GENTING
HONG KONG

Genting Hong Kong Limited

(Continued into Bermuda with limited liability)
Stock Code: 678

Annual Report 2016

Genting Hong Kong

OUR MISSION

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

WE WILL

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

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

Generate a fair return to our shareholders.

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.

Charlene

12 hours before

Amazing experience!

65 5

CONTENT

CORPORATE PROFILE

About Us

Overview

Headquarters
Hong Kong SAR

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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 including Genting Cruise Lines comprising of Star Cruises, "The Most Popular Cruise Line in Asia", Dream Cruises, "Asia's Luxury Cruise Line", and Crystal Cruises, "The World's Most Awarded Luxury Cruise Line", along with German shipyards MV Werften and 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 Netherlands, the Philippines, Singapore, Sweden, Taiwan, the United Kingdom and the United States.

A pioneer in its own right, Genting Hong Kong was incorporated in November 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 (launched 2016) and World Dream (launching late 2017) will deliver the highest level of guest service and spacious comfort in the region. Catering to the high-end consumers in China and Asia, 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 introduced two new classes of cruising – Crystal Yacht Cruises and Crystal River Cruises – and reached new heights with Crystal Luxury Air and Crystal AirCruises. Crystal Cruises offers extensive itineraries traversing the globe, ranging from five days to approximately 100-day World Cruises and regionally-focused Grand Cruises.

To capitalize on the growing demand for new cruise ships and to realize the company's own expansion plans, in 2016, Genting Hong Kong established MV Werften comprising of three shipyards in Wismar, Rostock and Stralsund, Germany following the purchase of Lloyd Werft the previous year which specializes in building megayachts and other newbuilds. With the consolidated expertise and facilities of the shipyards, including approximately 1,400 experienced management and workers, MV Werften will be capable of building large ships.

Zouk is an iconic music-driven entertainment club 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 currently ranked fourth and 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. The company will continue to leverage off the Genting Group's unrivalled regional expertise in land-based resorts development as it looks to expand its individual footprint. Genting Hong Kong constantly seeks new scalable business opportunities and ways in which the company can excel and improve its 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".

Friends 2016

Crystal Cruises

Dream Cruises

Star Cruises

MV Werften

Lloyd Werft

Zouk

Resorts World Manila

THE GENTING CRUISE LINES FLEET

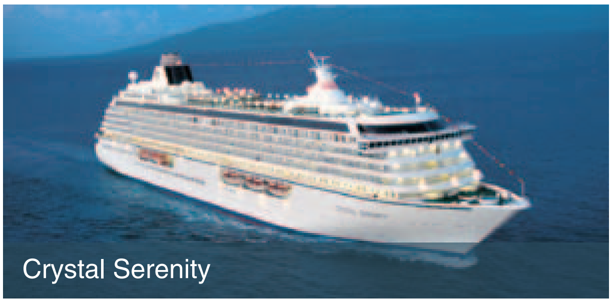
Reaching all corners of the globe, Genting Cruise Lines' fleet encompasses brands that cater to everyone from contemporary guests to ultra-luxury patrons. Genting Hong Kong's visionary plans for the company will see the addition of new vessels capable of yacht expeditions, river cruises, polar explorations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

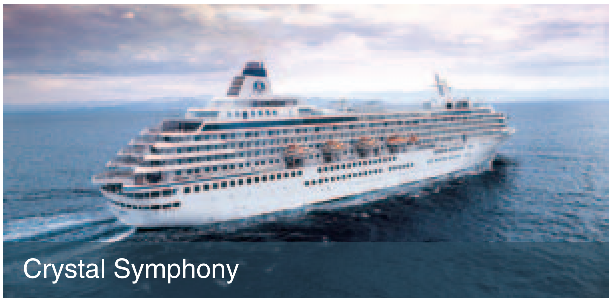
Crystal Cruises

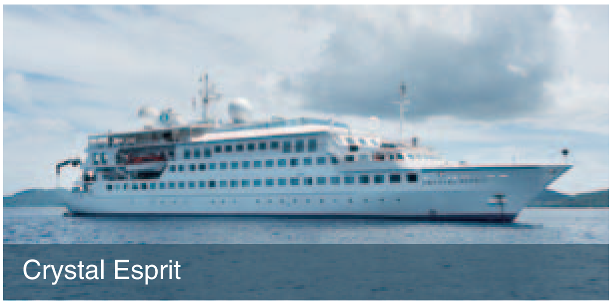
added 11 new photos

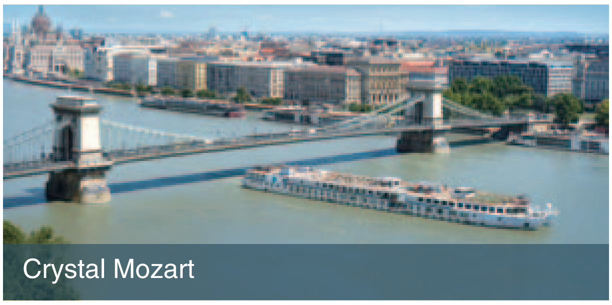
Crystal Cruises is the world's most awarded luxury cruise line, having earned more "World's Best" accolades than any other cruise line, hotel, or resort in history.

Crystal has embarked on the most significant brand expansion in the history of luxury travel and hospitality, introducing two new classes of cruising – Crystal Yacht Cruises and Crystal River Cruises – as well as Crystal Luxury Air and Crystal AirCruises.

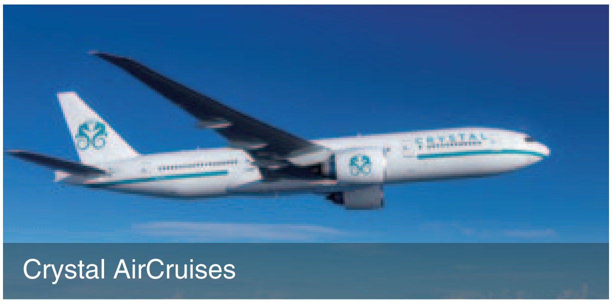

Crystal Serenity


Crystal Symphony

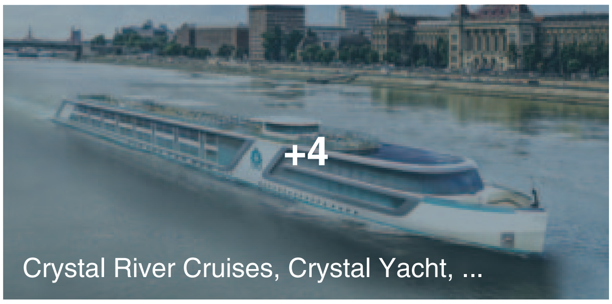

Crystal Esprit


Crystal Mozart


Crystal Luxury Air


Crystal AirCruises


Crystal Exclusive Class Ocean Cruises (2019)

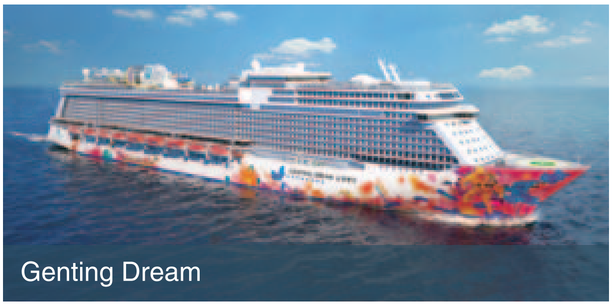


Crystal River Cruises, Crystal Yacht, ...

Dream Cruises

added 2 new photos

Dream Cruises, the Asian based luxury cruise line brand, is the newest addition to the Genting Hong Kong fleet. Dream Cruises' two new vessels are purpose-built for the China and Asia Market, offering inspirational luxury, which is Asian at heart and international in spirit.


Genting Dream


World Dream (late 2017)

Star Cruises

added 8 new photos

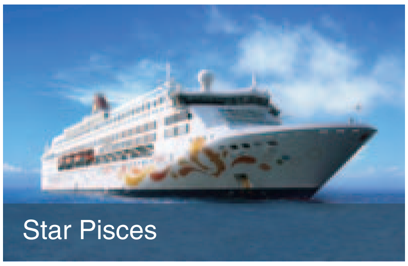
Star Cruises is the most popular cruise line in Asia and has a fleet of six ships which includes SuperStar Virgo, SuperStar Gemini, SuperStar Aquarius, SuperStar Libra, Star Pisces and The Taipan, offering various cruise itineraries in Asia.


SuperStar Virgo


SuperStar Gemini


SuperStar Aquarius


SuperStar Libra


Star Pisces


The Taipan

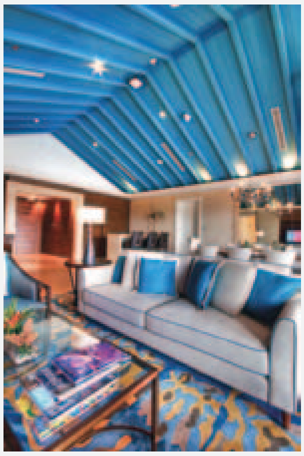
Global Class (2020, 2021)

RESORTS WORLD MANILA

Resorts World Manila

10 hours *Newport City, Metro Manila*

Resorts World Manila (RWM), the Philippines' pioneer integrated entertainment and tourism destination, marked its seventh year in operation with continuous development, milestones, and recognitions.



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The expansion plans remained on track with the Marriott West Wing, the extension of Marriott Hotel Manila, operational since the fourth quarter of 2016, increasing RWM's total room count to over 1,450 and making it the largest hotel owner amongst the integrated resorts in the country. Other developments, which will introduce three new hotels—Hilton Manila Hotel, Sheraton Hotel Manila, and a new Maxims Hotel—are scheduled to be completed early in 2018. This will also include an additional gaming area, new retail spaces, and six basement parking decks.

A significant milestone is the ongoing construction of an enclosed pedestrian bridge directly connecting Ninoy Aquino International Airport Terminal 3 to Newport City and the Resorts World complex, due to open in the first half of 2017. Once completed, the bridge, dubbed Runway Manila, will allow the average person to walk the distance between the airport and Newport City in just three minutes.

On the entertainment front, the Marriott Grand Ballroom in RWM served as the venue for a one night only concert of Grammy award-winning trumpeter Chris Botti featuring fellow Grammy award-winner and pop icon, Sting. Later in the year, RWM staged its seventh musical, "Annie", which proved to be its most successful production to date. The show's two-month run was extended by one week due to popular demand, with the additional shows sold out.

Other highlights include world-famous restaurant Wolfgang's Steakhouse opening its first location in Southeast Asia at RWM's Newport Mall. RWM also launched its partnership with world-class healthcare provider St. Luke's Medical Center. Located within RWM, Belmont Hotel Manila and Remington Hotel extend their services to St. Luke's Medical Center as the institution bolsters its efforts to promote the Philippines as an ideal medical tourism destination. Reaching out across Asia, the Pacific, and beyond, St. Luke's opens its doors to patients who wish to receive premium medical care in the country.

