | **10,105** | 11,372 |
| Interests on: | | |
| – bank loans and others | **24,904** | 14,281 |
| – convertible bonds | **896** | 6,254 |
| – RMB bonds | **—** | 5,475 |
| Interest capitalised for qualifying assets | **(9,946)** | (5,940) |
| Finance costs expensed | **25,959** | 31,442 |

## 9. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Total depreciation and amortisation analysed into: | **94,908** | 90,760 |
| – relating to operating function | **87,505** | 83,445 |
| – relating to selling, general and administrative function | **7,403** | 7,315 |
| Staff costs (see note 12) | **166,256** | 132,439 |
| Incentive, transportation and other related costs | **34,613** | 31,546 |
| Onboard costs | **121,418** | 78,449 |
| Food and supplies | **28,167** | 18,552 |
| Fuel costs | **63,184** | 62,967 |
| Operating leases – land and buildings | **6,558** | 4,899 |
| Auditors' remuneration: | | |
| – audit services | **1,242** | 1,070 |
| – non-audit services | **1,780** | 856 |
| Advertising expenses | **40,295** | 31,921 |

## 10. TAXATION

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Overseas taxation | | |
| – Current taxation | **3,984** | 5,439 |
| – Deferred taxation | **2,587** | 7,792 |
| | **6,571** | 13,231 |
| Under/(Over) provision in respect of prior years | | |
| – Current taxation | **1,580** | 2,176 |
| – Deferred taxation | **—** | (1,636) |
| | **8,151** | 13,771 |
| Deferred taxation charged in respect of temporary differences (see note 29) | **2,587** | 6,156 |

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.

## 10. TAXATION (CONTINUED)

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Profit before taxation | **2,114,206** | 397,835 |
| Tax calculated at domestic tax rates applicable to profit in the respective countries | **(7,895)** | (2,238) |
| Tax effects of: | | |
| – Income not subject to taxation purposes | **(670)** | (2,919) |
| – Expenses not deductible for taxation purposes | **3,227** | 4,250 |
| – Utilisation of previously unrecognised tax losses and deductible temporary differences | **(263)** | (197) |
| – Deductible temporary differences not recognised | **12,221** | 14,363 |
| – Others | **(49)** | (28) |
| Under provision in respect of prior years | **1,580** | 540 |
| Total tax expense | **8,151** | 13,771 |

## 11. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| **BASIC** | | |
| Profit attributable to equity owners of the Company for the year | **2,112,687** | 384,475 |
| Weighted average outstanding ordinary shares, in thousands | **8,286,603** | 8,034,986 |
| Basic earnings per share for the year in US cents | **25.50** | 4.79 |
| **DILUTED** | | |
| Profit attributable to equity owners of the Company for the year | **2,112,687** | 384,475 |
| Interest expense on convertible bonds | **—** | 6,254 |
| Earnings used to determine diluted earnings per share | **2,112,687** | 390,729 |
| Weighted average outstanding ordinary shares, in thousands | **8,286,603** | 8,034,986 |
| Effect of dilutive potential ordinary shares, in thousands: | | |
| – options | **3,478** | 3,869 |
| – convertible bonds* | **—** | 445,796 |
| Weighted average outstanding ordinary shares after assuming dilution, in thousands | **8,290,081** | 8,484,651 |
| Diluted earnings per share for the year in US cents | **25.48** | 4.61 |

* All outstanding convertible bonds were converted into ordinary shares during the year ended 31 December 2015 and the number of outstanding shares issued has been reflected in the weighted average outstanding ordinary shares for the computation of basic earnings per share for the year with no further impact on diluted earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. STAFF COSTS

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Wages and salaries | **161,018** | 128,044 |
| Termination benefits | **507** | 566 |
| Social security costs | **899** | 788 |
| Non-cash share option expenses | **193** | 461 |
| Post-employment benefits | | |
| – defined contribution plan | **3,194** | 2,580 |
| – defined benefit plan | **445** | — |
| | **166,256** | 132,439 |

Total staff costs include payroll and related staff expenses of US$143.7 million (2014: US$110.0 million) relating to operating function.

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMOLUMENTS OF SENIOR MANAGEMENT

#### *(i) Directors' emoluments*

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2015 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$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Tan Sri Lim Kok Thay | **50** | **1,707** | **711** | **13** | **2** | **2,483** |
| Mr. Alan Howard Smith | **76** | **—** | **—** | **—** | **—** | **76** |
| Mr. Heah Sieu Lay | **5** | **—** | **—** | **—** | **—** | **5** |
| Mr. Lam Wai Hon, Ambrose | **70** | **—** | **—** | **—** | **—** | **70** |
| Mr. Lim Keong Hui | **50** | **348** | **87** | **10** | **2** | **497** |
| Mr. Justin Tan Wah Joo | **57** | **—** | **—** | **—** | **—** | **57** |
| | **308** | **2,055** | **798** | **23** | **4** | **3,188** |

| Name of directors | Fees US$'000 | Salary US$'000 | Discretionary bonus US$'000 | Other benefits[(a)] US$'000 | Contribution to provident fund US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| 2014 | | | | | | |
| Tan Sri Lim Kok Thay | 50 | 1,638 | 683 | 8 | 4 | 2,383 |
| Mr. Alan Howard Smith | 70 | — | — | — | — | 70 |
| Mr. Heah Sieu Lay | 62 | — | — | — | — | 62 |
| Mr. Lam Wai Hon, Ambrose | 66 | — | — | — | — | 66 |
| Mr. Lim Keong Hui | 50 | 204 | 87 | 6 | 2 | 349 |
| Mr. Justin Tan Wah Joo | 18 | — | — | — | — | 18 |
| | 316 | 1,842 | 770 | 14 | 6 | 2,948 |

*Note:*

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

## 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMOLUMENTS OF SENIOR MANAGEMENT (CONTINUED)

### *(ii) Directors' material interests in transactions, arrangements or contracts*

In respect of the Directors' material interests in transactions, arrangements or contracts, save as disclosed in note 32 to the consolidated financial statements, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### *(iii) Five highest paid individuals*

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

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Fees | **50** | 50 |
| Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind | **16,863** | 5,570 |
| Contributions to provident fund | **630** | 23 |
| Non-cash share option expenses | **27** | 25 |
| | **17,570** | 5,668 |
| 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 2015 | 2014 |
|---|---|---|
| HK$3,000,001 – HK$10,000,000 | **3** | 3 |
| HK$10,000,001 – HK$15,000,000 | — | 1 |
| HK$15,000,001 – HK$20,000,000 | **1** | 1 |
| HK$100,000,001 – HK$110,000,000 | **1** | — |

### *(iv) Emoluments of senior management*

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

| | Number of individuals 2015 | 2014 |
|---|---|---|
| HK$1,000,001 – HK$2,000,000 | **1** | — |
| HK$2,000,001 – HK$5,000,000 | **4** | 5 |
| HK$5,000,001 – HK$8,000,000 | **1** | — |
| HK$100,000,001 – HK$110,000,000 | **1** | — |

## 14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

| | Cruise ships, passenger ferry and ship improvements US$'000 | Leasehold land, land, jetties, docks, buildings and improvements US$'000 | Equipment, yacht, boat equipment and motor vehicles US$'000 | Cruise ships, equipment and other construction in progress US$'000 | Aircrafts US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2015 | 1,283,636 | 325,993 | 292,766 | 165,493 | 29,372 | 2,097,260 |
| Currency translation differences | — | (4,807) | (2,474) | (210) | — | (7,491) |
| Additions | 60,006 | 445 | 24,388 | 151,569 | 164,788 | 401,196 |
| Acquisition of subsidiaries | 505,268 | 34,359 | 2,780 | 444 | — | 542,851 |
| Write off | (93) | (428) | (4,891) | — | — | (5,412) |
| Disposals | — | (321) | (304) | — | — | (625) |
| Reclassification | — | 13,728 | — | (13,728) | — | — |
| Adjustments to drydocking | (1,144) | — | — | — | — | (1,144) |
| At 31 December 2015 | 1,847,673 | 368,969 | 312,265 | 303,568 | 194,160 | 3,026,635 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2015 | (706,580) | (89,786) | (151,821) | — | (2,788) | (950,975) |
| Currency translation differences | — | 1,660 | 2,646 | — | — | 4,306 |
| Charge for the year | (65,526) | (9,470) | (17,084) | — | (1,904) | (93,984) |
| Impairment loss | — | (12,840) | — | — | — | (12,840) |
| Write off | 90 | 328 | 4,740 | — | — | 5,158 |
| Disposals | — | 8 | 247 | — | — | 255 |
| At 31 December 2015 | (772,016) | (110,100) | (161,272) | — | (4,692) | (1,048,080) |
| **Net book value** | | | | | | |
| At 31 December 2015 | 1,075,657 | 258,869 | 150,993 | 303,568 | 189,468 | 1,978,555 |

At 31 December 2015, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$1.2 billion (2014: US$0.9 billion).

During the year, the Group has capitalised borrowing costs amounting to US$9.9 million (2014: US$5.9 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.76% (2014: 6.63%).