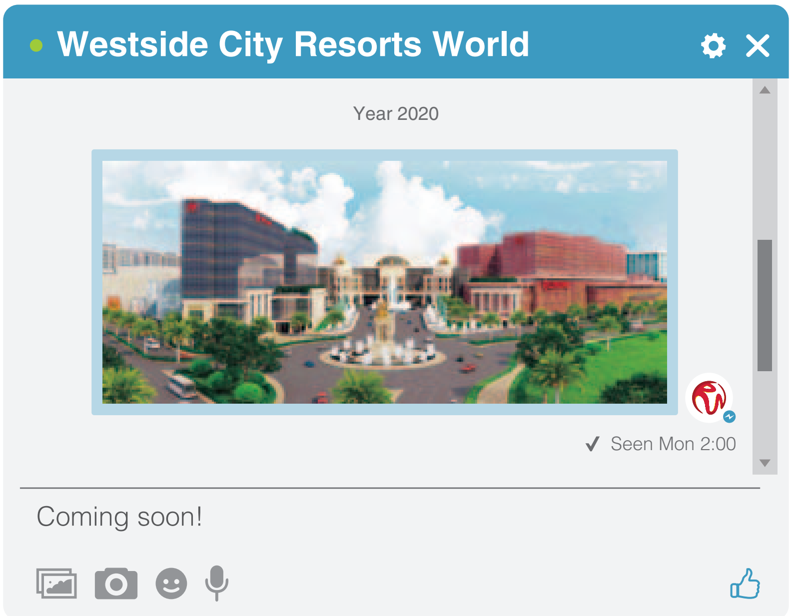
For its medical innovations, RWM was also recognized for being the country's first cardiopulmonary resuscitation (CPR) ready establishment by the Philippine Heart Association (PHA) and Philippine College of Cardiology. During an awarding ceremony held at RWM's Passion Restaurant, PHA cited RWM for being a trailblazer in CPR and health emergency readiness, propagating CPR in neighboring communities, and for its role in propelling CPR-Ready Philippines 2021.

Maintaining its corporate social responsibility vision (CSR), RWM continued to innovate with out of the box ideas. A CSR highlight was Run With Me, a 7-kilometer charity fun run organized by RWM in celebration of its 7th Anniversary. Over 800 RWM employees, partners, and special celebrity guests came together at dawn on a Sunday to run and donate a total of P1.3 million for the benefit of Caritas Manila, the Lola Grande Foundation for Women and Children, The Tzu Chi Foundation, and White Cross Philippines.

Returning to the world-class greens of Manila Southwoods Golf and Country Club was the Resorts World Manila Masters. With a total purse of US$1 million, it is still by far the country's richest golf tournament. Since the inaugural event in 2013, this fourth edition saw a new champion in S.S.P. Chawrasia from India, who rose from a double playoff to capture the trophy against rising stars Sam Chien of the U.S. and Nicholas Fung of Malaysia.

The year also proved to be one of many awards and recognitions for RWM. #BrighterTomorrow was an online video featuring the young cast of the musical "Annie". It was produced by RWM as a message of hope and optimism for the Filipino people and released on the eve of the presidential inauguration in June. After going viral, the video was later accorded the best Social Media Strategy prize in the 2016 Asia-Pacific Communications Summit in Singapore. "Annie" was also honoured at the ALIW Awards under 'Best Musical Production' and 'Discoveries of the Year' categories for Krystal Brimner and Isabeli Araneta-Elizalde. Other awards include an Anvil Award and an AREA Award for the company's CSR program League of Volunteer Employees, Philippine Quill Award for Grand Fiesta Manila, Department of Tourism's PWD-Friendly Hotel Award for RWM's Maxims Hotel and Philippine Culinary Cup for RWM's signature restaurant New York Pinoy Deli.

With the recent opening of a fourth player, RWM continues to blaze a trail as the pioneer integrated resort in the country, compelled by the competition to continuously innovate and set a benchmark to which nothing compares. With the second location, Westside City Resorts World, well into construction and due to open in 2020, the future of this world-renowned brand in the Philippines has never looked so bright.



Profile

Today 12:00 p.m.

Tan Sri Lim Kok Thay

Chairman and Chief Executive Officer

Genting Hong Kong Limited

2016 was an important year for Genting Hong Kong. A year where Genting Cruise Lines was formed with three brands – Star Cruises, Crystal Cruises and Dream Cruises. It was also a year where the Company cemented plans for the next decade of growth with the formation of MV Werften with a ten-year plan of building cruise ships using its three shipyards.

CHAIRMAN'S STATEMENT

OVERVIEW

2016 was an important year for Genting Hong Kong. A year where Genting Cruise Lines was formed with three brands – Star Cruises, an Asian contemporary cruise line established in 1993; Crystal Cruises, an international luxury cruise line purchased in 2015; and Dream Cruises, Asia's first-ever luxury cruise line which debuted its first ship in November 2016. It was also a year where the Company cemented plans for the next decade of growth with the formation of MV Werften with a ten-year plan of building cruise ships using its three shipyards located on the Baltic Coast of Germany.

In November 2016, Dream Cruises officially christened Genting Dream, the first ship in the cruise line's luxury fleet. With dual homeports in Guangzhou and Hong Kong cruising to destinations in Vietnam and Okinawa, Japan, Genting Dream introduced an elevated cruise experience tailored for the luxury Asian traveller.

Crystal Cruises continued to broaden its portfolio of luxury travel options, whether at sea or in flight. In April 2016, Crystal added a Bombardier Global Express XRS jet as part of its new Crystal Luxury Air fleet. July 2016 saw the launch of the company's first river yacht, Crystal Mozart, under the Crystal River Cruises brand.

Star Cruises continued its pioneering spirit and reaffirmed the cruise line's commitment to develop the Chinese cruise market. In January 2016, SuperStar Virgo became the first cruise ship to homeport in Guangzhou, capitalizing on the important Pearl River Delta market. Committed to future growth of the brand, Genting Hong Kong announced an order for two innovative, 5,000 lower berth 'Global Class' vessels for Star Cruises to be delivered in 2020 and 2021.

To facilitate Genting Hong Kong's ambitious fleet expansion plans, the company acquired three shipyards in Wismar, Rostock and Stralsund, Germany in the state of Mecklenburg-Vorpommern in April 2016. The three shipyards, renamed MV Werften, will deliver innovative and world class vessels for Genting Hong Kong's portfolio of cruise brands for the next decade.

Resorts World Manila ('RWM'), the Philippines' pioneer in integrated entertainment and tourism destination, marked its seventh year in operation with continuous development, milestones, and recognitions. Expansion of the Marriott Hotel Manila was completed in the fourth quarter of 2016, increasing room capacity to 1,450 and making Resorts World Manila the largest hotel owner amongst the integrated resorts in the country.

Genting Hong Kong's wholly-owned, internationally-renowned nightlife brand, Zouk, was recently ranked fourth best in the world by DJ Magazine and extended its reach and appeal by expanding its well-established ZoukOut dance festival beyond Singapore – Boracay, Philippines in April 2016; Japan's Summer Sonic in August 2016; and Hong Kong's FIA Formula E Hong Kong ePrix with Live Edition by ZoukOut in October 2016. Further, the first Zouk nightclub at sea was introduced on board Genting Dream, opening the cruise market to a new generation of younger consumers.

PERFORMANCE

The turnover of Genting Hong Kong was US$1,017 million in 2016, up 47% from 2015, and the improvement was due largely in part to the full year contribution from Crystal Cruises.

Crystal Cruises continued its expansion plan with its River, Yacht, and Air products and pushed the frontiers of cruising with innovative and exciting new itineraries. A voyage three years in the making, Crystal Cruises' luxury cruise ship Crystal Serenity completed her 32-day journey through the Northwest Passage, arriving in New York City in September 2016. The successful voyage marks the first of its kind made by a large luxury cruise ship and took more than 1,000 guests into the remote Arctic waterways and terrain that was inaccessible just over 100 years ago.

Star Cruises reinforced its position as the leading cruise line in the Asia Pacific with a number of accolades throughout the year including 'The Most Michelin Food Provided Cruise' Award at the prestigious 16th China Hotel Industry Golden Horse Awards, the esteemed Travel Trade Gazette's 'Travel Hall of Fame' Award, 'Asia's Leading Cruise Line 2016' at the World Travel Awards, the 'Best Cruise Line – Asia' and 'Best Cruise Line – F&B' at the Travel Weekly Asia 2016 Readers Choice Awards and seven medals, including one silver and six bronzes, during the biennial Food and Hotel Asia Culinary Challenge 2016.

CHAIRMAN'S STATEMENT

2016 was a year of firsts for Dream Cruises. Genting Dream, the first new ship for the cruise line, features a number of industry firsts to enhance the enjoyment of guests on board Asia's first-ever luxury cruise line including the world's first JOHNNIE WALKER HOUSE at sea, 'Bistro', the first restaurant at sea for celebrated Australian chef Mark Best, and the first-ever Penfolds Flagship Wine Vault at sea. On the entertainment front, guests on board Genting Dream were entertained and enthralled by a theatrical representation of the global TV phenomenon 'China's Got Talent'– another first for the cruise industry.

At Resorts World Manila, the world-famous restaurant Wolfgang's Steakhouse opened its first location in Southeast Asia at RWM's Newport Mall. RWM also launched its partnership with world-class healthcare provider St. Luke's Medical Center to bolster its efforts to promote the Philippines as an ideal medical tourism destination.

CAPITAL AND FUNDING

As at 31 December 2016, cash and cash equivalents amounted to US$1,040.3 million, a decrease of US$738.4 million compared with US$1,778.7 million as at 31 December 2015. The decrease in cash and cash equivalents was primarily due to cash outflow of (i) US$1,088.8 million for capital expenditure (including US$40.0 million for existing Star Cruises fleet, US$830.5 million for Dream Cruises' new build vessels, US$161.5 million for Crystal Cruises' vessels and aircrafts), (ii) US$278.6 million for the acquisition of shipyards in Germany, and (iii) US$337.9 million for repayment of existing bank loans and borrowings and financing costs. The cash outflow was partially offset by cash inflow of (i) US$964.6 million for additional loans drawdown, (ii) US$13.4 million dividend received from a joint venture, associate and available-for-sale investment, (iii) US$24.9 million consideration from disposal of available-for-sale investment, and (iv) US$18.5 million deferred consideration from a previous disposal of a vessel.

The majority of the Group's cash and cash equivalents are held in US dollar, Singapore dollar, Hong Kong dollar, Euro, Chinese Renminbi and Malaysian Ringgit. The Group's liquidity as at 31 December 2016 amounted to US$1,269.7 million (31 December 2015: US$2,008.5 million), which comprised cash and cash equivalents and undrawn credit facilities.

As of 31 December 2016, total loans and borrowings amounted to US$1,172.2 million (31 December 2015: US$531.3 million) and were mainly denominated in US dollar. Approximately 1% (31 December 2015: 2%) of the Group's loans and borrowings were under fixed rate and 99% (31 December 2015: 98%) was under floating rate. Loans and borrowings of US$135.2 million (31 December 2015: US$87.2 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$2.0 billion (31 December 2015: US$1.2 billion).

The Group remained in a net debt position of US$131.9 million as at 31 December 2016, as compared with net cash position of US$1,247.4 million as at 31 December 2015. The total equity of the Group was approximately US$4,823.2 million (31 December 2015: US$5,500.4 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 foreign exchange exposure primarily through forward rate agreements. It is also the Group's policy that hedging will not be performed in excess of actual requirement.

CORPORATE SOCIAL RESPONSIBILITY

Genting Hong Kong continued its long-standing tradition of Corporate Social Responsibility activities during 2016.

Among the notable achievements of 2016 was the completion of the Lim Goh Tong Building at Xiamen University, a project that originally began in 2008. As part of the company's continuing commitment to nurture tourism professionals, Genting Hong Kong made a donation to Xiamen University to build the first teaching hotel in a top tier educational institution in China. The building was named in honour of Tan Sri Lim Goh Tong, the late founder of the Genting Group.