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Cruise ships, passenger ferry and ship improvements US$'000 | Leasehold land, land, jetties, docks, buildings and improvements US$'000 | Equipment, yacht, boat equipment and motor vehicles US$'000 | Cruise ships, equipment and other construction in progress US$'000 | Aircrafts US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2014 | 1,264,101 | 325,679 | 261,994 | 8,441 | 47,803 | 1,908,018 |
| Currency translation differences | — | (1,764) | (1,311) | — | — | (3,075) |
| Additions | 21,102 | 554 | 29,086 | 159,000 | 57 | 209,799 |
| Acquisition of a subsidiary | — | — | 4,839 | — | — | 4,839 |
| Transfer from/(to) related companies | — | 7 | (20) | — | — | (13) |
| Write off | (1,282) | (183) | (1,971) | — | — | (3,436) |
| Disposals | — | (52) | (47) | — | (18,488) | (18,587) |
| Reclassification | — | 1,752 | 196 | (1,948) | — | — |
| Adjustments to drydocking | (285) | — | — | — | — | (285) |
| At 31 December 2014 | 1,283,636 | 325,993 | 292,766 | 165,493 | 29,372 | 2,097,260 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2014 | (642,456) | (81,334) | (139,412) | — | (2,167) | (865,369) |
| Currency translation differences | — | 484 | 1,068 | — | — | 1,552 |
| Transfer (from)/to related companies | — | 4 | 4 | — | — | 8 |
| Charge for the year | (64,261) | (9,080) | (15,482) | — | (1,903) | (90,726) |
| Write off | 137 | 108 | 1,963 | — | — | 2,208 |
| Disposals | — | 32 | 38 | — | 1,282 | 1,352 |
| At 31 December 2014 | (706,580) | (89,786) | (151,821) | — | (2,788) | (950,975) |
| **Net book value** | | | | | | |
| At 31 December 2014 | 577,056 | 236,207 | 140,945 | 165,493 | 26,584 | 1,146,285 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. LAND USE RIGHT

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Outside Hong Kong: | | |
| Medium leasehold (less than 50 years but not less than 10 years) | **4,040** | 4,278 |

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| At 1 January | **4,278** | 1,280 |
| Additions during the year | **—** | 3,068 |
| Amortisation of prepaid operating lease for the year | **(58)** | (34) |
| Currency translation differences | **(180)** | (36) |
| At 31 December | **4,040** | 4,278 |

## 16. INTANGIBLE ASSETS

| | Goodwill US$'000 | Tradenames US$'000 | Total US$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2015 | **—** | **—** | **—** |
| Acquisition of subsidiaries and business | **13,008** | **40,230** | **53,238** |
| At 31 December 2015 | **13,008** | **40,230** | **53,238** |
| **Accumulated amortisation and impairment** | | | |
| At 1 January 2015 | **—** | **—** | **—** |
| Amortisation charge for the year | **—** | **(866)** | **(866)** |
| At 31 December 2015 | **—** | **(866)** | **(866)** |
| **Net book value** | | | |
| At 31 December 2015 | **13,008** | **39,364** | **52,372** |

The goodwill is resulted from the acquisition of equity shares of Crystal Cruises, Lloyd Werft and the business of Zouk.

The tradenames are resulted from the acquisition of equity shares of Crystal Cruises and the business of Zouk. Included within the carrying amount of tradenames, US$32.5 million relating to the Crystal Cruises for which the remaining life is 39.4 years.

## 17. INTERESTS IN JOINT VENTURES

The Group's interests in joint ventures is as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| At 1 January | **127,706** | 27,977 |
| Equity investment in a joint venture | **576** | 118,309 |
| Additions through acquisition of a subsidiary | — | 3,546 |
| Acquisition of common shares and preferred shares in joint ventures | — | 630 |
| Refund of capital from a joint venture | — | (10,223) |
| Release of unpaid capital injection from a joint venture | — | (6,816) |
| Share of profit of joint venture | **247** | 1,832 |
| Disposal of equity of a joint venture | **(117,750)** | — |
| Dividends | **(3,837)** | (4,606) |
| Currency translation differences | — | 162 |
| Transfer to available-for-sale financial assets | — | (3,105) |
| At 31 December | **6,942** | 127,706 |

During the year ended 31 December 2015, the Group disposed of its 50% equity interest in Magical Gains Holdings Limited ("Magical Gains"). As at 31 December 2015, there are no material joint ventures that have significant impact towards the financial position of the Group.

Set out below is Magical Gains as at 31 December 2014, which, in the opinion of the directors, is material to the Group.

Nature of interest in Magical Gains as at 31 December 2014 is as follows:

| | | | % of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name | Country of incorporation | Principal country of operations | 2015 | 2014 | Nature of relationship | Measurement method |
| Magical Gains | British Virgin Islands | Republic of Korea | — | 50.0 | Note 1 | Equity |

Note 1: Magical Gains is a company incorporated in the British Virgin Islands and an investment holding company. Other than Grand Express Korea Co., Ltd. ("Grand Korea"), the other subsidiaries of Magical Gains are investment holding companies.

Grand Korea is a company incorporated under the laws of the Republic of Korea and is principally engaged in operating the casino business pursuant to a casino licence issued under the Tourism Promotion Act, which is the framework law governing the casino industry in South Korea, and is regulated by the Ministry of Culture and the government of the Jeju Province in the Republic of Korea.

Magical Gains is a private company and there is no quoted market price available for its shares.

## 17. INTERESTS IN JOINT VENTURES (CONTINUED)

### *Summarised financial information for a joint venture*

Set out below is the summarised financial information for Magical Gains which was accounted for using the equity method for the year ended 31 December 2014.

### *Summarised statement of financial position*

| | Magical Gains 2014 US$'000 |
|---|---|
| **Current** | |
| Cash and cash equivalents | 108,692 |
| Other current assets (excluding cash) | 9,093 |
| Total current assets | 117,785 |
| Financial liabilities (excluding trade payables) | (237,085) |
| Other current liabilities (including trade payables) | — |
| Total current liabilities | (237,085) |
| **Non-current** | |
| Assets | 113,375 |
| Financial liabilities | (935) |
| Other liabilities | — |
| Total non-current liabilities | (935) |
| **Net liabilities** | (6,860) |

### *Summarised statement of comprehensive income*

The Group has not recognised its share of any profit or loss from Magical Gains for the year ended 31 December 2014 as it was not material.

### *Reconciliation of summarised financial information presented to the carrying amount of its interest in the joint venture*

| | Magical Gains 2014 US$'000 |
|---|---|
| Net assets as at 1 January | — |
| Net loss for the year | (2,633) |
| Charges to additional paid in capital | 5,349 |
| Currency translation differences | (9,576) |
| Net liabilities as at 31 December | (6,860) |
| Share of net liabilities in the joint venture @ 50.0% | (3,430) |
| Carrying amount | 118,309 |
| Translation differences on the consolidation level | — |
| Advances to Magical Gains | (112,993) |
| Goodwill from acquisition | (8,746) |
| Share of net liabilities of the joint ventures | (3,430) |

## 18. INTERESTS IN ASSOCIATES

The Group's interests in associates are as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| At 1 January | **1,394,279** | 1,269,261 |
| Additions through acquisition of a subsidiary | **—** | 9,121 |
| Share of profit of associates | **36,418** | 147,298 |
| Share of reserves of an associate | **16,658** | (47,746) |
| Disposal of equity interest of an associate | **(100,770)** | (93,795) |
| De-recognition of an associate | **(778,676)** | — |
| Gain on deemed disposal of an associate | **—** | 126,340 |
| Dividends | **(11,128)** | (15,855) |
| Currency translation differences | **(16,969)** | (3,755) |
| Others | **2,507** | 3,410 |
| At 31 December | **542,319** | 1,394,279 |

Set out below are the associates of the Group as at 31 December 2015, which, in the opinion of the directors, are material to the Group. The material associates as listed below have share capital consisting of ordinary shares and preferred shares, which are held directly by the Group.

Nature of interests in material associates as at 31 December 2015 and 2014 is as follows:

| | | | % of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name | Country of incorporation | Principal country of operations | 2015 | 2014 | Nature of relationship | Measurement method |
| Travellers | Republic of the Philippines | Republic of the Philippines | **44.9** | 44.9 | Note 1 | Equity |
| NCLH | Bermuda | The United States of America | **N/A*** | 25.0 | Note 2 | Equity |

Note 1: Travellers operates Resorts World Manila, the Philippines' first one-stop, non-stop vacation spot for top-notch entertainment and world class leisure alternatives. Resorts World Manila is the Group's first foray in a land-based attraction.

Note 2: NCLH, a leading global cruise line operator, operates a fleet of 21 ships under the brands of "Norwegian Cruise Line", "Oceania Cruises" and "Regent Seven Seas Cruises". In 2014, NCLH was 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.

* In May 2015, the Group's equity interest in NCLH was further diluted from 22.0% to 17.7% as a result of further share disposal. Since then, the Group ceased to account for NCLH as an "associate" and thereafter, recognised its interest in NCLH as an "available-for-sale investment".

As at 31 December 2015, the fair value of the Group's interest in Travellers, which is listed on The Philippines Stock Exchange, Inc, was approximately US$663.0 million and the carrying amount of the Group's interest was approximately US$533.5 million.

## 18. INTERESTS IN ASSOCIATES (CONTINUED)

### *Summarised financial information for associates*

Set out below is the summarised financial information for Travellers which is accounted for using the equity method.

No summarised financial information for NCLH for the year ended 2015 is shown as it has been de-recognised as an associate during the year as explained above.

### *Summarised statement of financial position*

| | Travellers | | NCLH | |
|---|---|---|---|---|
| | **2015 US$'000** | 2014 US$'000 | **2015 US$'000** | 2014 US$'000 |
| **Current** | | | | |
| Cash and cash equivalents | **262,015** | 398,198 | **N/A** | 84,824 |
| Other current assets (excluding cash) | **155,089** | 116,462 | **N/A** | 177,270 |
| Total current assets | **417,104** | 514,660 | **N/A** | 262,094 |
| Financial liabilities (excluding trade payables) | **—** | — | **N/A** | (576,947) |
| Other current liabilities (including trade payables) | **(273,244)** | (227,880) | **N/A** | (1,509,652) |
| Total current liabilities | **(273,244)** | (227,880) | **N/A** | (2,086,599) |
| **Non-current** | | | | |
| Assets | **1,068,953** | 909,897 | **N/A** | 11,227,423 |
| Financial liabilities | **(311,759)** | (318,796) | **N/A** | (5,607,157) |
| Other liabilities | **(6,020)** | (5,922) | **N/A** | (360,508) |
| Total non-current liabilities | **(317,779)** | (324,718) | **N/A** | (5,967,665) |
| **Net assets** | **895,034** | 871,959 | **N/A** | 3,435,253 |

### *Summarised statement of comprehensive income*

| | Travellers | | NCLH | |
|---|---|---|---|---|
| | **2015 US$'000** | 2014 US$'000 | **2015 US$'000** | 2014 US$'000 |
| Revenue | **609,833** | 710,174 | **N/A** | 3,125,881 |
| Depreciation and amortisation | **(30,863)** | (34,126) | **N/A** | (267,443) |
| Interest income | **2,558** | (4,278) | **N/A** | 20 |
| Interest expense | **(17,058)** | (22,342) | **N/A** | (151,647) |
| Profit before taxation from continuing operations | **89,474** | 124,214 | **N/A** | 335,184 |
| Taxation | **(1,086)** | (1,700) | **N/A** | 2,267 |
| Profit for the year from continuing operations | **88,388** | 122,514 | **N/A** | 337,451 |
| Other comprehensive income/(loss) | **451** | (166) | **N/A** | (227,393) |
| Total comprehensive income | **88,839** | 122,348 | **N/A** | 110,058 |
| Dividends received from associates | **11,128** | 15,854 | **N/A** | — |