The company remained committed to promoting health and welfare across the region. In Singapore, Star Cruises supported the Breast Cancer Foundation's Pink Ribbon Walk 2016 with the donation of cruise packages on SuperStar Gemini and hosting a Breast Cancer Foundation Breast Cancer Awareness Talk at the Star Cruises Singapore office. Aboard SuperStar Aquarius in Taiwan, Star Cruises partnered again with Syin-Lu Social Welfare Foundation to organize a Charity Bear Christmas Sale last year and donated all proceeds to the Syin-Lu Social Welfare Foundation to help fund a full range services for people with mental disabilities and their families. Genting Hong Kong also sponsored cabins on board its various ships for a range of organizations including The Salvation Army Penang Children Home, National Cancer Society of Malaysia, Singapore Red Cross, St. Nicholas Home for the Blind, and many others.

Further, Genting Hong Kong joined hands with the Apple Daily Charitable Foundation to host a 'Fun Day with Star Cruises' on board SuperStar Virgo in Hong Kong. In the Philippines, Resorts World Manila was the official venue sponsor for Earth Day Run 2016 to raise awareness on environmental issues.

For its ongoing work in promoting good corporate citizenship in the region, Genting Hong Kong was honoured at the 6th Asian Excellence Award receiving the Best CSR award for a fourth time overall.

PROSPECTS

2017-2018 is an important year for Genting Hong Kong as we continue to execute our global strategy to become one of the foremost providers of travel, leisure, entertainment, and hospitality in the world.

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 the Asia Pacific cruise market. Despite slower growth, China will remain as one of the world's fastest-growing consumer markets for the foreseeable future, driven by the rise of the upper-middle class households and a new generation of sophisticated consumers.

The cruise industry continues its growth in China as the country's outbound tourism industry has been growing at a breakneck pace in recent years. More travellers are opting for cruises due to increased market awareness and education for this vacation option. In 2016, the number of Chinese vacationers who chose a cruise holiday was nearly double that of 2015.

While our prospects are optimistic, Management recognises and continues to manage certain risks and uncertainties that can impact our business. Adverse environmental factors such as typhoons and geopolitical disputes can disrupt cruise itineraries. Cruise assets are mobile and are appropriately re-deployed if needed. Meanwhile, industry organizations such as Cruise Lines International Association, continues to be a global advocate for a safe, secure, healthy, and sustainable cruise ship environment.

Communicating the value proposition of cruising as a leisure pastime and superior guest experience with unique products and services continues to be our top priority. Greater awareness and education on cruising will bring about further market penetration and establish Genting Hong Kong's portfolio of cruise brands as the preferred cruise holiday option.

STRATEGY

As we look forward to the future, Genting Hong Kong is committed to the growth of the Asian cruise market. We believe that our more than two decades of experience in China and Asia will put the company in an excellent position to capitalize on the industry's soon-to-be most important growth market.

Dream Cruises was launched as the first-ever Asian luxury cruise line and caters to the rapidly growing middle and affluent consumer segment in Asia. Dream Cruises aims to be a pacesetter in the cruise industry, meeting the needs of the emerging generation of confident, independently-minded and affluent Asian travellers. Dream Cruises' second cruise ship World Dream will replace the Genting Dream in Hong Kong and Guangzhou's dual homeports, while Genting Dream will be re-positioned in Singapore, cruising on alternate weeks north along the Straits of Malacca to Phuket and south along the Java Sea to Bali.

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 by ocean, river, or air. Under Genting Hong Kong, Crystal Cruises has made strategic investments that broadened its portfolio to 4 luxury experiences: Crystal Cruises, Crystal River Cruises, Crystal Yacht Expedition Cruises and Crystal Luxury Air. Crystal AirCruises will debut in late 2017, bringing holiday experiences to inland and exotic destinations that are not readily accessible to passengers on cruise ships.

CHAIRMAN'S STATEMENT

Star Cruises continues to be a pioneer in the Asian cruise market, developing new and exciting itineraries to attract guests from Asia's growing contemporary market. In December 2016, Star Cruises announced the deployment of SuperStar Virgo to homeport in Manila from March to May, 2017, the first cruise ship to do so. Five night voyages will sail to Laoag, Kaohsiung and Hong Kong, providing cruising as an alternative to the booming Philippines outbound tourism industry. From July to November 2017, SuperStar Virgo will begin offering one week cruises from Shanghai to Osaka, Tokyo, Shimizu (port for Mount Fuji) and Kagoshima.

MV Werften solves supply side constraints and secures Genting Hong Kong's future global fleet strategy. It frees the Company from both delivery timing and pricing uncertainties due to the huge demand for cruise ships, which is at a historic high, and allows Management to focus on the strategic planning, design, and deployment of its world-wide fleet. MV Werften will deliver two luxury Crystal River ships in 2017, another two luxury Crystal River ships in 2018; the first of a series of 20,000 gross tonne Crystal Endeavor Class polar expedition ships in 2019 and the first of a series of 204,000 gross tonne Star Cruises Global Class cruise ships in late 2020.

Genting Hong Kong continues to expand the home-grown Singapore brand Zouk regionally and globally with the premier of ZoukOut events throughout the region, including Boracay, Hong Kong, and Japan. We see Zouk on our cruise ships as an important gateway to introduce millennials to enjoy cruise vacations.

Resorts World Manila aims to maintain its leadership position in the Philippines. Three new hotels – Hilton Manila Hotel, Sheraton Manila Hotel, and a new Maxims Hotel – are scheduled to be operational in 2018, bringing the room capacity to more than 2,390. A second Resorts World property in the Philippines, Westside City, is well underway and scheduled to be completed by 2020.

Whether introducing Crystal's world renowned butler service to Dream Cruises or using Zouk as a source channel for younger travellers, Genting Hong Kong strategically leverages assets across brands. Our integrated and mutually benefiting network brings new consumers to the benefits of cruising, offers loyal guests new and exciting experiences and travel agents the opportunity to sell global and Asia-wide itineraries of the three brands owned by Genting Cruise Lines.

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, employees and loyal shareholders for their tremendous support throughout the year.

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer
16 March 2017

GLOBAL HIGHLIGHTS

Launch of Genting Dream

Official Handover of Dream Cruises Genting Dream

On 12 October, Meyer Werft officially handed over Genting Dream to Dream Cruises. The flags of Dream Cruises and the Bahamas were raised to signify the official transfer of the ship to Dream Cruises.

Oct 530

Genting Dream Incentive Trip

Dream Cruises invited over 300 travel partners and media to visit Genting Dream at Meyer Werft in Papenburg before its grand debut.

Sep 726

Christening of Genting Dream

Genting Dream's official Godmother, Puan Sri Cecilia Lim, the wife of Tan Sri Lim Kok Thay, Chairman and Chief Executive Officer of Genting Hong Kong, christened its maiden luxury cruise ship, the spectacular Genting Dream during her Nansha, Guangzhou homeport on 13 November, 2016.

Nov 2312

Genting Dream arrives in Hong Kong

On 12 November, Dream Cruises celebrated the arrival of its inaugural ship, Genting Dream, to her new home in Hong Kong where she will embark on 2-Night Hong Kong Weekend Getaway cruises departing every Friday and 5-Night Vietnam Exploration Voyages to Da Nang and Ha Long Bay departing every Sunday.

Nov 2239

Genting Dream relocates from Germany to Nansha, Guangzhou

Genting Dream arrived in Mumbai on 29 October and Singapore on 4 November during her relocation to Nansha, Guangzhou, China.

Oct – Nov 1907

Awards

Silver Standard for the TOPSIS Organizational Award 2016

Star Cruises was honored with the Silver Standard for the TOPSIS Organizational Award, recognizing Star Cruises' role and support in implementing Threat-Oriented Passenger Screening Integrated System (TOPSIS) for its cruise operations in Singapore. This marks Star Cruises fifth time as a TOPSIS award recipient, having first received the Bronze Standard in 2011.

Feb

Star Cruises marks its ninth consecutive year inducted into TTG's "Travel Hall of Fame"

As the only cruise line to be inducted into TTG's "Travel Hall of Fame" for winning "Best Cruise Operator in the Asia-Pacific" ten years in a row, this year marks Star Cruises ninth consecutive year in receiving the industry's highest accolade.

Oct

Crystal receives Conde Nast Traveler Reader's Choice Award for the 23rd year

For the 23rd year, travel savvy readers of Condé Nast Traveler have voted Crystal Cruises as the "World's Best" medium sized cruise line. Crystal topped the list of 12 finalist cruise lines in its category.

Oct

Philippine Quill Award for RWM's Grand Fiesta

RWM bagged its second Philippine Quill Award for the company's Grand Fiesta Manila event recognizing RWM's excellent use of communication to achieve business goals, and to make a difference in society.

May

HKC 2017
Drive for Corporate Citizenship
企業公民嘉許標誌

Genting Hong Kong received the Hong Kong Corporate Citizenship Award

Genting Hong Kong received the Hong Kong Corporate Citizenship Award from Hong Kong Productivity Council to recognise the company's efforts in serving the community.

Dec

Awards

Genting Hong Kong wins twice at the Asian Excellence Recognition Awards 2016

Genting Hong Kong was honoured twice at the 6th Asian Excellence Award, receiving the Best CSR award for a fourth time overall and its first award for Best Investor Relations Company (Hong Kong).

Jun

Star Cruises named "Best Cruise in South China"

Star Cruises was named "Best Cruise in South China" by the Hurun Chinese Luxury Best of The Best Award for its innovative product offerings in the South China market.

Jan

Star Cruises recognized for its Michelin-Starred cuisine by the China Hotel Industry Golden Horse Awards

Star Cruises was honoured with “The Most Michelin Food Provided Cruise” Award at the prestigious 16th China Hotel Industry Golden Horse Awards for its onboard cuisines.

Apr

Star Cruises voted “Asia’s Leading Cruise Line” for five years in a row

Star Cruises achieved ongoing success at the World Travel Awards 2016, having been voted “Asia’s Leading Cruise Line” for five years in a row by travel and tourism professionals from around the globe.

Oct

Star Cruises’ double win at Travel Weekly Asia 2016 Readers Choice Awards

Travel Weekly Asia and China readers, together with the travel trade across the Asia Pacific, voted Star Cruises as the “Best Cruise Line – Asia” and “Best Cruise Line – F&B”.

Oct

RWM CSR program received Anvil Award and 2016 Asia Responsible Entrepreneurship Award

RWM received a Gold Anvil and 2016 Asia Responsible Entrepreneurship Award for its corporate social responsibility program, League Of Volunteer Employees. The program engages its employees to participate in social outreach activities.

Mar

GLOBAL HIGHLIGHTS

Awards ›

RWM's Maxims Hotel honoured with Philippines' Department of Tourism's PWD-Friendly Hotel Award

Philippine's Department of Tourism presented Maxims Hotel in RWM the PWD-Friendly Hotel Award as the hotel's 'barrier-free' facilities set a good example for hotels in Philippines.

Oct

RWM's restaurant honoured at the Philippine Culinary Cup

RWM's signature restaurant New York Pinoy Deli was honoured at the Philippine Culinary Cup 2016 winning one top gold, one gold, one silver and one bronze award.

Aug

RWM's musical "Annie" won Aliw Award's Best Musical Production

RWM's production of family musical 'Annie' bagged Aliw Award's Best Musical Production in the 2016 Aliw Awards ceremony. Its leading artists Krystal Brimner and Isabeli Araneta-Elizalde were both honored with Discoveries of the Year awards.

Dec

Best Social Media Strategy award for #BrighterTomorrow

RWM released an online video #BrighterTomorrow featuring the young cast of its musical "Annie" as a message of hope and optimism for the Philippines in June. After going viral, the video was accorded the best Social Media Strategy award in the 2016 Asia-Pacific Communications Summit in Singapore.

Oct

Star Cruises Chefs Win at the Prestigious Food and Hotel Asia Culinary Challenge 2016

Star Cruises brought home a total of seven medals, including one silver and six bronzes, during the biennial Food and Hotel Asia Culinary Challenge 2016.

Apr

Star Cruises Savours Success at the Battle of the Chefs 2016

The Star Cruises' team of chefs raised the bar this year by winning a total of 18 medals including two Gold, seven Silver and nine Bronze medals, together with 11 Diploma Awards and also securing the Most Outstanding Live Cooking Master Chef Award and the Most Outstanding US Potatoes Master Chef Challenge Award.

Aug

Events

Crystal Luxury Air Takes Flight

In April, Crystal Luxury Air, a private charter jet service, debuted with a lavishly outfitted Bombardier Global Express XRS jet. The new Crystal Luxury Air fleet will introduce a second jet in 2017.

Apr 40

SuperStar Virgo commences homport deployment in Prince Bay Cruise Terminal, Shenzhen

SuperStar Virgo kicked off her first deployment from Shenzhen's Prince Bay Cruise Terminal and is the first cruise ship to homeport at the new facility.

Nov 300

Olympic Volleyball Gold Medalists Meet and Greet at Sea

Star Cruises initiated a joint promotion with the Volleyball Association of Hong Kong to host the first-ever Olympic Volleyball Gold Medalists Meet and Greet at Sea on SuperStar Virgo on 17 June. The campaign received prominent exposure to audiences in China and Hong Kong.

Jun 65

Crystal Mozart Christened

In July, Crystal River Cruises officially commenced by welcoming Crystal Mozart to its fleet during an elegant christening ceremony in Vienna, Austria.

Jul 76

SuperStar Gemini hosts the Shin Min & The Bosses Network SME Learning Cruise 2016

The annual Shin Min Bosses Network event was held during a 2-Nights High Seas Cruise from 29 – 31 July on SuperStar Gemini and attracted 600 participants this year. The event was graced by Ms Sim Ann — Senior Minister of State, Ministry of Culture, Community and Youth & Ministry of Finance.

Jul 70

Events

Crystal River Cruises New Build Steel Cutting

In May 2016, Crystal River Cruises took a significant step forward with the ritual shipyard steel cutting ceremony to begin production of the line's first four new-build luxury river yachts. Crystal Mahler and Crystal Bach will embark on the rivers of Europe in summer 2017, followed by Crystal Debussy, Crystal Ravel in 2018.

May 56

ZoukOut expands overseas

The 16 year-old festival, ZoukOut, is Zouk Singapore's definitive annual dance festival. This year, under the management of Genting Hong Kong, ZoukOut expanded its footprint to overseas market, bringing the party and excitement to Boracay, Philippines and Hong Kong with ZoukOut Prelude Edition and Live Edition by ZoukOut respectively.

May & Oct 750

Cycle Cruises

SuperStar Virgo and SuperStar Aquarius organized several cycling cruises in the autumn, bringing cycling enthusiasts to enjoy Nansha, Guangzhou, Miyakojima and Naha on their bikes.

Sep 95

TVB Children's program "Think Big Family Fun Day at Sea" on board SuperStar Virgo

TVB's Children's Program Think Big Family invited more than 100 children members with their parents to visit SuperStar Virgo for the program's first fun day at sea. Artists Jason Chan, JW and Jacqueline Wong also joined the group during their educational tour and fun filled activities.

Jul 70

Unveiling Ceremony of the new Lim Goh Tong Building in Xiamen University

Genting Hong Kong and Xiamen University held a special ceremony to unveil the new Lim Goh Tong Building, the academic and research centre of the School of Management's Tourism and Hotel Management Department. As part of the company's continuing support to nurture tourism professionals, Genting Hong Kong made a donation to Xiamen University to build the first teaching hotel in a top tier educational institution.

Jun

800

Fun Day with Star Cruises co-organized with Apple Daily Charitable Foundation

Genting Hong Kong joined hands with Apple Daily Charitable Foundation to host a 'Fun Day with Star Cruises' on board SuperStar Virgo. About 60 members from the foundation toured around the ship with their families, followed by a magic show and sumptuous tea buffet.

Jul

60

CAC Academy of Chefs' Educational Tour to SuperStar Libra

Star Cruises welcomed students from CAC Academy of Chefs on board SuperStar Libra to gain an in-depth understanding of galley operations on cruise ships as well as career prospects with Star Cruises.

Nov

120

GLOBAL HIGHLIGHTS

CSR ›

Ship Tour for the Down Syndrome Association

Star Cruises invited 47 learners, caregivers and training officers from the Down Syndrome Association for a fun and memorable ship tour on board SuperStar Gemini.

Aug 88

RWM "Run With Me" charity run

RWM organized Run With Me, a 7-kilometer charity fun run in celebration of its 7th Anniversary. Over 800 RWM employees, partners, and special celebrity guests came together to run and donate a total of P1.3 million for the benefit of Caritas Manila, the Lola Grande Foundation for Women and Children, The Tzu Chi Foundation, and White Cross Philippines.

Sep 90

Cabin Sponsorship for three Charity Organizations in Penang

In celebration of the return of SuperStar Libra's homeport deployment in Penang from September 2016 to December 2017, Star Cruises sponsored cruise packages for three charity organizations in Penang for fundraising purposes. The three organizations were Eden Handicap Service Centre, St Nicholas Home for the Blind and The Salvation Army Penang Children's Home.

Sep 100

Genting Hong Kong Supports The Breast Cancer Foundation

During Breast Cancer Awareness Month in October, Genting Hong Kong joined hands with the Breast Cancer Foundation for the Pink Ribbon Walk and Wear The Pink Ribbon Campaign in Singapore as well as conduct a breast cancer awareness talk for staff in the Singapore office.

Oct 90

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

Estera Services (Bermuda) Limited

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TRANSFER AGENT

M & C Services Private Limited
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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 including Genting Cruise Lines comprising of Star Cruises, "The Most Popular Cruise Line in Asia", Dream Cruises, "Asia's Luxury Cruise Line", and Crystal Cruises, "The World's Most Awarded Luxury Cruise Line", along with German shipyards MV Werften and 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 Netherlands, the Philippines, Singapore, Sweden, Taiwan, the United Kingdom and the United States.

A pioneer in its own right, Genting Hong Kong was incorporated in November 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 (launched 2016) and World Dream (launching late 2017), will deliver the highest level of guest service and spacious comfort in the region. Catering to the high-end consumers in China and Asia, 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 introduced two new classes of cruising – Crystal Yacht Cruises and Crystal River Cruises – and reached new heights with Crystal Luxury Air and Crystal AirCruises. Crystal Cruises offers extensive itineraries traversing the globe, ranging from five days to approximately 100-day World Cruises and regionally-focused Grand Cruises.

To capitalize on the growing demand for new cruise ships and to realize the company's own expansion plans, in 2016, Genting Hong Kong established MV Werften comprising of three shipyards in Wismar, Rostock and Stralsund, Germany following the purchase of Lloyd Werft the previous year which specialises in building megayachts and other newbuilds. With the consolidated expertise and facilities of the shipyards, including approximately 1,400 experienced management and workers, MV Werften will be capable of building large ships.

Zouk is an iconic music-driven entertainment club 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 currently ranked fourth and 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. The company will continue to leverage off the Genting Group's unrivalled regional expertise in land-based resorts development as it looks to expand its individual footprint. Genting Hong Kong constantly seeks new scalable business opportunities and ways in which the company can excel and improve its 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".

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
- 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
- MV Werften: shipyard business formed by the Group as a result of the acquisition of assets for the construction of cruise ships and real estate properties of three shipyards in Germany located respectively in Wismar, Rostock and Stralsund
- NCLH: Norwegian Cruise Line Holdings Ltd.
- Net Cruise Cost: Gross Cruise Cost less commission, incentives, transportation and other related costs and onboard costs
- Net Cruise Cost Excluding Fuel: Net Cruise Cost less fuel costs
- Net Revenue: total revenue from cruise and cruise-related activities less commission, incentives, transportation and other related costs and onboard costs
- 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
- 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 hotels, travel agency, aviation, entertainment, shipyard businesses and dividend income from investments, none of which are of a significant size to be reported separately.

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, incentive, 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 entertainment onboard, shore excursions, beverage sales, land packages and sales of travel protection for vacation packages.

OVERVIEW (CONTINUED)

Operating expenses (Continued)

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 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015")

Revenue

Revenue from cruise and cruise-related activities increased 39.1% to US$908.1 million in 2016 compared with US$652.8 million in 2015. Net Revenue in 2016 increased 38.8% to US$689.7 million from US$496.8 million in 2015 due to an increase in Capacity Days of 18.7% and 17.0% improvement in Net Yield. The increase in Capacity Days and Net Yield was primarily due to the inclusion of full year contribution from Crystal Cruises in 2016, as compared with its post-acquisition contribution since 15 May 2015 in the previous year, and the launch of Dream Cruises' Genting Dream in late October 2016.

Revenue from non-cruise activities from external customers increased 192.5% to US$108.6 million in 2016 compared with US$37.1 million in 2015 primarily contributed by revenue from yard repairs and conversion activities as a result of the acquisition of shipyards in Germany.

Costs and Expenses

Total operating expenses, excluding depreciation and amortisation, increased 60.6% to US$848.8 million from US$528.4 million in 2015 due to additional operating expenses mainly reflecting the full year operation of Crystal Cruises, delivery of Genting Dream in October 2016 and start-up costs arising from shipyard operations and newbuilding activities. Selling, general and administrative ("SG&A") expenses, excluding depreciation and amortisation, increased 66.6% to US$258.9 million in 2016 from US$155.4 million in 2015 mainly due to the full year operation of Crystal Cruises and one-time start-up and marketing costs for the launch of new Dream and Crystal Cruises' brand extensions in 2016.

Net Cruise Cost per Capacity Day increased 25.8% primarily due to inclusion of full year operation of Crystal Cruises and the launch of Genting Dream by Dream Cruises. This increase was partially offset by lower fuel expenses (2016: US$318 per metric ton; 2015: US$380 per metric ton).

Total depreciation and amortisation expenses increased 39.3% to US$132.2 million in 2016 compared with US$94.9 million in 2015 primarily due to additional depreciation from new Dream and Crystal cruise ships, newly acquired German shipyards and the full year operation of Crystal Cruises.

YEAR ENDED 31 DECEMBER 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") (CONTINUED)

EBITDA

The Group's EBITDA for 2016 was negative US$91.0 million, compared to US$6.2 million in 2015. Cruise and cruise-related activities (excluding Dream and Crystal pre-operating costs for the new ships) recorded a positive EBITDA of US$62.8 million in 2016, compared to US$43.4 million (excluding Dream and Crystal pre-operating costs for the new ships) in 2015.

Share of Profits of Joint Ventures and Associate

Share of profit of Travellers totalled US$32.7 million, compared with US$33.9 million in 2015, primarily due to unrealised foreign exchange losses on the outstanding US$300 million bond resulting from the depreciation of Philippine peso.