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

## 18. INTERESTS IN ASSOCIATES (CONTINUED)

*Reconciliation of summarised comparison financial information*

| | Travellers | | NCLH | |
|---|---|---|---|---|
| | **2015 US$'000** | 2014 US$'000 | **2015 US$'000** | 2014 US$'000 |
| Net assets as at 1 January | **871,959** | 752,126 | **N/A** | 2,552,856 |
| Profit for the year | **88,388** | 122,514 | **N/A** | 337,451 |
| Other comprehensive income | **451** | (166) | **N/A** | (227,393) |
| Transaction with affiliates, net | **—** | — | **N/A** | 5,580 |
| Share based compensation | **—** | — | **N/A** | 14,617 |
| Dividend declaration | **(23,835)** | — | **N/A** | — |
| Issuance of ordinary shares on acquisition of Prestige | **—** | — | **N/A** | 834,142 |
| Treasury stock | **—** | — | **N/A** | (82,000) |
| Currency translation differences | **(41,929)** | (2,515) | **N/A** | — |
| Net assets as at 31 December | **895,034** | 871,959 | **N/A** | 3,435,253 |
| Interest in associates @ 44.9%/25.0% | **401,870** | 391,510 | **N/A** | 858,813 |
| Carrying amount | **533,484** | 527,672 | **N/A** | 857,382 |
| Fair value adjustment from acquisition | **(123,473)** | (132,394) | **N/A** | — |
| Translation differences on the consolidation level | **(8,141)** | (3,768) | **N/A** | — |
| Fair value adjustments on the fixed assets held by NCLH | **—** | — | **N/A** | 13,463 |
| Unrealised gain arising from the sales of fixed asset to NCLH | **—** | — | **N/A** | 7,290 |
| Notional goodwill | **—** | — | **N/A** | (13,782) |
| Others | **—** | — | **N/A** | (5,540) |
| Share of net assets of associates | **401,870** | 391,510 | **N/A** | 858,813 |

## 19. AVAILABLE-FOR-SALE INVESTMENTS

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| At 1 January | **225,458** | 161,293 |
| Exchange difference | **(22,232)** | (18,914) |
| Additions | **2,212,651** | 12,097 |
| Disposals | **(935,193)** | (4,740) |
| Fair value gains recognised in equity | **215,187** | 75,722 |
| At 31 December | **1,695,871** | 225,458 |
| Less: non-current portion | **(207,530)** | (209,943) |
| Current portion | **1,488,341** | 15,515 |

Available-for-sale investments include the following:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Listed investments: | | |
| Equity securities – listed outside Hong Kong | **1,684,940** | 197,846 |
| Debt securities – listed outside Hong Kong | **—** | 6,584 |
| Debt securities – listed in Hong Kong | **—** | 8,931 |
| | **1,684,940** | 213,361 |
| Unlisted investments: | | |
| Equity securities | **10,931** | 12,097 |
| | **1,695,871** | 225,458 |

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

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| US dollar | **1,488,341** | — |
| Australia dollar | **196,599** | 194,276 |
| Chinese Renminbi | **—** | 15,515 |
| Philippines Peso | **8,744** | 9,401 |
| Euro dollar | **2,187** | 2,696 |
| Sri Lankan Rupee | **—** | 3,570 |
| | **1,695,871** | 225,458 |

## 20. PROPERTIES UNDER DEVELOPMENT

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Properties under development | **20,393** | 17,820 |

At 31 December 2015, properties under development amounting to US$20.4 million (2014: US$17.8 million) was scheduled for completion within normal operating cycle.

## 21. INVENTORIES

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Food and beverages | **12,915** | 3,549 |
| Supplies and consumables | **27,548** | 4,167 |
| Retail inventories | **8,146** | 10,267 |
| Raw materials | **1,716** | — |
| Work-in-progress | **2,228** | — |
| | **52,553** | 17,983 |

## 22. TRADE RECEIVABLES

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Trade receivables | **238,805** | 216,904 |
| Less: Provisions | **(187,548)** | (136,838) |
| | **51,257** | 80,066 |

The ageing analysis of the trade receivables by invoice date is as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Current to 30 days | **39,827** | 57,693 |
| 31 days to 60 days | **2,647** | 708 |
| 61 days to 120 days | **6,598** | 10,620 |
| 121 days to 180 days | **803** | 4,581 |
| 181 days to 360 days | **352** | 2,171 |
| Over 360 days | **1,030** | 4,293 |
| | **51,257** | 80,066 |

Credit terms generally range from payment in advance to 45 days credit (31 December 2014: payment in advance to 45 days).

Receivables amounting to US$14.9 million (2014: US$8.7 million) are secured by the underlying pledged securities and bear interest ranging from 5.0% to 6.5% (2014: 5.0% to 6.5%) per annum.

## 22. TRADE RECEIVABLES (CONTINUED)

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Hong Kong dollar | **24,690** | 29,752 |
| US dollar | **8,596** | 14,833 |
| Singapore dollar | **10,255** | 18,862 |
| Malaysia Ringgit | **4,274** | 16,323 |
| Chinese Renminbi | **383** | 212 |
| Other currencies | **3,059** | 84 |
| | **51,257** | 80,066 |

The Group has provided US$54.3 million for trade receivables in 2015 (2014: US$39.7 million), and US$3.6 million was recovered during the year (2014: US$5.2 million).

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 2015, the trade receivables that were past due but not provided was US$11.4 million (2014: US$22.4 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 ageing analysis of these trade receivables that are past due but not impaired is as follows:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Up to 3 months | **9,243** | 11,322 |
| 3 months to 1 year | **1,157** | 6,751 |
| Over 1 year | **1,030** | 4,293 |
| | **11,430** | 22,366 |

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Other debtors | **33,524** | 30,108 |
| Deposits | **4,129** | 2,918 |
| Prepayment | **53,052** | 8,064 |
| Loans to third parties | **—** | 8,328 |
| Receivable relating to disposal of m.v. Norwegian Sky (note (a)) | **18,522** | 55,565 |
| Loan and receivable to a joint venture (note (b)) | **35,803** | 18,888 |
| Amount due from an associate | **5,080** | 1,677 |
| | **150,110** | 125,548 |
| Less: non-current portion | **(23,918)** | (35,226) |
| Current portion | **126,192** | 90,322 |

*Notes:*

(a) Out of the total consideration of US$259.3 million in relation to the disposal of m.v. Norwegian Sky, US$240.8 million has been received by the Group as at 31 December 2015. The remaining US$18.5 million will be settled in one equal principal installment payment plus interest at 1.25% per annum on 31 May 2016.

(b) The loan granted to a joint venture includes a EUR0.5 million (US$0.7 million) unsecured, interest free investor loan and a Euro 8.2 million (US$10.7 million) facility agreement, which is unsecured and subject to interest at EURIBOR plus 5.5% per annum to Wider S.R.L. for construction of yacht.

## 24. CASH AND CASH EQUIVALENTS

Deposits, cash and bank balances consist of the following:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Deposits with banks | **729,793** | 383,847 |
| Cash and bank balances | **1,048,952** | 334,727 |
| | **1,778,745** | 718,574 |

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Deposits, cash and bank balances | **1,778,745** | 718,574 |

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| US dollar | **1,161,266** | 243,896 |
| Singapore dollar | **106,063** | 109,466 |
| Hong Kong dollar | **225,259** | 107,127 |
| Malaysia Ringgit | **32,468** | 64,048 |
| Australia dollar | **93,913** | 67,131 |
| Chinese Renminbi | **76,153** | 46,557 |
| Philippines Peso | **2,456** | 34,503 |
| Indian Rupee | **7,483** | 21,971 |
| New Taiwan dollar | **11,066** | 12,861 |
| Euro dollar | **58,554** | 7,042 |
| Other currencies | **4,064** | 3,972 |
| | **1,778,745** | 718,574 |

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

| | 2015 | 2014 |
|---|---|---|
| Effective interest rate per annum | **1.4%** | 1.9% |
| Average maturity days | **117 days** | 96 days |

## 25. 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 2015 and 31 December 2015 | **10,000** | **1** | **19,999,990,000** | **1,999,999** |
| At 1 January 2014 and 31 December 2014 | 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 2015 | **8,036,693,743** | **803,669** |
| Issue of ordinary shares upon conversion of convertible bonds | **445,796,459** | **44,580** |
| At 31 December 2015 | **8,482,490,202** | **848,249** |
| At 1 January 2014 | 8,033,787,745 | 803,378 |
| Issue of ordinary shares pursuant to the Post-listing Employee Share Option Scheme | 2,905,998 | 291 |
| At 31 December 2014 | 8,036,693,743 | 803,669 |

The net proceeds from the issuance of ordinary shares pursuant to conversion of convertible bonds have been used for general corporate and working capital purposes of the Group. As at 31 December 2015, there were no unapplied proceeds from this issuance of shares.

## 26. LOANS AND BORROWINGS

Loans and borrowings consist of the following:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| **SECURED:** | | |
| US$600 million secured term loan and revolving credit facility | **237,996** | 284,784 |
| US$300 million secured term loan and revolving credit facility | **—** | 96,865 |
| US$300 million secured term loan | **281,184** | — |
| RMB14 million entrustment loan (note (i)) | **2,156** | 2,258 |
| RMB12.5 million entrustment loans (note (i)) | **3,850** | 4,033 |
| RMB10 million entrustment loan (note (i)) | **1,540** | 3,226 |
| RMB9 million entrustment loan (note (i)) | **770** | — |
| EUR3.6 million secured term loan | **3,814** | — |
| **UNSECURED:** | | |
| Convertible bonds (see note 27) | **—** | 67,285 |
| Total liabilities | **531,310** | 458,451 |
| Less: Current portion | **(87,160)** | (220,792) |
| Non-current portion | **444,150** | 237,659 |

*Note:*

(i) As at 31 December 2015 and 2014, the entrustment loans are secured by equivalent amount of restricted cash.

## 26. LOANS AND BORROWINGS (CONTINUED)

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| US dollar | **519,180** | 448,934 |
| Euro dollar | **3,814** | — |
| Chinese Renminbi | **8,316** | 9,517 |
| | **531,310** | 458,451 |

As at 31 December 2015, the outstanding balances of loans and borrowings denominated in Renminbi and Euro was approximately RMB54.0 million (2014: RMB59.0 million) and EUR3.5 million (2014: nil) respectively.

As at 31 December 2015, approximately 2% of the Group's loans and borrowings was fixed rated (2014: 13%) and 98% was variable rated (2014: 87%).

The following is a schedule of repayments of the loans and borrowings in respect of the outstanding borrowings as at 31 December 2015:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Within one year | **87,160** | 220,792 |
| In the second year | **78,903** | 46,778 |
| In the third to fifth years | **240,815** | 190,881 |
| After the fifth year | **124,432** | — |
| | **531,310** | 458,451 |

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| 6 months or less | **519,180** | 381,649 |

The secured loans and borrowings were secured by legal charges over assets including fixed and floating charges of US$1,158.7 million (2014: US$1,558.5 million).

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

| | 2015 | 2014 |
|---|---|---|
| Bank borrowings in US dollar | **2.5%** | 3.3% |
| Bank borrowings in Renminbi | **3.9%** | 0.4% |
| Bank borrowings in Euro | **2.2%** | — |
| Convertible bonds | — | 9.4% |

## 27. 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.

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

| | **2015 US$'000** | 2014 US$'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 | **(8,893)** | (5,039) |
| Equity component of remaining convertible bonds | **—** | (3,854) |
| Equity component | **(8,893)** | (8,893) |
| Liability component on initial recognition | **137,107** | 137,107 |
| Interest accrued as at 1 January | **12,122** | 10,743 |
| Interest expense for the year | **896** | 6,254 |
| Interest paid during the year | **(2,438)** | (4,875) |
| Conversion of the Bonds due 2016 to ordinary shares and share premium | **(147,687)** | (81,944) |
| Liability component | **—** | 67,285 |

As at 31 December 2014, out of the US$150 million Bonds due 2016, US$85 million had been converted into ordinary shares in the Company.

As at 31 December 2015, all of the remaining US$65 million Bonds due 2016 had been converted into ordinary shares of the Company.

## 28. 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 date of consolidated statement of financial position or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. The following are the estimated fair values of the Group's financial instruments and the methods used to estimate such fair value.

(a) The Group entered into fuel swap agreements with an aggregate notional amount of US$47.8 million as at 31 December 2014, to pay fixed price for fuel. As at 31 December 2014, the outstanding notional amount was approximately US$35.5 million and the estimated fair value of the fuel swap was approximately US$16.2 million, which was unfavourable to the Group. This amount was recorded within the current portion of the derivative financial instruments in the consolidated statements of financial position. These fuel swaps was designated and qualified as cash flow hedges. The changes in the fair value of these fuel swaps were included as a separate component of reserves and are recognised in the profit or loss when the underlying hedged items were recognised. As at 31 December 2015, all of these fuel swaps have matured and settled.

(b) During the year, the Group entered into forward contracts to buy Euro dollar at a fixed exchange rate. As at 31 December 2015, the notional amount of these contracts was US$262.6 million and the estimated fair market value of these forward contracts was approximately US$3.0 million, which was unfavourable to the Group. These forward contracts have been designated and qualified as cash flow hedges. The changes in the fair value of these forward contracts are included as a separate component of reserves and included in the initial measurement of the cost of the non-financial asset which is the underlying hedged item.

The fair values of the above instruments have been estimated using published market prices or quotes from reputable financial institutions. The Group has no significant concentrations of credit risk as at 31 December 2015.

## 29. DEFERRED TAX

| | 2015 | | |
|---|---|---|---|
| | **Undistributed profit of associate US$'000** | **Excess of capital allowance over depreciation US$'000** | **Total US$'000** |
| **Deferred tax liabilities** | | | |
| The movements in deferred tax liabilities are as follows: | | | |
| At 1 January | **7,815** | **35** | **7,850** |
| Exchange difference | **—** | **1** | **1** |
| Acquisition of subsidiaries | **—** | **4,344** | **4,344** |
| Deferred taxation charged to consolidated statement of comprehensive income | **2,925** | **(207)** | **2,718** |
| At 31 December | **10,740** | **4,173** | **14,913** |
| The amount shown in the consolidated statement of financial position includes the following: | | | |
| Deferred tax liabilities to be settled after 12 months | **10,740** | **4,173** | **14,913** |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. DEFERRED TAX (CONTINUED)

| | 2014 | | |
|---|---|---|---|
| | Undistributed profit of associate US$'000 | Excess of capital allowance over depreciation US$'000 | Total US$'000 |
| **Deferred tax liabilities** | | | |
| The movements in deferred tax liabilities are as follows: | | | |
| At 1 January | 1,169 | 285 | 1,454 |
| Exchange difference | — | (1) | (1) |
| Deferred taxation charged to consolidated statement of comprehensive income | 6,646 | (249) | 6,397 |
| At 31 December | 7,815 | 35 | 7,850 |
| The amount shown in the consolidated statement of financial position includes the following: | | | |
| Deferred tax liabilities to be settled after 12 months | 7,815 | 35 | 7,850 |

| | Tax losses | |
|---|---|---|
| | **2015 US$'000** | 2014 US$'000 |
| **Deferred tax assets** | | |
| The movements in the deferred tax assets are as follows: | | |
| At 1 January | **312** | 50 |
| Exchange difference | **111** | 21 |
| Acquisition of subsidiaries | **207** | — |
| Deferred taxation credited to consolidated statement of comprehensive income | **131** | 241 |
| At 31 December | **761** | 312 |
| The amount shown in the consolidated statement of financial position includes the following: | | |
| Deferred tax assets to be recovered after 12 months | **761** | 312 |

As at 31 December 2015, the unused tax losses which have no expiry date and for which no deferred tax asset was recognised in the consolidated statement of financial position were approximately US$299 million (2014: US$353 million).

## 30. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Current to 60 days | **47,054** | 16,024 |
| 61 days to 120 days | **5,195** | 4,721 |
| 121 days to 180 days | **4,625** | 3,817 |
| Over 180 days | **11,410** | 8,709 |
| | **68,284** | 33,271 |

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2014: no credit to 45 days).

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

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| US dollar | **43,260** | 26,996 |
| Hong Kong dollar | **13,007** | 1,004 |
| Malaysia Ringgit | **2,073** | 4,281 |
| Euro dollar | **3,556** | 288 |
| Other currencies | **6,388** | 702 |
| | **68,284** | 33,271 |

## 31. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consist of the following:

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| Payroll, taxes and related benefits | **30,074** | 20,774 |
| Accruals for obligations under customer loyalty programmes | **22,730** | 11,425 |
| Interest accrued | **2,409** | 1,041 |
| Port charges accrued | **12,816** | 5,130 |
| Advanced receipts | **6,220** | 3,556 |
| Accrued expenses | **52,388** | 35,362 |
| Accruals for repairs and maintenance | **1,563** | 2,874 |
| Accruals for loss on fuel swap | **1,595** | 1,408 |
| Amount due to an associate | **—** | 3,577 |
| Option consideration payable (note 38) | **16,366** | — |
| Other creditors | **23,207** | 8,445 |
| | **169,368** | 93,592 |

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group during the year ended 31 December 2015 and 2014 are set out below:

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 and Chief Executive Officer, an Executive Director 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, the Executive Director – Chairman's Office and Chief Information Officer 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") has become a wholly-owned subsidiary of Star Cruise (C) Limited ("SC (C)", an indirect wholly-owned subsidiary of the Company) subsequent to the completion of the acquisition of the WCIL group by SC (C) from Resorts World Inc Pte. Ltd. ("RWI") on 31 December 2013. RWI is a company incorporated in Singapore and currently is a 50:50 joint venture 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 Tan Sri Lim Kok Thay).

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.

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.

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

Norwegian Cruise Line Holdings Ltd. ("NCLH" or "Norwegian") had been an associate of the Company until the completion of a secondary offering of its ordinary shares on 26 May 2015 to become an available-for-sale investment of the Company. Prior to that, Norwegian had been a joint venture of the Company until the completion of its initial public offering on 24 January 2013. NCL (Bahamas) Ltd. ("NCLB") is a company incorporated under the laws of Bermuda with limited liability and an indirect wholly-owned subsidiary of Norwegian.

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.

Travellers International Hotel Group, Inc. ("Travellers") had been a joint venture of the Company until the initial listing of its common shares on 5 November 2013 to become an associate of the Company. APEC Assets Limited ("APEC") is a wholly-owned subsidiary of Travellers. Each of Genting Management Services, Inc. ("GMS") and Genting-Star Tourism Academy Inc. ("GSTA") is a joint venture 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 joint venture 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 40.05% indirect equity interest and Datuk Lim Chee Wah (a brother of Tan Sri Lim Kok Thay) has 59.95% indirect equity interest.

Glass Castle Limited ("GCL") is a wholly-owned subsidiary of the Company and RWD US LLC ("RWD") is an indirect wholly-owned subsidiary of GENM.

FreeStyle Gaming Limited ("FSG") is a company incorporated in Hong Kong and a wholly-owned subsidiary of RWI International Investments Limited, which in turn is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of RWI.

Genting Singapore Aviation III Ltd. ("GSA") is company incorporated in Bermuda and a wholly-owned subsidiary of GENS.

Petram Beteiligungs GmbH ("Petram") was a substantial shareholder of Lloyd Werft Bremerhaven AG ("LWB", a non-wholly-owned subsidiary of the Company) and Lloyd Investitions- und Verwaltungs GmbH ("LIV", a non-wholly-owned subsidiary of the Company) from 23 November 2015 to 10 January 2016. During this period, Petram held 30% of the total issued shares in LWB and 50% of the total share capital in LIV (together the "Remaining Petram LWB Shares and LIV Shares") and the Group held the remaining 70% interest in LWB and 50% interest in LIV. Subsequently, upon completion of the acquisition of the Remaining Petram LWB Shares and LIV Shares by the Group on 11 January 2016, LWB and LIV became wholly-owned subsidiaries of the Company and Petram ceased to be a substantial shareholder of LWB and LIV but continued to be a connected person of the Company at the subsidiary level for the purpose of the Listing Rules for a period of 12 months by virtue of being an associate (as defined under Chapter 14A of the Listing Rules) of former members of the supervisory board of LWB. Accordingly, the various continuing transactions entered or to be entered (if any) into between (i) the LWB group or the LIV group and (ii) the Petram group still constitute continuing connected transactions of the Company up to 10 January 2017, or the expiry of their respective terms, if earlier.

German Dry Docks GmbH & Co. KG ("GDD KG") is a wholly-owned subsidiary of Petram.

## 32. 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 2015 and 2014 are set out below:

(a) On 20 December 2010, the Company entered into services agreements each 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. In view of the expiry of the agreements, on 23 December 2013, the parties further entered into supplemental agreements to extend the term of the respective agreements each for a further fixed term of 3 years commencing from 1 January 2014. For the year ended 31 December 2015, (i) the amount charged to the Group in respect of secretarial, share registration, investor and other related services rendered by GMC was approximately US$7,000 (2014: US$9,000), (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$1,288,000 (2014: US$1,450,000), and (iii) the amount charged to the Group in respect of administrative and other support services rendered by the GENS group was approximately US$40,000 (2014: US$39,000).