No profit contribution from NCLH in 2016 compared with US$2.9 million in 2015, primarily due to the reduction of the Group's equity interest in NCLH and reclassification of NCLH from "associate" to "available-for-sale investment" in May 2015.

Other Expenses, net

Net other expenses in 2016 amounted to US$7.5 million compared with US$42.9 million in 2015. In 2016, net other expenses mainly included the reorganisation costs for shipyard operations amounted to US$13.0 million which was partially offset by other miscellaneous income of US$6.0 million. 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 dollar and an impairment of US$12.8 million against the carrying value of leasehold land.

Other (Losses)/Gains, net

Net other losses in 2016 amounted to US$301.1 million compared with net other gains of US$2,223.8 million in 2015. In 2016, net other losses mainly included an impairment loss of US$305.0 million on NCLH Shares and US$10.0 million gain on disposal of certain available-for-sale investments.

Net other gains in 2015 mainly included 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.

Net Finance Income/Costs

Net finance income (i.e. finance income, net of finance costs) in 2016 of US$3.7 million was recorded compared with the net finance costs (i.e. finance costs, net of finance income) amounted to US$14.6 million in 2015 primarily due to higher capitalised interests for certain qualifying assets.

(Loss)/Profit Before Taxation

Loss before taxation for 2016 was US$495.6 million compared with profit before taxation of US$2,114.2 million in 2015. Excluding the Dream and Crystal pre-operating costs for the new ships, one-off reorganisation costs for shipyard operations, impairment loss on available-for-sale investments and gain on disposal of available-for-sale investments, the loss before taxation for 2016 was US$121.5 million, compared with the loss before taxation for 2015 of US$87.8 million after excluding the Dream and Crystal pre-operating costs for the new ships, gain on disposal of available-for-sale investments, gain on disposal of equity interest in and de-recognition of an associate, loss on disposal of a joint venture and impairment loss on leasehold land.

(Loss)/Profit Attributable To Equity Owners

Loss attributable to equity owners of the Company was US$502.3 million for 2016 compared with the profit attributable to equity owners of US$2,112.7 million in 2015.

YEAR ENDED 31 DECEMBER 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") (CONTINUED)

Liquidity and Financial Resources

As at 31 December 2016, cash and cash equivalents amounted to US$1,040.3 million, a decrease of US$738.4 million compared with US$1,778.7 million as at 31 December 2015. The decrease in cash and cash equivalents was primarily due to cash outflow of (i) US$1,088.8 million for capital expenditure of property, plant and equipment (including US$40.0 million for existing Star Cruises fleet, US$830.5 million for Dream Cruises new build vessels, US$161.5 million for Crystal Cruises vessels and aircrafts), (ii) US$278.6 million for the acquisition of shipyards in Germany, and (iii) US$337.9 million for repayment of existing bank loans and borrowings and financing costs. The cash outflow was partially offset by cash inflow of (i) US$964.6 million from loan drawdown, (ii) US$13.4 million dividend received from a joint venture, associate and available-for-sale investment, (iii) US$24.9 million consideration from disposal of available-for-sale investment, and (iv) US$18.5 million deferred consideration from a previous disposal of a vessel.

The majority of the Group's cash and cash equivalents are held in US dollar, Singapore dollar, Hong Kong dollar, Euro dollar, Chinese Renminbi and Malaysian Ringgit. The Group's liquidity as at 31 December 2016 amounted to US$1,269.7 million (31 December 2015: US$2,008.5 million), which comprised cash and cash equivalents and undrawn credit facilities.

As at 31 December 2016, total loans and borrowings amounted to US$1,172.2 million (31 December 2015: US$531.3 million) and were mainly denominated in US dollar. Approximately 1% (31 December 2015: 2%) of the Group's loans and borrowings was under fixed rate and 99% (31 December 2015: 98%) was under floating rate. Loans and borrowings of US$135.2 million (31 December 2015: US$87.2 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$2.0 billion (31 December 2015: US$1.2 billion).

The Group was in a net debt position of US$131.9 million as at 31 December 2016, as compared with a net cash position of US$1,247.4 million as at 31 December 2015. The total equity of the Group was approximately US$4,823.2 million (31 December 2015: US$5,500.4 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 foreign exchange exposure primarily through 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 dollar in conformity with the Group's reporting currency.

In 2016, Travellers reported P27,490.9 million (US$577.6 million) in total revenues and P6,420.5 million (US$134.9 million) in EBITDA, compared with P27,719.7 million (US$609.8 million) in total revenues and P6,161.9 million (US$135.6 million) in EBITDA in 2015.

Direct costs amounted to P10,616.1 million (US$223.0 million) in 2016, which increased from P10,490.7 million (US$230.8 million) in 2015. The increase was primarily due to higher casino operating expenses incurred in 2016.

General and administrative expenses amounted to P9,701.1 million (US$203.8 million) in 2016, compared with P9,352.5 million (US$205.8 million) in 2015. The increase was due to (a) full year depreciation for Marriott Grand Ballroom which was capitalised in December 2015; (b) increase in general marketing as a result of change in arrangement with junket operators from revenue sharing last year to the traditional rolling based commission; and (c) settlement of tax assessment from prior years.

Finance costs amounted to P1,458.6 million (US$30.7 million) in 2016, which increased from P775.4 million (US$17.0 million) in 2015, primarily due to unrealised foreign exchange losses on the outstanding US$300.0 million bond given the depreciation of Philippine peso.

YEAR ENDED 31 DECEMBER 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") (CONTINUED)

Travellers (Continued)

Net profit decreased from P4,017.6 million (US$88.4 million) in 2015 to P3,398.5 million (US$71.4 million) in 2016.

The cash and cash equivalents balance increased from P12,301.2 million (US$262.0 million) as at 31 December 2015 to P13,250.2 million (US$267.7 million) as at 31 December 2016, while the loans and borrowings balance increased from P14,243.4 million (US$303.4 million) as at 31 December 2015 to P21,879.1 million (US$442.0 million) as at 31 December 2016 to fund the working capital.

Prospects

Star Cruises remains to be "The Most Popular Cruise Line in Asia". In December 2016, Star Cruises announced the deployment of the SuperStar Virgo to Manila as the homeport from March to May, 2017, which makes Star Cruises the first cruise line to do so. Five night voyages will sail to Laoag, Kaohsiung and Hong Kong, providing cruise as an alternative to the booming Philippines outbound tourism industry. From July to November 2017, the SuperStar Virgo will begin offering cruises seven night cruises to Osaka, Tokyo, Shimizu (port for Mount Fuji) and Kagoshima. Star Cruises continues to excel in providing top level service and onboard activities. In September 2016, Star Cruises celebrated another year of success at the Battle of the Chefs 2016 biennial competition. The Star Cruises' team of chefs won a total of 18 medals including 2 Gold, 7 Silver and 9 Bronze medals, together with 11 Diploma Awards and also secured the Most Outstanding Live Cooking Master Chef Award and the Most Outstanding US Potatoes Master Chef Challenge Award. Looking into the future, Star Cruises plan to position the SuperStar Gemini in Bangkok as homeport after the Genting Dream replaces the SuperStar Gemini in Singapore. The Group plans to deliver the 204,000 gross tons 5,000 lower berths "Global Class" ships for Star Cruises starting in 2020.

Dream Cruises was launched in November last year as the first luxury cruise line in Asia, which is truly Asian at heart and international in spirit. The christening of the first Dream Cruises ship, the Genting Dream, was in Guangzhou, and the Genting Dream has enjoyed a successful debut and received positive reception from our guests since launch. Starting in April 2017, the Genting Dream will embark on five night cruises to Okinawa, Japan, Dream Cruises' second ship, the World Dream, will start service in December this year in Hong Kong whilst the Genting Dream will relocate to Singapore as its home port and she will operate two nights weekend cruises and five night weekday cruises whose itinerary will alternate between journeys to Bali and Surabaya and cruises to Kuala Lumpur, Penang and Phuket.

Crystal Cruises remains as "The World's Most Awarded Luxury Cruise Line" by winning numerous luxury travel awards and have brand extensions to River Cruises, Yacht Cruises and AirCruises (air voyages on a Boeing 777 plane with all first class seats). On 9 January 2017, after launching the Crystal Mozart last year, Crystal River Cruises celebrated the steel cutting for Crystal Debussy and Crystal Ravel at MV Werften and they will sail next year. The two additional Rhine Class luxury river ships are scheduled for delivery this year. The first Crystal expedition yacht, the Crystal Endeavor, will be launched in late 2019. In the meant time Crystal Cruises continues to offer the most luxurious and exclusive options for our guests on current offerings. In 2017, Crystal River Cruises will offer an exclusive private concert at Amsterdam's Royal Concertgebouw. Crystal AirCruises will partner with Wine Spectator to offer a 16-day "Savoring the Winelands" itinerary. Crystal Ocean cruises continue to offer globetrotting voyages including our popular Northwest Passage and Alaska voyages. The extraordinary service and outstanding commitment to our guests earned Crystal 'World's Best' by readers of Condé Nast Traveller for a record 23rd year.

Since the formation of MV Werften, the Group continues to invest for the future and build up the capabilities of the yards. In January 2017, MV Werften completed the training of the first batch of apprentices since the Group's acquisition of the yards to ensure our commitment to human capital and the Group's dedication on the development of the local industry and commerce. The Group added to MV Werften's capabilities by investing in a cabin manufacturing facility in November 2016. The facility has a total area of 22,000 square metres will be used for manufacturing prefabricated cabins for the Global Class cruise ships. The total investment in the cabin factory is EUR13 million and will create up to 200 new jobs. Genting Group's five year plan is to construct four Rhine Class river cruisers, three Endeavor Class expedition ships and two Global Class cruise ships.

YEAR ENDED 31 DECEMBER 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") (CONTINUED)

Prospects (Continued)

Zouk has continued on its path to become Asia's premier all-encompassing lifestyle brand. In December 2016, Zouk's brand new, 31,000 square foot flagship in Clarke Quay successfully launched with multiple nightlife concepts tailored to all clientele; from the posh big-spenders the millennial party-goers. Furthermore, Zouk has had a successful year expanding its ZoukOut festival franchise internationally. Numerous installations of the festival were hosted successfully overseas including ZoukOut in Boracay, Philippines in April, ZoukOut x Summer Sonic in Tokyo, Japan in August and ZoukOut Live Edition in Hong Kong in October. The festival will continue its plan to expand in the coming year with potential festivals in Kuala Lumpur, Pattaya in Thailand, Manila, Hainan in China and of course Hong Kong and Singapore. Zouk also launched "Zouk At Sea" with Dream Cruises in 2017. Zouk Club onboard Genting Dream encompasses several nightlife concepts divided into three areas: an indoor dance club; a games lounge with a glow-in-the-dark bowling alley; and an outdoor daytime/night-time party deck. Zouk At Sea hosts the ultimate clubbing experience for party-lovers where world class DJs takes the 'decks' for a weekend of curated non-stop activities and parties.

Resorts World Manila (RWM), the Philippines' pioneer integrated entertainment and tourism destination, marked its seventh year in operation with continuous development, milestones, and recognitions. The expansion plans remained on track with the Marriott West Wing, the extension of Marriott Hotel Manila, operational since the fourth quarter of 2016, increasing RWM's total room count to over 1,450 and making it the largest hotel owner amongst the integrated resorts in the country. Other developments, which will introduce three new hotels - Hilton Manila Hotel, Sheraton Hotel Manila, and a new Maxims Hotel - are scheduled to be operational in 2018. This will also include an additional gaming area, new retail spaces and six basement parking decks. A significant milestone is the ongoing construction of an enclosed pedestrian bridge directly connecting Ninoy Aquino International Airport (NAIA) Terminal 3 (T3) to Newport City and the Resorts World complex, due to open in the first half of 2017. Once completed, the bridge, dubbed Runway Manila, will allow the average person to walk the distance between the airport and Newport City in just three minutes.