(b) On 31 March 2011, the Company entered into services agreements each 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. On 23 December 2013, the parties entered into supplemental agreements to extend the term of the respective agreements each for a further fixed term of 3 years commencing from 1 January 2014. For the year ended 31 December 2015, (i) the amount charged by the Group in respect of air ticket purchasing and travel related services to the GENS group was approximately US$123,000 (2014: US$221,000) and (ii) the amount charged by the Group in respect of tourism consultancy services rendered to the GENM group was approximately US$47,000 (2014: US$38,000).

(c) The customer loyalty programme known as "WorldCard" ("WorldCard 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 WorldCard Programme under the inter-operator agreement (as amended) (the "Inter-Operator Agreement").

The Group also implemented joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the GENM group pursuant to the joint promotion and marketing agreement (as amended and supplemented) (the "JPM Agreement").

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 to renew the Inter-Operator Agreement and the JPM Agreement (as amended and supplemented from time to time) each for a further period of 3 years commencing from 1 January 2014.

During the year ended 31 December 2015 and 2014, the following transactions took place:

| | GROUP | |
|---|---|---|
| | **2015 US$'000** | 2014 US$'000 |
| Amounts charged by the GENT group to the Group | **58** | 164 |
| Amounts charged to the GENT group by the Group | **477** | 1,110 |

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

(d) On 5 October 2012, TIECL entered into a tenancy agreement with CCL in respect of the lease of office premises in Macau. During the year ended 31 December 2015, the amount charged by CCL to the Group in respect of the rental amounted to US$46,000 (2014: US$46,000).

(e) On 20 December 2013, SCHK as a tenant entered into a tenancy agreement for 2 years commencing from 1 January 2014 with Rich Hope as landlord in respect of the lease of an apartment in Hong Kong. During the year ended 31 December 2015, the amount charged by Rich Hope to SCHK in respect of the rental amounted to US$232,000 (2014: US$233,000).

(f) On 12 November 2012 and 21 September 2015, SCA as tenant entered into two tenancy agreements with Ambadell as landlord in respect of the lease of an office area in Australia and renewal of the said lease respectively. During the year ended 31 December 2015, the amount charged by Ambadell to the Group in respect of the rental amounted to US$65,000 (2014: US$57,000).

(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 expired 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. For the year ended 31 December 2015, amount charged to RWS in respect of these services rendered by CAL was approximately US$1,489,000 (2014: US$1,420,000).

(h) (1) 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 (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 (equivalent to approximately US$463,000). The last payment of consultancy fee of RMB573,260 (equivalent to approximately US$94,000) was charged by SCCH to 3rd Valley in December 2013. On 16 April 2012, SCCH and 3rd Valley entered into a hotel management agreement (the "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.

(2) Subsequently, on 13 March 2015, a termination agreement was entered into between GLCM and 3rd Valley whereby the Hotel Management Agreement was terminated with immediate effect in consideration of the payment of the outstanding amount due and payable by 3rd Valley to the Group under the said agreement. During the year ended 31 December 2015, the amount charged by the Group to 3rd Valley in respect of such management and other services was Nil (2014: approximately US$0.04 million).

(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. On 16 September 2015, the agreement has been renewed for a further 3 years from 1 April 2015 to 31 March 2018. During the year ended 31 December 2015, the amount charged by GIML to SMHL in respect of the annual license fee was US$26,000 (2014: US$20,000).

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

(j) 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 (equivalent to approximately US$557,000) for interest at the rate of USD 4.75% plus USD 6 months LIBOR. The loan is for the sole purpose of completing the structural works and renovation of Genting Star Secret Garden located at Zhang Jia Kou, China. The Group has advanced US$557,000 to 3rd Valley International in 2012. During the year ended 31 December 2015, the interest amount charged by WDKZ to 3rd Valley International in respect of the loan amounted to US$28,000 (2014: US$32,000).

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.

(k) 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.

(l) 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.

(m) 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 2015, the amount charged by Travellers to the Group in respect of the rental amounted to US$447,000 (2014: US$353,000).

(n) 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 2015, service revenue received from GSTA and GMS was US$156,000 (2014: US$127,000).

(o) On 7 January 2011, NCLB entered into a general services agreement with CAL for the provision of contact centre services by CAL. During the year ended 31 December 2015, the amount charged by CAL to NCLB in respect of the services amounted to US$250,000 (2014: US$290,000).

(p) Famous City and Travellers 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 2015, the amount charged by Famous City to Travellers in respect of the services amounted to US$824,000 (2014: US$806,000).

(q) CAL and Travellers 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 2015, service revenue received from Travellers was US$130,000 (2014: US$747,000).

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

(r) 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 2015, service revenue received from SCHKMS was US$63,000 (2014: US$111,000).

(s) On 15 November 2012, the shareholders of MLIC (the immediate holding company of TIECL) advanced interest-bearing shareholders' loans to TIECL in an aggregate sum of HK$5 million (equivalent to 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 (equivalent to approximately US$484,000) from the Group (as to 75%); HK$0.75 million (equivalent to approximately US$97,000) from World Arena (as to 15%); and HK$0.5 million (equivalent to approximately US$64,000) from Silverland (as to 10%)).

(t) 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 for two years beginning from 1 January 2013. During the year ended 31 December 2015, the consultancy fee charged by NCLB to Symbol Smart Limited was Nil (2014: US$1,200,000).

(u) On 30 October 2013, Star Cruises Ship Management Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a service agreement with APEC for the provision of technical consultancy services with effect from 14 October 2013. On 19 June 2015, the parties entered into a first supplemental agreement to renew the term of the service agreement for another one year from 14 October 2014 to 13 October 2015. During the year ended 31 December 2015, service revenue received from APEC was US$64,000 (2014: US$67,000).

(v) 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 (equivalent to 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 2015, the amount paid to 3rd Valley was Nil (2014: Nil).

(w) 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 ended 31 December 2015. During the year ended 31 December 2015, (i) the amounts charged from 3rd Valley group to the Group was US$252,000 (2014: US$290,000); and (ii) the amounts charged to 3rd Valley group by the Group was US$32,000 (2014: US$59,000).

(x) On 2 January 2014, GCL entered into a sale and purchase agreement with RWD for the disposal of an aircraft to RWD for a consideration of US$17.3 million.

(y) On 4 March 2014, Star NCLC Holdings Ltd. ("Star NCLC", a wholly-owned subsidiary of the Company) entered into an underwriting agreement with NCLH and others pursuant to which Star NCLC further disposed of 7.5 million ordinary shares in NCLH ("NCLH Shares") for a total consideration of approximately US$246.9 million (after deduction of relevant expenses). As a result of the share disposal, the then percentage of NCLH Shares beneficially owned by the Group further decreased from approximately 31.4% to approximately 27.7%, with a disposal gain of approximately US$152.6 million to the Group.

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

(z) During the period between October 2013 and June 2014, the shareholders of MLIC (the immediate holding company of TIECL) advanced interest-bearing shareholders' loans to TIECL in an aggregate sum of HK$10 million (equivalent to approximately US$1,290,000) to meet the working capital requirement of TIECL in proportion to their respective effective percentage of equity interests in TIECL (i.e. HK$7.5 million (equivalent to approximately US$968,000) from the Group (as to 75%); HK$1.5 million (equivalent to approximately US$193,000) from World Arena (as to 15%); and HK$1 million (equivalent to approximately US$129,000) from Silverland (as to 10%)).

(aa) On 1 July 2014, Snow Castle Limited ("SCL", an indirect wholly-owned subsidiary of the Company) as licensee entered into a license agreement with FSG whereby FSG as the licensor would (i) grant an exclusive license to SCL with rights to use an application (the "Software") which can be downloaded in the mobile devices of passengers onboard the vessels operated and/or managed by the Group and (ii) provide certain support services in respect of the Software to SCL for a total fee comprising a one-off mobilisation fee and a monthly licence fee according to the terms set out in the license agreement subject to an annual fee cap of US$400,000 for a term commencing from the date of the license agreement to 31 December 2016, renewable at the option of SCL up to a maximum 9 terms of 3 years each. For the year ended 31 December 2015, the amount of mobilisation fee and licence fee charged by FSG to SCL under the license agreement were Nil (2014: Nil) and Nil (2014: Nil) respectively.

(bb) On 1 September 2014, the Group entered into a master services agreement with IRMS to appoint IRMS as consultant to provide ongoing design consultancy services to support the Group's operations effective from 1 September 2014 to 31 December 2016. During the year ended 31 December 2015, the amount charged by IRMS to the Group in respect of the consultancy services amounted to SGD623,000 (equivalent to approximately US$442,000) (2014: SGD597,000 (equivalent to approximately US$451,000)).

(cc) On 18 November 2014, World Arena and Silverland signed a waiver (a) with the intention to provide MLIC (the immediate holding company of TIECL) further shareholders' loans of up to HK$10,300,000 (equivalent to approximately US$1,328,000) (the "Loan") to meet the working capital requirement of MLIC and its subsidiaries (the "MLIC Group"); and (b) to waive the Group's obligation from advancing MLIC the corresponding share of the Loan in accordance with the Specified Proportion (as defined in the Shareholders Agreement dated 19 March 2007 entered into between MLIC, the Group, World Arena and Silverland). On 24 December 2014, Silverland advanced HK$865,000 (equivalent to approximately US$112,000) under the Loan to the MLIC Group. On 2 June 2015, Silverland further advanced HK$2,500,000 (equivalent to approximately US$323,000) under the Loan to the MLIC Group.

(dd) On 10 December 2014, Star Cruises Terminal (China) Limited ("SCT", a wholly-owned subsidiary of the Company) entered into a share purchase agreement with Golden Hope as trustee of the GHUT in respect of the acquisition by SCT from Golden Hope as trustee of the GHUT of the entire issued share capital in Exa Limited (which is incorporated in the Isle of Man and mainly invests in yacht manufacturing and distribution companies) at the consideration of US$37,937,409. The acquisition was completed on 15 December 2014.

(ee) On 5 March 2015, Star NCLC entered into an underwriting agreement with NCLH and others pursuant to which Star NCLC further disposed of 6.25 million NCLH Shares for a total consideration of approximately US$316.9 million (after deduction of relevant expenses). As a result of the share disposal, the then percentage of NCLH Shares beneficially owned by the Group further decreased from approximately 24.9% to approximately 22.1%, with a disposal gain of approximately US$212.5 million to the Group.

(ff) On 19 May 2015, Star NCLC entered into an underwriting agreement with NCLH and others pursuant to which Star NCLC further disposed of 10 million NCLH Shares for a total consideration of approximately US$546.1 million (after deduction of relevant expenses). As a result of the share disposal, the then percentage of NCLH Shares beneficially owned by the Group further decreased from approximately 22% to approximately 17.7%, with a disposal gain of approximately US$387.1 million to the Group.

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

(gg) On 19 October 2015, LWB entered into an agreement on charged rates for the provision of dock facilities and related services and personnel leasing (the "Agreement On Charged Rates") with GDD KG in relation to the provision of dock facilities, personnel leasing, services and other works (i) by GDD KG to the LWB group and (ii) by the LWB group to GDD KG respectively for a period from 19 October 2015 to 31 December 2016. During the period ended 31 December 2015, (i) the amount paid/payable by the LWB group was Nil and (ii) the amount received/receivable by the LWB group was EUR1,785,000 (approximately US$1,950,000).

(hh) On 20 December 2015, Crystal Luxury Airbus Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser entered into an aircraft sale and purchase agreement with GSA as seller for the acquisition of one Airbus ACJ319 aircraft for a consideration of US$23.0 million. As at the date of these consolidated financial statements, the acquisition has not yet been completed.

(ii) On 31 December 2015, Star Cruises Singapore Investment Holding Pte. Ltd. ("SCSIH", a wholly-owned subsidiary of the Company) issued an exercise notice to Petram to exercise a call option for the acquisition of 30% of the total issued shares in LWB and 50% of the total share capital in LIV by SCSIH from Petram for a total consideration of EUR16,469,000 (equivalent to approximately US$18,178,000) in accordance with the call and put option agreement entered into between SCSIH and Petram on 17 September 2015 (as amended). The acquisition was completed on 11 January 2016.

### *Transactions with Directors*

(jj) 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$1.78 (US$0.23) and HK$3.78 (US$0.49) per share. Details of the movements of the share options during the year ended 31 December 2015 and the outstanding share options as at 31 December 2015 are set out in the section headed "Share Options" in the Report of the Directors.

### *Key management compensation*

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

| | **2015 US$'000** | 2014 US$'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **18,600** | 14,371 |
| Post-employment benefits | **641** | 194 |
| Non-cash share option expenses | **29** | 25 |
| | **19,270** | 14,590 |

## 33. RETIREMENT BENEFIT OBLIGATIONS

As a result of acquisition of subsidiaries during the year ended 31 December 2015, the Group maintains (i) the Crystal Cruises Pension Plan ("Crystal Pension Plan") in the US, a non-contributory defined benefit pension plan; (ii) the Crystal Cruises Supplemental Executive Retirement Plans ("Crystal SERP") in the US, a supplemental plan for certain executive management who participate in the Crystal Pension Plan; (iii) Lloyd Werft Occupational Pension Scheme ("Lloyd Werft Pension Scheme") in Germany and (iv) Lloyd Werft Managing Directors Pension Scheme ("Lloyd Werft MDPS") in Germany for certain executive management. There were no defined benefit plans for the Group's employees for the year ended 31 December 2014.

All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. In the US plans, the level of benefits provided based on members' average compensation and the number of years of service. In the Germany plans, the levels of benefits provided are fixed based on the factors defined in the plans. The Crystal Pension Plan which is funded in accordance with the terms of the plan and statutory requirements. The other plans are unfunded plans where the Group meets the benefit payment obligation as it falls due.

The amounts recognised in the consolidated statement of financial position are determined as follows:

| | 2015<br>US$'000 |
|---|---|
| Present value of funded obligations | 25,778 |
| Fair value of plan assets | (17,872) |
| Liability in the consolidated statement of financial position | 7,906 |

The movement in the defined benefit liability over the year is as follows:

| | Present value of obligation<br>US$'000 | Fair value of plan assets<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|
| At 1 January 2015 | — | — | — |
| Acquired in business combination (Note 38) | 26,471 | (18,760) | 7,711 |
| Current service cost | — | — | — |
| Interest expense/(income) | (292) | 662 | 370 |
| Administrative expenses | — | 75 | 75 |
| | 26,179 | (18,023) | 8,156 |
| Contributions: | | | |
| – Employers | — | (250) | (250) |
| – Plan participants | — | — | — |
| Payments from plans: | | | |
| – Benefit payments | (401) | 401 | — |
| At 31 December 2015 | 25,778 | (17,872) | 7,906 |

Crystal SERP in the US was terminated during the year. A lump sum settlement of US$181,000 was made on 31 July 2015.

## 33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The defined benefit obligation and plan assets are composed by country as follows:

| | US<br>US$'000 | Germany<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|
| Present value of obligation | 21,339 | 4,439 | 25,778 |
| Fair value of plan assets | (17,872) | — | (17,872) |
| Total | 3,467 | 4,439 | 7,906 |

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately US$12.0 million relating to active employees, US$4.1 million relating to deferred members and US$9.7 million relating to members in retirement.

The significant actuarial assumptions were as follows:

| | 2015 | |
|---|---|---|
| | US | Germany |
| Discount rate | **4.4%** | **2.4%** |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | | Impact on defined benefit obligation | |
|---|---|---|---|
| | Change in assumption | Increase | Decrease |
| Discount rate | 0.25% | Decrease by 3.6% | Increase by 3.9% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## 34. RESTRICTED CASH

Restricted cash of the Group includes an amount of US$158.8 million (2014: Nil) pledged to the banks for the issuance of irrevocable standby letter of credit in favour of third parties.

## 35. COMMITMENTS AND CONTINGENCIES

### *(i) Capital expenditure*

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Contracted but not provided for | | |
| – Cruise ships and related costs (note (a)) | **1,319,810** | 1,603,616 |
| – Aircrafts and related costs (note (b)) | **153,149** | — |
| – Properties under development and others | **54,710** | 66,022 |
| | **1,527,669** | 1,669,638 |

*Notes:*

(a) In October 2013 and February 2014, the Group contracted with a shipyard to purchase two ships with anticipated delivery in the fourth quarter of 2016 and 2017 respectively. The above amount represents the aggregate cost of the ships under construction and on firm order (based on Euro/US dollar exchange rate at the date of consolidated statement of financial position) as at 31 December 2015.

(b) It refers to the commitment for the purchase of a number of aircrafts and related refurbishment costs.

### *(ii) Operating leases*

Rental expense under non-cancellable operating lease commitments was US$6.6 million for the year ended 31 December 2015 (2014: US$3.9 million).

At 31 December 2015, future minimum lease payments payable under non-cancellable operating leases are as follows:

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Within one year | **9,617** | 4,994 |
| In the second to fifth year inclusive | **30,929** | 2,819 |
| After the fifth year | **21,382** | 3,990 |
| | **61,928** | 11,803 |

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

### *(iii) Material litigation*

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

## 36. SHARE OPTION SCHEME

### *Post-listing Employee Share Option Scheme*

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

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

**Purpose**

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

**Participants**

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

**Total number of ordinary shares available for issue**

The maximum number of ordinary 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 1.56% of the issued share capital as at the date of this Report. No further options can be granted under the Post-listing Employee Share Option Scheme following its expiry on 29 November 2010.

**Maximum entitlement of each employee**

The total number of ordinary 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 ordinary 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 ordinary 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 ordinary shares in issue; and

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

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

## 36. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

The share options granted on (i) 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 (ii) 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 ordinary 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 ordinary 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 ordinary 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 an ordinary share of the Company.

**Remaining life of the Post-listing Employee Share Option Scheme**

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

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

## 36. SHARE OPTION SCHEME (CONTINUED)

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

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

| | 2015 | |
|---|---|---|
| | Average exercise price in HK$ per ordinary share | Number of ordinary shares under options (thousands) |
| **At 1 January** | **2.8311** | **20,075** |
| Forfeited | **3.7800** | **(200)** |
| **At 31 December** | **2.8215** | **19,875** |

| | 2014 | |
|---|---|---|
| | Average exercise price in HK$ per ordinary share | Number of ordinary shares under options (thousands) |
| **At 1 January** | 2.4831 | 32,155 |
| Exercised | 1.6513 | (2,906) |
| Forfeited | 1.9851 | (9,174) |
| **At 31 December** | 2.8311 | 20,075 |

A summary of the share options outstanding as at 31 December 2015 is as follows:

| | Options outstanding | | Options exercisable |
|---|---|---|---|
| **Exercise price** | Number of ordinary shares (in thousands) | Weighted average remaining life (years) | Number of ordinary shares (in thousands) |
| HK$1.7800 | **9,525** | **2.4** | **9,525** |
| HK$3.7800 | **10,350** | **4.9** | **10,350** |
| | **19,875** | **3.7** | **19,875** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries of the Company as at 31 December 2015:

| 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 | Isle of Man | Investment holding | — | 100 | — |
| Star Cruise Services Limited | Isle of Man | Investment holding | — | 100 | — |
| Superstar Virgo Limited | Isle of Man | Bareboat chartering | — | 100 | — |
| My Inn (Hangzhou) Hotel Co. Limited | The People's Republic of China | Hotel management, accommodation and property management | — | 100 | — |
| Suzhou My Inn Hotel Co., Ltd. | The People's Republic of China | Operation of economy accommodation services | — | 100 | — |
| Shanghai My Inn Hotel Co. Limited | The People's Republic of China | Accommodation and property management | — | 100 | — |
| 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 |

## 37. 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)** | | | | | |
| 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 | — |
| Exa Limited | Isle of Man | Investment holding | — | 100 | — |
| Crystal Cruises, LLC | California, USA | Cruise line operator | — | 100 | — |
| Crystal Acquisition Company Limited | Isle of Man | Investment holding | — | 100 | — |
| Symphony Holdings Limited | Note (2) | Cruise services | — | 100 | — |
| Serenity Holdings Limited | Note (2) | Cruise services | — | 100 | — |
| Crystal Air Holdings Limited | Isle of Man | Investment holding | — | 100 | — |
| Star Cruises Singapore Investment Holding Pte. Ltd. | Singapore | Investment holding | — | 100 | — |
| Lloyd Investitions- und Verwaltungs GmbH ("LIV") | Bremerhaven, Germany | Investment holding and owns the shipyard area and annexed dockyards | — | 50 (Note 4) | 50 (Note 4) |

## 37. 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)** | | | | | |
| Lloyd Werft Bremerhaven AG ("LWB") | Bremerhaven, Germany | Investment holding and operates the Lloyd Werft shipyard and offers newbuilding, conversion and maintenance services for ships | — | 70 (Note 4) | 30 (Note 4) |
| Zouk Event Pte. Ltd. | Singapore | Investment holding and event organiser | — | 100 | — |
| Zouk IP Pte. Ltd. | Singapore | Holder of IPs and trademarks | — | 100 | — |
| Zouk Consulting Pte. Ltd. | Singapore | Investment holding in entertainment business | — | 100 | — |

*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 and cruise-related services onboard substantially in international waters.