Operating Statistics

The following table sets forth selected statistical information:

	Year ended 31 December	
	2016	2015
Passenger cruise days	**2,922,480**	2,207,493
Capacity days	**3,576,660**	3,014,074
Occupancy percentage	**82%**	73%

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	
	2016 US$'000	2015 US$'000
Passenger ticket revenue	**503,448**	289,133
Onboard revenue	**404,663**	363,713
Total cruise and cruise-related revenue	**908,111**	652,846
Less:		
Commission, incentives, transportation and other related costs	**(125,996)**	(34,613)
Onboard costs	**(92,457)**	(121,418)
Net Revenue	**689,658**	496,815
Capacity Days	**3,576,660**	3,014,074
Gross Yield (US$)	**253.9**	216.6
Net Yield (US$)	**192.8**	164.8

YEAR ENDED 31 DECEMBER 2016 (“YEAR 2016”) COMPARED WITH YEAR ENDED 31 DECEMBER 2015 (“YEAR 2015”) (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	
	2016 US$’000	2015 US$’000
Total operating expenses	**972,175**	615,942
Selling, general and administrative expenses	**267,695**	162,765
	1,239,870	778,707
Less: Depreciation and amortisation	**(132,201)**	(94,908)
	1,107,669	683,799
Less: Expenses relating to non-cruise activities	**(198,968)**	(65,502)
Gross Cruise Cost	**908,701**	618,297
Less:		
Commission, incentives, transportation and other related costs	**(125,996)**	(34,613)
Onboard costs	**(92,457)**	(121,418)
Net Cruise Cost	**690,248**	462,266
Less: Fuel costs	**(51,339)**	(63,184)
Net Cruise Cost Excluding Fuel	**638,909**	399,082
EBITDA for cruise and cruise-related activities (excluding Dream and Crystal pre-operating costs for the new ships)	**62,763**	43,449
Capacity Days	**3,576,660**	3,014,074
Gross Cruise Cost per Capacity Day (US$)	**254.1**	205.1
Gross Cruise Cost per Capacity Day (excluding Dream and Crystal pre-operating costs for the new ships) (US$)	**236.4**	202.2
Net Cruise Cost per Capacity Day (US$)	**193.0**	153.4
Net Cruise Cost per Capacity Day (excluding Dream and Crystal pre-operating costs for the new ships) (US$)	**175.3**	150.4
Net Cruise Cost Excluding Fuel per Capacity Day (US$)	**178.6**	132.4

YEAR ENDED 31 DECEMBER 2016 ("YEAR 2016") COMPARED WITH YEAR ENDED 31 DECEMBER 2015 ("YEAR 2015") (CONTINUED)

Strategy

The Group's key aim is to maintain and strengthen its leadership positions in its core cruise business segments, luxury, premium and contemporary. The Group does this by offering innovative products and outstanding services while keeping its cost structure efficient. The Group 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, cruise and travel and leisure markets;
- managing the shipbuilding business and construction cycles of our Group's newbuild plan;
- continuing the refurbishment and upgrading of existing fleet; and
- rationalising asset through repositioning of ships and disposing of low-yielding assets.

In 2016, the Group continues to launch new offerings for its cruise brands. The Genting Dream was christened and launched successfully in November 2016 in Guangzhou. The event marks a new beginning for Dream Cruises and the Group as the three brand strategy becomes the going-forward model for the Group. Dream Cruises will receive its second ocean going vessel, World Dream, at the end of the 2017. With the sister ships, Dream Cruises will solidify its position as the first-ever Asian luxury cruise line and cater to the large and rapidly growing high-end market in China and Asia. Crystal Cruises celebrated the unveiling of the Crystal Mozart and its Crystal River Cruises offerings in July 2016. Future delivery of four Rhine Class river cruise vessels, three Endeavor Class expedition yachts and a customised Boeing 777 jet will further diversify Crystal Cruises' portfolio and continues to represent everything luxury and its "World's Best" reputation. Star Cruises represents the Group's core value for cruising rooted since its incorporation in September 1993. The Group's future ambition for Star Cruises begins with a series of 204,000 gross ton Global Class ocean cruise ships with the first vessel delivery in 2020. With its highly configurable specifications tailored for the taste of cruisers from different regions, Star Cruises can better continue its strategy to bring Chinese cruisers to Asia Pacific destinations.

In 2016, the Group has completed the acquisition of three ships yards from Nordic Yards in 2016. Subsequently, the Group has formed MV Werften with the three shipyards to further streamline the Group long-term shipbuilding program and to make MV Werften into one of the world's most modern and efficient cruise shipyards. Lloyd Werft, located in Bremerhaven, will remain focused on its prior business of repairs, conversion and building of megayachts and specialised vessels. Investments in the capabilities and human capital of the shipyards will remain a high priority for the Group as the growth of the three cruise brands is highly dependent on the successful execution of the shipbuilding group.

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. The new Marriott West Wing has started its operation in September 2016. Expansion projects in RWM are in full swing with Phase 2 on its tail end with the completion of the Marriott West Wing. Phase 3, which will consist of three hotels, Hilton Manila, Sheraton Manila Hotel, and Maxims II, is scheduled to be operational by 2018. Phase 3 will also include an additional gaming area, new retail spaces and six basement parking decks.

HUMAN RESOURCES

As at 31 December 2016, the Group had approximately 13,123 employees, consisting of approximately 9,260 (or 71%) shipbased officers and crew as well as approximately 3,863 (or 29%) 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 2016, there is no significant change in the remuneration policies, bonus, share option 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 dollar. Transactions in currencies other than US dollar ("foreign currencies") are translated into US dollar 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, Hong Kong dollar, Euro dollar, Chinese Renminbi and Malaysian Ringgit. 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 dollar and are based upon floating rates of interest. The Group limits its exposure to interest rate fluctuation by entering into variable to fixed interest rate swaps from time to time when appropriate, to fix a portion of interest costs over a period of time. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

Fuel price risk

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

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

Genting Hong Kong believes that sustainability is a business strategy that creates long-term value. We are committed to protecting the environment, minimising the environmental impact of our business operations and complying with applicable environmental legislative and regulatory requirements. We have an environmental policy that guides our daily operations to achieve higher environmental standards. Our Environmental Management System identifies and manages the environmental impact of our business. The system is in accordance with ISO 14001, further assuring that we are able to identify environmental opportunities, enforce programs, promote awareness among our employees and stakeholders and seek continuous improvement.

Compliance with Laws & Regulations

The legal and regulatory environment is monitored by the Group's Legal Department. It is responsible for monitoring daily legal affairs of the Group, including preparing, reviewing and approving all legal documents in conjunction with finance, tax, business units and other relevant departments of the Group, and advising the Management of the Group on legal and commercial issues of concern. To ensure regulatory compliance in different jurisdictions, the Group's Legal Department monitors and reviews applicable laws and regulations within the frameworks of the Group's operations and the Group also adopts various internal policies and procedures to enable the business units comply with the applicable laws and regulations accordingly. The Group's Legal Department also engages external legal advisers to ensure the requisite professional standards are adhered to.

Relationships with key stakeholders

Genting Hong Kong's success relies on the trust and support from our stakeholders such as guests, employees, business partners and the community. We are committed to establishing stronger relationships with our stakeholders and to jointly working towards our common goal of sustainable development.

Guests

Genting Hong Kong is dedicated to reinforce our leadership position in the global leisure entertainment and hospitality industry; hence, our guests' experience is our top priority. To demonstrate our commitment to providing quality services for our guests, we actively engage with our guests through interviews and satisfaction surveys. Guests are also welcome to give us feedback through the Group's website.

Employees

Employees are Genting Hong Kong's important assets and we strive to provide our employees with a fair and diverse working environment. We encourage communication between management and employees; the periodic review provides an opportunity for management and employees to discuss opportunities for career advancement. Our major business operations are cruise and shipyard operations, and we are dedicated to protecting our employees' health and safety. We have a comprehensive Safety, Health and Environmental Protection Policy to oversee work-related health and safety issues as well as to ensure our operations comply with relevant laws and regulations.

Business partners and suppliers

We work with our business partners and suppliers to build long-term and mutually beneficial relationships. Our engagement with our business partners and suppliers are emphasised on compliance and adherence to the Group's procurement policies and procedures. We strive to promote sustainability by incorporating environmental considerations in our supply chain and give priorities to suppliers that offer environmentally friendly products.

Community

As a global corporation, we pay close attention to the needs of the communities in which we operate; we contribute to communities through organising and participating in different charity activities. During the year, we donated to Xiamen University to contribute to the construction of its first teaching hotel. We also devoted our resources to communities in Singapore, Malaysia, Taiwan and the Philippines in the form of sponsorships or activities.

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 65, 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 49.32% 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. 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, GENM, Sierra Springs Sdn Bhd, RWL, KHR, KHI and Parkview Management Sdn Bhd (acting as trustee of a discretionary trust) were substantial shareholders of the Company before the disposal by the respective subsidiaries of GENT and GENM of their respective equity interests in the Company to Golden Hope Limited (as trustee of Golden Hope Unit Trust) effective 21 October 2016, whereupon they ceased to have equity interests in the Company and are no longer substantial shareholders of the Company.

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 holds a Bachelor of Science degree in Civil Engineering from the University of London. He attended the Programme for Management Development of Harvard Business School, Harvard University in 1979. He is a Visiting Professor in the Department of Electrical and Electronic Engineering, Imperial College London and an Honorary Professor of Xiamen University, China.

DIRECTORS' PROFILES (CONTINUED)

Executive Directors (Continued)

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

Mr. Lim Keong Hui, aged 32, 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 eight 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 49.32% equity interest in GENM. Mr. Lim is a director of Genting UK Plc, a public company which is an indirect wholly-owned subsidiary of GENM. He is also a director of KHR and KHI. GENT, GENM, KHR and KHI were substantial shareholders of the Company before the disposal by the respective subsidiaries of GENT and GENM of their respective equity interests in the Company to Golden Hope Limited (as trustee of Golden Hope Unit Trust) (a substantial shareholder of the Company) effective 21 October 2016, whereupon they ceased to have equity interests in the Company and are no longer substantial shareholders of the Company.

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 Regent's 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 73, 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. 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; and Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited, during the period from March 2002 to April 2016.

DIRECTORS' PROFILES (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. Lam Wai Hon, Ambrose

Mr. Lam Wai Hon, Ambrose, aged 63, 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 66, 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. GENT and GENM were substantial shareholders of the Company before the disposal by the respective subsidiaries of GENT and GENM of their respective equity interests in the Company to Golden Hope Limited (as trustee of Golden Hope Unit Trust) (a substantial shareholder of the Company) effective 21 October 2016, whereupon they ceased to have equity interests in the Company and are no longer 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. Colin Au Fook Yew
Group President

Mr. Colin Au Fook Yew, aged 67, was appointed the Group President of the Company in March 2017. He was the founding President and CEO of the Company, which pioneered the Asian cruise business 24 years ago with Star Cruises, "The Most Popular Cruise Line in Asia". He was involved in the acquisition of Crystal Cruises, "The World's Most Awarded Luxury Cruise Line" and the establishment of Dream Cruises, "Asia's Luxury Cruise Line". Mr. Au is currently focussed on the global development of the Company's three cruise brands, grouped under the Genting Cruise Lines and the building of new ships for these brands.