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

(4) Both LIV and LWB have been accounted for as wholly-owned subsidiaries without non-controlling interests for accounting purpose as the option agreement between the Group and the owner of the remaining ownership interests has given the Group the full access to the economic benefits and risks associated with the actual ownership of the remaining shares. The Group has exercised the option on 31 December 2015 and the acquisition of the remaining shares was completed in January 2016.

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.

## 38. BUSINESS COMBINATIONS

### *Acquisition of subsidiaries and business*

(i) On 15 May 2015, the Group acquired the entire interest in Crystal Cruises, which is a global luxury cruise line operator, for a consideration of US$426.9 million.

The following table summarises the consideration paid for Crystal Cruises, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | As at date of acquisition US$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 72,380 |
| Tradename | 32,497 |
| Property, plant and equipment | 509,017 |
| Inventories | 29,891 |
| Other assets | 25 |
| Trade and other receivables | 12,993 |
| Advance ticket sales | (185,335) |
| Trade and other payables | (51,654) |
| Retirement benefit obligations | (3,272) |
| Total identifiable net assets | 416,542 |
| Goodwill | 10,356 |
| Net assets acquired | 426,898 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Purchase consideration settled in cash | 426,898 |
| Less: Cash and cash equivalents in subsidiary acquired | (72,380) |
| Net cash outflow on acquisition | 354,518 |
| Acquisition-related costs | 6,939 |

The revenue included in the consolidated statement of comprehensive income since the date of acquisition contributed by Crystal Cruises was US$206.0 million. Crystal Cruises also contributed profit of US$7.4 million over the same period.

Had Crystal Cruises been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of US$311.4 million and profit for the year of US$7.4 million.

## 38. BUSINESS COMBINATIONS (CONTINUED)

### *Acquisition of subsidiaries and business (Continued)*

(ii) On 19 October 2015, the Group acquired the business of Zouk, a Singapore club brand, for a consideration of S$11.3 million (approximately US$8.0 million). The acquisition of Zouk did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2015.

The following table summarises the consideration paid for Zouk, and the provisional fair value of the assets acquired and liabilities assumed recognised at the acquisition date.

| | **As at date of acquisition US$'000** |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Tradename | **7,733** |
| Deferred tax liabilities | **(1,354)** |
| Total identifiable net assets | **6,379** |
| Goodwill | **1,605** |
| Net assets acquired | **7,984** |
| Purchase consideration settled in cash | **7,984** |
| Net cash outflow on acquisition | **7,984** |
| Acquisition-related costs | **338** |

(iii) On 23 November 2015, the Group acquired 50% and 70% of the equity interest in Lloyd Investitions- und Verwaltungs GmbH ("LIV") and Lloyd Werft Bremerhaven AG ("LWB") respectively (collectively "Lloyd Werft") for a consideration of EUR17.5 million (approximately US$19.1 million).

In accordance with an option agreement in relation to the acquisition, it allows either the Group to exercise a call option to acquire the remaining 50% equity interest in LIV and 30% equity interest in LWB (collectively "NCI") or the owner of NCI to exercise a put option to dispose of the NCI to the Group at a fixed consideration. As a result, for accounting purpose, it has been determined that the existence of the option agreement has given the Group the full access to the economic benefits and risks associated with the actual ownership of the NCI. Therefore, both LIV and LWB have been accounted for as wholly-owned subsidiaries without non-controlling interests and an option liability has been recognised as at the date of acquisition. The Group has exercised the call option on 31 December 2015 and the acquisition of the NCI was completed on 11 January 2016.

The acquisition of Lloyd Werft did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2015.

## 38. BUSINESS COMBINATIONS (CONTINUED)

### *Acquisition of subsidiaries and business (Continued)*

The following table summarises the consideration paid for Lloyd Werft, and the provisional fair value of the assets acquired and liabilities assumed recognised at the acquisition date.

| | As at date of acquisition US$'000 |
|---|---|
| Purchase consideration: | |
| – Cash paid | 19,140 |
| – Option liability (note (a)) | 16,366 |
| | 35,506 |
| Provisional fair value of the assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 20,949 |
| Property, plant and equipment | 33,834 |
| Inventories | 6,162 |
| Trade and other receivables | 8,226 |
| Trade and other payables | (27,489) |
| Retirement benefit obligations | (4,439) |
| Deferred tax liabilities | (2,784) |
| Total identifiable net assets | 34,459 |
| Goodwill | 1,047 |
| Net assets acquired | 35,506 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Purchase consideration settled in cash as at 31 December 2015 | 19,140 |
| Less: Cash and cash equivalents in subsidiaries acquired | (20,949) |
| Net cash inflow on acquisition as at 31 December 2015 | (1,809) |
| Acquisition-related costs | 1,567 |

*Notes:*

(a) The option was exercised on 31 December 2015 and the related liability was settled in January 2016.

(b) The amounts of assets and liabilities arising from the acquisition of Lloyd Werft as at 31 December 2015 is currently determined based on provisional fair values assigned to the identifiable assets and liabilities as at acquisition date. Any adjustments to these provisional values upon finalisation of the detailed fair value exercise will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the adjusted fair value had been used at acquisition date.

## 38. BUSINESS COMBINATIONS (CONTINUED)

### *Acquisition of subsidiaries and business (Continued)*

(iv) On 29 August 2014, the Group acquired 75% of the share capital in GAM International Limited ("GAM") for US$5 million. The acquisition of GAM did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2014.

The following table summarises the consideration paid for GAM, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | As at date of acquisition US$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 500 |
| Intellectual property rights | 2,500 |
| Trade and other receivables | 2,000 |
| Net assets acquired | 5,000 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Purchase consideration settled in cash | 3,000 |
| Less: Cash and cash equivalents in subsidiary acquired | (500) |
| Net cash outflow on acquisition | 2,500 |

Remaining purchase consideration of US$2 million remained as payable as at 31 December 2014.

(v) On 15 December 2014, the Group acquired 100% of the share capital in Exa Limited ("EXA") for US$37.9 million. The acquisition of EXA did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2014.

The following table summarises the consideration paid for EXA, and the provisional fair value of the assets acquired and liabilities assumed recognised at the acquisition date.

| | As at date of acquisition US$'000 |
|---|---|
| Provisional fair value of the assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 779 |
| Property, plant and equipment | 4,839 |
| Investment in a joint venture | 3,546 |
| Investment in associates | 9,121 |
| Other investments | 5,336 |
| Trade and other receivables | 15,125 |
| Trade and other payables | (809) |
| Net assets acquired | 37,937 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Purchase consideration settled in cash | 37,937 |
| Less: Cash and cash equivalents in subsidiary acquired | (779) |
| Net cash outflow on acquisition | 37,158 |

## 39. SIGNIFICANT SUBSEQUENT EVENTS

(i) After completion of the acquisition of the 50% equity interest in Lloyd Investitions- und Verwaltungs GmbH ("LIV") and the 70% equity interest in Lloyd Werft Bremerhaven AG ("LWB") pursuant to the sale and purchase agreement dated 17 September 2015, on 31 December 2015, the Group exercised the call option to acquire the remaining 50% equity interest in LIV and 30% equity interest in LWB at a total consideration of EUR16,469,000 (equivalent to approximately US$18,178,000 when the call option was exercised). Prior to acquisition of the remaining interest in LIV and LWB, both LIV and LWB have been accounted for as subsidiaries of the Group. Upon completion of the acquisition of the remaining equity interest in LIV and LWB in January 2016, each of LIV and LWB became a 100% owned subsidiary of the Group.

(ii) On 1 March 2016, the Group entered into a sale and purchase agreement to acquire, inter alia, the assets required for the Group's construction of cruise ships and real estate properties of three shipyards in Germany located respectively in Wismar, Warnemünde and Stralsund, from an independent third party for an aggregate consideration of EUR230.6 million (equivalent to approximately US$254.9 million at the date of the agreement). Completion of the acquisition shall be subject to fulfilment or waiver of all the closing conditions whichever is applicable. As at the date of these consolidated financial statements, the acquisition has not yet been completed.

## 40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2015

| | Note | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **603** | 647 |
| Interests in subsidiaries | | **1,838,317** | 1,838,317 |
| | | **1,838,920** | 1,838,964 |
| **CURRENT ASSETS** | | | |
| Prepaid expenses and other receivables | | **4,610** | 2,417 |
| Amounts due from subsidiaries | | **3,875,329** | 2,580,475 |
| Cash and cash equivalents | | **230,180** | 35,427 |
| | | **4,110,119** | 2,618,319 |
| **TOTAL ASSETS** | | **5,949,039** | 4,457,283 |

## 40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2015 (Continued)

| | Note | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Capital and reserves attributable to the equity owners of the Company | | | |
| Share capital | | **848,249** | 803,669 |
| Reserves: | | | |
| Share premium | (a) | **41,634** | 16,618 |
| Contributed surplus | (a) | **936,823** | 936,823 |
| Additional paid-in capital | (a) | **102,542** | 102,350 |
| Convertible bonds - equity component | (a) | **—** | 3,854 |
| Cash flow hedge reserve | (a) | **—** | (16,096) |
| Retained earnings | (a) | **668,008** | 781,034 |
| **TOTAL EQUITY** | | **2,597,256** | 2,628,252 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Loans and borrowings | | **191,232** | 237,659 |
| | | **191,232** | 237,659 |
| **CURRENT LIABILITIES** | | | |
| Provisions, accruals and other liabilities | | **6,142** | 6,471 |
| Current portion of loans and borrowings | | **46,764** | 211,275 |
| Derivative financial instruments | | **—** | 16,191 |
| Amounts due to subsidiaries | | **3,107,645** | 1,357,435 |
| | | **3,160,551** | 1,591,372 |
| **TOTAL LIABILITIES** | | **3,351,783** | 1,829,031 |
| **TOTAL EQUITY AND LIABILITIES** | | **5,949,039** | 4,457,283 |
| **NET CURRENT ASSETS** | | **949,568** | 1,026,947 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,788,488** | 2,865,911 |