Mr. Au is also a director of MV Werften Holdings Limited, the holding company of the entities which owns a collection of three German shipyards in the German state of Mecklenburg-Vorpommern building new vessels for Genting Cruise Lines; including four "Rhine Class" river ships for Crystal Cruises with delivery in 2017 and 2018; three 20,000 gross tons luxury "Endeavor Class" exploration ships for Crystal Cruises with planned deliveries starting 2019 and a series of 204,000 gross tons "Global Class" ships for Star and Dream Cruises, with planned deliveries starting 2020. MV Werften also holds Lloyd Werft in Bremerhaven, which concentrate on the construction of MegaYachts and other special purpose new-builds.

Mr. Au joined Genting Berhad 37 years ago and served in different positions globally within the Genting Group of companies, living and working in Malaysia, Australia, Singapore, Europe and the United States. Prior to joining the Genting Group, Mr. Au worked for Exxon Corporation for five years in Hong Kong and Malaysia. Mr. Au graduated with a B. Sc (Hons) in Chemical Engineering degree from the University of Birmingham in 1972 and a MBA from the Harvard Graduate School of Business in 1974.

Mr. Blondel So King Tak
Executive Vice President, Corporate Services

Mr. Blondel So King Tak, aged 56, 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. Mr. So took up the current position in August 2014. He also acts as a director of various subsidiaries of the Company. He has over 23 years of experience in the financial sector. 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. Joyce Tan Wei Tze
Executive Vice President, Financial Services and Chief Financial Officer

Ms. Joyce Tan Wei Tze, aged 44, 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 Alexander Hackman
Executive Vice President, Marine Operations

Mr. Michael Alexander Hackman, aged 58, 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 also acts as a director of various subsidiaries of the Company. He has over 36 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)

Mrs. Edie Maxine Rodriguez
CEO and President, Crystal

Mrs. Edie Maxine Rodriguez, aged 55, is the CEO and President of Crystal Luxury Corporation, Ltd. - The World's Most Luxurious Hospitality and Lifestyle Brand Portfolio™ whose holdings include Crystal Cruises, The World's Most Awarded Luxury Cruise Line™, Crystal Yacht Expedition Cruises, Crystal River Cruises, The World's Only Luxury River Cruise Line™, Crystal Luxury Air, Crystal AirCruises and Crystal Exclusive Class™ ships with Crystal Residences. Mrs. Rodriguez joined Crystal as President and COO in October 2013; promoted to CEO and President following the acquisition of Crystal Cruises by Genting Hong Kong Limited in May 2015. She is the only female CEO in the luxury cruise industry and has 36 years of executive experience in the international cruise, luxury travel and technology industries. *Afar Magazine* recognized Rodriguez as one of ten visionaries making travel better; TravelPulse.com selected her as one of the most influential people in travel in 2016; and *Luxury Daily* selected Rodriguez as one of its Luxury Women to Watch in 2017. She received a Bachelor of Science degree from Nova Southeastern University, and completed Executive Management Courses at Harvard and Stanford.

Mr. Thatcher Gihon Brown
President, Dream Cruises

Mr. Thatcher Gihon Brown, aged 49, 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 developing and launching the Dream Cruises brand, providing strategic and operational leadership for Dream Cruises with the Board and other management to successfully position Dream Cruises as "Asia's 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 26 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.

Mr. Ang Moo Lim
President, Star Cruises

Mr. Ang Moo Lim, aged 42, assumed the position of President, Star Cruises in November 2015. 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 current position. 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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2016.

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") with reference to 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 22 to 32 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 2016 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 2016 are set out in the consolidated statement of comprehensive income on pages 95 and 96.

DIVIDENDS

The Directors have recommended a final dividend in respect of the year ended 31 December 2016 of US$0.01 per ordinary share (2015: Nil), which will be payable subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 40 to the consolidated financial statements and on pages 102 and 103 of this annual report respectively.

Distributable reserves of the Company at 31 December 2016, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to US$1,582.8 million (2015: US$1,604.8 million).

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 185.

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 2016.

DONATIONS

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

PRINCIPAL PROPERTIES

Details of the principal properties owned by the Group as at 31 December 2016 are set out on pages 186 and 187.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year, if any, are set out in note 26 to the consolidated financial statements.

INDEBTEDNESS

Details of long-term financing facilities of the Company and its subsidiaries as at 31 December 2016 are set out in note 27 to the consolidated financial statements.

DIRECTORS

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

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith
Mr. Lam Wai Hon, Ambrose
Mr. Lim Keong Hui
Mr. Justin Tan Wah Joo

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Alan Howard Smith and Mr. Justin Tan Wah Joo 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.

Biographical details of the Directors and senior management are set out on pages 33 to 37.

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 33 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 33 to the consolidated financial statements, no contracts of significance (i) between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by 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 2016 are disclosed in note 33 to the consolidated financial statements.

(b) Transactions set out in items (a), (b), (c), (g), (u), (bb), (gg) and (ii) 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"), 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	The service fees were based on 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	The charges were based on number of hours, destination and vehicle type, and were comparable with, or no less favourable than, that of independent third party service providers.
Office leasing	The monthly rental was based on a fixed rate per lease contract. Prices were comparable with, or no less favourable than, that of independent third party landlords in the area.
Information technology and implementation, support and maintenance services, and other services in relation to information technology support and central reservation services	In respect of the softwares (which are ready-to-use softwares developed specifically for hotel and leisure operation and synchronised with the Group's operational systems), licencing and/or leasing fees were based on cost plus a fixed rate of mark-up. In respect of customisation services for the aforesaid software, fees were based on man-hours spent in providing the services which are derived based on manpower costs. The rates were comparable with, or no less favourable than terms available from independent third parties providing similar services.

Tan Sri Lim Kok Thay ("Tan Sri Lim") and Mr. Lim Keong Hui ("Mr. Lim") are each Executive Directors and connected persons (as defined under Chapter 14A of the Listing Rules) of the Company. Each of Tan Sri Lim and Mr. Lim is a beneficiary of a discretionary trust, whose trustee in its capacity as trustee of such discretionary trust indirectly holds more than 30% of the equity interests in Genting Berhad ("GENT"). GMC is a wholly-owned subsidiary of GENT. GENM and GENS are also subsidiaries of GENT. Accordingly, pursuant to the Listing Rules, each of GENT, GENM, GENS and GMC is considered to be an associate (as defined under Chapter 14A of the Listing Rules) of each of Tan Sri Lim and Mr. Lim, and is therefore a connected person of the Company. Each of GENT and GENM is a company listed on the Main Market of Bursa Malaysia Securities Berhad while GENS is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

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 31 December 2014, 2015 and 2016 was expected to be as follows:

	For the year ended 31 December		
	2014 US$	2015 US$	2016 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 2016, 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$2.0 million and US$0.29 million respectively and has not exceeded the Annual Cap of US$0.5 million, US$8 million and US$2 million respectively.

As announced in the Company's announcement dated 30 December 2016, in view of the expiry of the First Amended GENT-GENHK Services Agreement, the Second Amended GENM-GENHK Services Agreement and the Second Amended GENS-GENHK Services Agreement on 31 December 2016, the parties entered into new services agreements (the "2017 GENT/GENM/GENS (Payable) Services Agreements") on 30 December 2016 separately to extend the term and to modify the scope of services (as the case may be) of the respective agreements for a further fixed term of 3 years commencing from 1 January 2017.

Details of the 2017 GENT/GENM/GENS (Payable) Services Agreements as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 30 December 2016 and will be disclosed in subsequent annual reports and accounts of the Company for each of the said financial years in accordance with the Listing Rules.

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

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".

CONNECTED TRANSACTIONS (CONTINUED)

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	The price was fixed which was 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	The fee was based on 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.

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 31 December 2014, 2015 and 2016 was expected to be as follows:

	For the year ended 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 2016, 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$0.04 million and US$0.16 million respectively and has not exceeded the Annual Cap of US$1.5 million and US$4 million respectively.

As announced in the Company's announcement dated 30 December 2016, in view of the expiry of the Amended GENHK-GENM Services Agreement and the Amended GENHK-GENS Services Agreement on 31 December 2016, the parties entered into new services agreements (the "2017 GENM/GENS (Receivable) Services Agreements") on 30 December 2016 separately to extend the term and to modify the scope of services of the respective agreements for a further fixed term of 3 years commencing from 1 January 2017.

Details of the 2017 GENM/GENS (Receivable) Services Agreements as well as the related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 30 December 2016 and will be disclosed in subsequent annual reports and accounts of the Company for each of the said financial years in accordance with the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

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

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, revenue 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 members of the GENM group and amount receivable for membership loyalty points awarded by the GENM group to members of the Group 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 members of the Group at the outlets of the GENM group and amount receivable for product(s) and/or service(s) redeemed by members of the GENM group at the outlets of the Group	The amounts payable and receivable were at 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.

CONNECTED TRANSACTIONS (CONTINUED)

SCM and SC (C) are wholly-owned subsidiaries of the Company. WorldCard International Limited ("WCIL") is a wholly-owned subsidiary of SC (C) while 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 JPM Agreement (as supplemented by the JPM Third Supplemental Agreement) and the Inter-Operator Agreement (as supplemented by the Inter-Operator Supplemental Agreement IV) for each of the financial years ended 31 December 2014, 2015 and 2016 was expected to be as follows:

	For the year ended 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 2016, (i) the aggregate amount paid/payable by the Group in respect of the JPM/WC Transactions was approximately US$0.04 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$0.3 million and has not exceeded the Annual Cap of US$7 million.

For the purpose of computation of the percentage ratios under the Listing Rules, the Annual Caps of the JPM/WC Transactions have been aggregated with the Annual Caps of the GRA Agreement (as defined in item (7) below) for the financial year ended 31 December 2016, due to their similar and complementary nature of customer loyalty and marketing programmes.

As announced in the Company's announcement dated 30 December 2016, in view of the expiry of the JPM Agreement (as supplemented by the JPM Third Supplemental Agreement) on 31 December 2016, the Company and GENM entered into a new joint promotion and marketing agreement (the "2017 JPM Agreement") on 30 December 2016 to renew and amend the JPM Agreement (as supplemented by the JPM Third Supplemental Agreement) for a further period of 3 years from 1 January 2017 to 31 December 2019. Due to the change in the customer loyalty programme for the GENM group and the cessation in the exchange of the WorldCard points, the Inter-Operator Agreement (as supplemented by the Inter-Operator Supplemental Agreement IV) was not renewed upon its expiry on 31 December 2016.

Details of the 2017 JPM Agreement as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 30 December 2016 and will be disclosed in subsequent published annual reports and accounts of the Company for each of the said financial years in accordance with the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(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 (i) the 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 (ii) the handling of all amendment and cancellation related activities of any reservations and booking services (the "Call Centre Services") (the "RWS Transactions").

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

Nature of transaction	Pricing policy and guidelines
Call Centre Services	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, which in turn is a subsidiary of GENT.

On 21 December 2015, CAL entered into a third supplemental agreement with RWS (the "Third Supplemental Agreement") to renew the RWS Services Agreement (as supplemented by the first and second supplemental agreements) (together with the Third Supplemental Agreement, the "Amended RWS Services Agreement) and continuing connected transactions thereunder for a further period of one year from 1 January 2016 to 31 December 2016.

The Annual Cap for the transactions contemplated under the Amended RWS Services Agreement for the financial year ended 31 December 2016 would not exceed US$5 million.