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

**Mr. Lim Keong Hui**
*Executive Director*

## 40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (a) Reserve movement of the Company

| 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 2015 | 803,669 | 16,618 | 936,823 | 102,350 | 3,854 | (16,096) | 781,034 | 2,628,252 |
| Comprehensive income: | | | | | | | | |
| Loss for the year | — | — | — | — | — | — | (28,201) | (28,201) |
| Other comprehensive income/ (loss) for the year: | | | | | | | | |
| Fair value gain on derivative financial instruments | — | — | — | — | — | 17,412 | — | 17,412 |
| Cash flow hedges transferred to profit or loss | — | — | — | — | — | (1,316) | — | (1,316) |
| Total comprehensive income | — | — | — | — | — | 16,096 | (28,201) | (12,105) |
| Transaction with equity owners: | | | | | | | | |
| Issuance of ordinary shares upon conversion of convertible bonds | 44,580 | 25,016 | — | — | (3,854) | — | — | 65,742 |
| Amortisation of share option expense | — | — | — | 192 | — | — | — | 192 |
| Dividends paid | — | — | — | — | — | — | (84,825) | (84,825) |
| At 31 December 2015 | 848,249 | 41,634 | 936,823 | 102,542 | — | — | 668,008 | 2,597,256 |

## 40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company (Continued)

| 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 2014 | 803,378 | 16,289 | 936,823 | 101,889 | 3,854 | 812 | 913,305 | 2,776,350 |
| Comprehensive income: | | | | | | | | |
| Loss for the year | — | — | — | — | — | — | (51,926) | (51,926) |
| Other comprehensive income/ (loss) for the year: | | | | | | | | |
| Fair value loss on derivative financial instruments | — | — | — | — | — | (17,953) | — | (17,953) |
| Cash flow hedges transferred to profit or loss | — | — | — | — | — | 1,045 | — | 1,045 |
| Total comprehensive income | — | — | — | — | — | (16,908) | (51,926) | (68,834) |
| Transaction with equity owners: | | | | | | | | |
| Issuance of ordinary shares pursuant to the Post-listing Employees Share Option Scheme | 291 | 329 | — | — | — | — | — | 620 |
| Amortisation of share option expense | — | — | — | 461 | — | — | — | 461 |
| Dividends paid | — | — | — | — | — | — | (80,345) | (80,345) |
| At 31 December 2014 | 803,669 | 16,618 | 936,823 | 102,350 | 3,854 | (16,096) | 781,034 | 2,628,252 |

*Note:*

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

## 41. FINAL DIVIDEND

The Directors do not recommend the declaration of final dividend in respect of the year ended 31 December 2015 (2014: A final dividend of US$0.01 per ordinary share amounting to approximately US$84,825,000 was recommended by the Directors).

## 42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2016.

# 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 94 to 176, which comprise the consolidated statements of financial position as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 17 March 2016

# AUDITED FIVE YEARS FINANCIAL SUMMARY

| | 2015 US$'000 | 2014 US$'000 | 2013 US$'000 | 2012 US$'000 | 2011 US$'000 |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Turnover | **689,954** | 570,810 | 554,729 | 520,381 | 494,008 |
| Results from continuing operations | **(88,753)** | (41,902) | (35,479) | 62,744 | 57,365 |
| Share of profit of joint ventures | **247** | 1,530 | 43,278 | 162,893 | 127,933 |
| Share of profit/(loss) of associates | **36,418** | 147,276 | 31,291 | 203 | (404) |
| Other (expenses)/income, net | **(42,888)** | 8,424 | (14,903) | 1,588 | 23,291 |
| Other gains, net | **2,223,778** | 300,952 | 576,254 | 259 | — |
| Finance income | **11,363** | 12,997 | 13,219 | 12,032 | 4,182 |
| Finance costs | **(25,959)** | (31,442) | (47,800) | (55,073) | (34,518) |
| Profit before taxation | **2,114,206** | 397,835 | 565,860 | 184,646 | 177,849 |
| Taxation | **(8,151)** | (13,771) | (13,909) | (1,313) | (2,532) |
| Profit for the year from continuing operations | **2,106,055** | 384,064 | 551,951 | 183,333 | 175,317 |
| Profit for the year from discontinued operations | **—** | — | — | 14,672 | 10,110 |
| Profit for the year | **2,106,055** | 384,064 | 551,951 | 198,005 | 185,427 |
| Attributable to: | | | | | |
| Equity owners of the Company | **2,112,687** | 384,475 | 552,389 | 198,361 | 182,204 |
| Non-controlling interests | **(6,632)** | (411) | (438) | (356) | 3,223 |
| | **2,106,055** | 384,064 | 551,951 | 198,005 | 185,427 |
| Basic earnings per share (US cents) | **25.50** | 4.79 | 7.00 | 2.55 | 2.34 |
| Diluted earnings per share (US cents) | **25.48** | 4.61 | 6.61 | 2.45 | 2.26 |
| **Assets and Liabilities** | | | | | |
| Total assets | **6,508,705** | 3,871,051 | 3,866,985 | 3,450,017 | 3,122,257 |
| Total liabilities | **(1,008,259)** | (630,567) | (917,799) | (1,077,919) | (935,921) |
| Total equity | **5,500,446** | 3,240,484 | 2,949,186 | 2,372,098 | 2,186,336 |

# PROPERTIES SUMMARY

As at 31 December 2015

| | 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) | 137,962 $ft^2$ (12,817 $m^2$) | 96,123 $ft^2$ (8,930 $m^2$) | 90 | J |
| 2. | An adjoining site to the Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia | Lot 2931 (previously Lot PT 741) | 40,462 $ft^2$ (3,759 $m^2$) | — | 90 | J |
| 3. | No. 288 Suzhou Avenue East, Suzhou Industrial Park, Suzhou, China | Lot No: 75034 | 4,220 $m^2$ | — | 40 | O/H |
| 4. | A piece of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli County, Zhangjiakou City, Hebei Province, China | — | 15,106 $m^2$ | — | Until 1 March 2054 (approximately 39 years) | H/RT |
| 5. | A piece of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli County, Zhangjiakou City, Hebei Province, China | — | 22,644 $m^2$ | — | Until 1 March 2084 (approximately 69 years) | RSD |
| 6. | Bruckenstr. 25, 27568 Bremerhaven, Germany | Lot No: 0056, 0160, 0161, 0201, 0203, 0205, 0207, 0262 and 0263 | 263,833 $m^2$ | 59,580 $m^2$ | Freehold | OSB |
| 7. | Bruckenstr. 25, 27568 Bremerhaven, Germany | Lot No: 0023 and 0215 | 23,987 $m^2$ | 450 $m^2$ | 9 | OSB |
| 8. | 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) | 8,100 $m^2$ | — | 25 | H/C |

*Notes:*

i The Group owns 100% of each of the properties listed in items 1 to 5 above. The Group owns 50% of the properties listed in items 6 and 7 and 75% of the property listed in item 8 above by virtue of the Group's equity interest in the respective company which owns the property.

ii. Usage:

J – Jetty

O – Office

H – Hotel

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

RT – Restaurant

RSD – Residential

OSB – Operational shipyard business

# 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 1507, Huateng Mansion, No.302 Chaoyang Jinsong
3 District, Beijing 100021 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 610016 P.R.C.
Tel: (86) 28 8658 7988 Fax: (86) 28 8658 7899

*Guangzhou*
Unit 1901, Tower West, Yuexiu Neo-metropolis,
No. 238 Zhong Shan Liu Road, Guangzhou 510180, P.R.C.
Tel: (86) 20 3811 6388 Fax: (86) 20 3811 6488

*Haikou*
Unit 803, 8th Floor, TianYi International Building,
No.85 BinHai Avenue, LongHua District, Haikou City,
Hainan Province, 570100 P.R.C.
Tel: (86) 898 6616 5098 Fax: (86) 898 6625 9208

*Shanghai*
1102 Zhong Shan Bei Yi Road, Hongkou,
Shanghai 200080 P.R.C.
Tel: (86) 21 6272 0101 Fax: (86) 21 6218 2826

*Xiamen*
29/F Block E, Xiamen International Plaza,
No.8 Lu Jiang Dao, Xiamen, 361001 P.R.C.
Tel: (86) 592 2110 268 Fax: (86) 592 2110 298

*Shenzhen*
Shop 07, 1/F, Lang Qiao Garden, Huang Gang Port,
Fu Tian District, Shenzhen, P.R.C.
Tel: (86) 755 8278 9299 Fax: (86) 755 2390 2606

## INDIA
*Mumbai*
A/520, Kanakia Zillion, CST Road, BKC Annexe,
Lal Bahadur Shastri Marg, Kapadia Nagar, Kurla,
Mumbai, Maharashtra 400070 India
Tel: (91) 22 7100 2888 Fax: (91) 22 7100 2911

*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*
502, 5th Floor, Hrishikesh, Opp Water Tank,
Near IDBI Bank, Vasant Baugh, Gulbai Tekra, Ellis Bridge,
Ahmedabad – 380006, Gujarat, India
Tel: (91) 79 2630 8099 Fax: (91) 11 4050 8883

## INDONESIA
Wisma Nusantara 8th Floor, JI. MH Thamrin No. 59,
Jakarta 10350, Indonesia
Tel: (62) 21 3190 1978 Fax: (62) 21 3190 2782

## JAPAN
8F Palazzo Siena, 2-4-6 Higashi Shinbashi, Minato-ku,
Tokyo, 105-0021 Japan
Tel: (81) 3 6403 5188 Fax: (81) 3 6403 5189

## MALAYSIA
*Kuala Lumpur*
21/F, Wisma Genting, 28 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
Tel: (60) 3 2302 1288 Fax: (60) 3 2302 8015

*Penang*
Logan Heritage, No. 6 Beach Street, 10300 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, 1309 Metro Manila Philippines
Tel: (63) 2 836 6000 Fax: (63) 2 836 6001

## SINGAPORE
9 Penang Road, #11-08 Park Mall, 238459 Singapore
Tel: (65) 6226 1168 Fax: (65) 6220 6993

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

## TAIWAN
Room E-1, 6F., No. 168, Dunhua N. Rd., Songshan Dist.,
Taipei City 105, Taiwan
Tel: (886) 2 2175 9500 Fax: (886) 2 2175 9501

## CRYSTAL CRUISES CORPORATE – HEADQUARTERS
11755 Wilshire Blvd., Suite 900
Los Angeles, CA 90025, U.S.A.
Tel: (1) 310 785 9300

## RESORTS WORLD MANILA
10F NECC Building, Newport Boulevard, Newport City,
Pasay 1309, Metro Manila, Philippines
Tel: (63) 2 908 8000

## LLOYD WERFT
Brückenstraße 25
27568 Bremerhaven, Germany
Tel: (49) 0471 4780


# GENTING HONG KONG LIMITED

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

www.gentinghk.com