For the year ended 31 December 2016, the aggregate amount received/receivable by CAL in respect of the RWS Transactions was approximately US$1.7 million and has not exceeded the Annual Cap of US$5 million.

As announced in the Company's announcement dated 14 December 2016, in view of the expiry of the Amended RWS Services Agreement on 31 December 2016, Genting Philippines Holdings Limited – Philippine Branch (being a branch of an indirect wholly-owned subsidiary of the Company) replaced CAL as the provider of the Call Centre Services and entered into a new services agreement with RWS on 14 December 2016 (the "2017 RWS Services Agreement") to renew the Amended RWS Services Agreement in respect of the provision of the Call Centre Services in connection with the Resorts World Sentosa and Genting Hotel Jurong (a hotel developed, owned and operated by a wholly-owned subsidiary of RWS) for a further period of 3 years commencing from 1 January 2017.

Details of the 2017 RWS Services Agreement as well as related Annual Caps and transactions contemplated thereunder were set out in the announcement issued by the Company on 14 December 2016 and will be disclosed in subsequent published annual reports and accounts of the Company for the said financial years in accordance with the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(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$2.9 million) (the "3rd Valley (Payable) Transactions"). Genting World and Genting Residences are properties located, developed and constructed at Secret Garden, 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. The provision of the consultancy services by 3rd Valley under the Cooperation Agreement was not extended upon its expiry of the 3-year term of services at the end of December 2016.

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 and an uncle of Mr. Lim.

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 2016, the aggregate amount paid/payable to 3rd Valley in respect of the 3rd Valley (Payable) Transactions was RMB7,000,000 (equivalent to approximately US$1,079,000). From the date of the Cooperation Agreement until 31 December 2016, the aggregate amount paid/ payable to 3rd Valley in respect of the 3rd Valley (Payable) Transactions was RMB17,000,000 (equivalent to approximately US$2,732,000) and has not exceeded the aggregate consideration of RMB20,000,000 (equivalent to approximately US$2.9 million) as mentioned in the Cooperation Agreement.

CONNECTED TRANSACTIONS (CONTINUED)

(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 (now known as Lloyd Werft Bremerhaven GmbH) ("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 (now known as German Dry Docks AG) ("GDD", a wholly-owned subsidiary of Petram) in relation to the provision of dock facilities, personnel leasing, services and other works (i) by GDD to the LWB group and (ii) by the LWB group to GDD 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 price and the terms of the LWB Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 24 November 2015.

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

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

For the year ended 31 December 2016, (i) the aggregate amount paid/payable by the LWB group to GDD under the Agreement On Charged Rates was approximately EUR212,000 and has not exceeded the Annual Cap of EUR395,000 and (ii) the aggregate amount paid/payable by GDD to the LWB group under the Agreement On Charged Rates was approximately EUR5,333,000 and has not exceeded the Annual Cap of EUR11,655,000.

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 (i.e. up to 10 January 2017) by virtue of being an associate of former members of the supervisory board of LWB. Petram ceased to be such a connected person of the Company as from 11 January 2017.

CONNECTED TRANSACTIONS (CONTINUED)

(7) On 14 September 2016, SC (C) entered into a Genting Rewards Alliance agreement (the "GRA Agreement") with RW Services Pte Ltd ("RW Services") whereby RW Services granted to SC (C) the non-exclusive right to become an alliance participant in the customer loyalty programme known as "Genting Rewards Alliance" (the "GRA Programme") at an annual alliance fee of the higher of (i) US$30,000 (which will not be applicable to the first twelve months from the effective date of the GRA Agreement) or (ii) a fee equivalent to 3% of the value of the total products and/or services supplied by or for and on behalf of SC (C) and redeemed by members of the GRA Programme from the GRA Programme within the consecutive twelve months period effective from the date of the GRA Agreement to 31 December 2018, which shall be renewable at the option of SC (C) for a 3-year term of up to a maximum of nine such renewals.

The GRA Programme is a multi-jurisdictional and multilateral alliance of customer rewards programme and provides a network through which multiple customer rewards programmes from different localities and countries can participate as part of the network, facilitating the redemption of loyalty or reward points across loyalty programmes by participants in the GRA Programme.

RW Services is a wholly-owned subsidiary of Resorts World Inc Pte. Ltd. ("RWI") which in turn is a joint venture held as to 50% indirectly by each of GENT and Tan Sri Lim. Transactions under the GRA Agreement are referred to as the "GRA Transactions".

The price and the terms of the GRA Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 14 September 2016.

The Annual Cap for the amounts paid/payable and the amounts received/receivable by the Group under the GRA Agreement for each of the financial period ended/years ending 31 December 2016, 2017 and 2018 was/is expected to be as follows:

	For the period ended/ year ending 31 December		
	2016 US$'000	2017 US$'000	2018 US$'000
Annual amounts paid/payable by the Group under the GRA Agreement	100	500	1,000
Annual amounts received/receivable by the Group under the GRA Agreement	100	500	1,000

For the period ended 31 December 2016, no GRA Transactions were conducted and accordingly, (i) the aggregate amount paid/payable by the Group in respect of the GRA Transactions was Nil and has not exceeded the Annual Cap of US$100,000 and (ii) the aggregate amount received/receivable by the Group in respect of the GRA Transactions was Nil and has not exceeded the Annual Cap of US$100,000.

For the purpose of computation of the percentage ratios under the Listing Rules, the Annual Caps of the GRA Agreement have been aggregated with the Annual Caps of the JPM/WC Transactions (as disclosed in item (3) above) for the financial year ended 31 December 2016 and the Annual Caps of the GRA Agreement shall be aggregated with the Annual Caps of the 2017 JPM Agreement (as disclosed in item (3) above) for the financial years ending 31 December 2017 and 2018, due to their similar and complementary nature of customer loyalty and marketing programmes.

CONNECTED TRANSACTIONS (CONTINUED)

(8) On 8 November 2016, the Company as purchaser entered into a master agreement (the "FSG Master Agreement") with FreeStyle Gaming Limited ("FSG") as vendor whereby FSG provided the Group with the electronic equipment and devices for electronic games (the "Equipment") and services in relation to (a) installation and set-up of hardware and software for the Equipment; (b) training personnel; (c) after-sales-services; (d) software enhancement and development; and (e) other services related to the Equipment, for a term commencing from 8 November 2016 until 31 December 2018, which shall be renewable at the option of the Company for such duration and upon such terms and conditions as shall be mutually approved by the Company and FSG.

FSG is an indirect wholly-owned subsidiary of RWI. Transactions under the FSG Master Agreement are referred to as the "FSG Transactions".

The price and the terms of the FSG Transactions have been determined in accordance with the pricing policy and guidelines set out in the Company's announcement dated 8 November 2016.

The Annual Cap for the aggregate consideration paid/payable by the Group to FSG under the FSG Master Agreement for each of the 3 years ended/ending 31 December 2016 (including the transaction amounts for a series of completed transactions of a similar nature in the past 12 months prior to the FSG Master Agreement (the "FSG Past Transactions")), 2017 and 2018 was/is expected to be US$4.2 million, US$3.6 million and US$2.1 million respectively.

For the year ended 31 December 2016, the aggregate amount paid/payable by the Group in respect of the FSG Transactions (including the transaction amounts for the FSG Past Transactions) was approximately US$3.8 million and has not exceeded the Annual Cap of US$4.2 million.

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, the LWB Transactions, the GRA Transactions and the FSG Transactions (including the FSG Past 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 40 to 50 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) Transaction set out in item (dd) of these related party transactions, which constitutes a connected transaction under the Listing Rules, details of which as required to be disclosed in this annual report in accordance with the Listing Rules are given in note 33(dd) to the consolidated financial statements.

CONNECTED TRANSACTIONS (CONTINUED)

(d) Transaction set out in item (ee) of these related party transactions, which constitutes a 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 the consideration is less than the relevant de minimis threshold of 1% of the applicable percentage ratios (as prescribed in the applicable Listing Rules).

(e) Transactions set out in items (e), (f), (i), (k), (l), (r), (v), (x), (ff) and (hh) 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 2016 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 2016 as set out in note 33 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 listed on the Main Market of Bursa Malaysia Securities Berhad and both were substantial shareholders of the Company before the disposal by the respective subsidiaries of GENT and GENM of their respective equity interests in the Company to Golden Hope Limited (as trustee of Golden Hope Unit Trust) (a substantial shareholder of the Company) effective 21 October 2016, whereupon they ceased to have equity interests in the Company and are no longer substantial shareholders of the Company. Tan Sri Lim Kok Thay is also the Executive Chairman, a shareholder and a holder of the rights to participate in the performance share scheme 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, a shareholder 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, leisure and hospitality services, property investment and management, investments, tours and travel related services, provision of sales and marketing services and information technology related services. The principal activity of GENS is that of an investment holding company. The principal activities of GENS's subsidiaries include the development and operation of integrated resort, operation of casinos, provision of sales and marketing support services to leisure and hospitality related businesses and investments. GENS owns Resorts World Sentosa in Singapore. As at the date of this report, GENT held approximately 49.32% and 52.84% 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 Rule 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 2016, 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)*	36,298,108 *(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 2016:

(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 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.

(3) Tan Sri Lim Kok Thay as founder and a beneficiary of a discretionary trust (trustee of which is First Names Trust Company (Isle of Man) Limited) and Mr. Lim Keong Hui also as a beneficiary of the discretionary trust, had a deemed interest in the same block of 6,003,571,032 ordinary shares.

(4) Out of the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope Limited as trustee of Golden Hope Unit Trust, 5,436,846,124 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 2016, 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

INTERESTS OF DIRECTORS (CONTINUED)

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

Notes:

As at 31 December 2016:

(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 had been diluted from 50% to 44.93%. The Company's effective interest in the preferred B shares of Travellers remained 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.

INTERESTS OF DIRECTORS (CONTINUED)

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

(a) as at 31 December 2016, 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 2016 were as follows:

Post-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2016	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 31/12/2016	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	—	(50,000)	—	2,475,000	27/05/2008	HK$1.7800	28/05/2009 – 27/05/2018
	10,350,000	—	(1,658,000)	—	8,692,000	16/11/2010	HK$3.7800	16/11/2011 – 15/11/2020
	12,875,000	**—**	**(1,708,000)**	**—**	**11,167,000**			
Grand Total	**19,875,000**	**—**	**(1,708,000)**	**—**	**18,167,000**			

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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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)*						
First Names Trust Company (Isle of Man) Limited (as trustee of a discretionary trust) *(1)*	—	—	6,003,571,032 *(5)*	6,003,571,032 *(7)*	6,003,571,032 *(9)*	6,003,571,032 *(13)*	70.78
Cove Investments Limited *(2)*	—	—	—	—	6,003,571,032 *(10)*	6,003,571,032	70.78
Golden Hope Limited (as trustee of Golden Hope Unit Trust) *(3)*	—	—	546,628,908 *(6)*	6,003,571,032 *(8) and (12)*	—	6,003,571,032 *(13)*	70.78
Joondalup Limited *(4)*	546,628,908	—	—	—	—	546,628,908	6.44
Puan Sri Wong Hon Yee	—	6,408,512,493 *(11(a))*	36,298,108 *(11(b))*	—	—	6,408,512,493 *(13)*	75.55

Notes:

As at 31 December 2016:

(1) First Names Trust Company (Isle of Man) Limited ("First Names") was the trustee of a discretionary trust (the "Discretionary Trust"), 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. First Names as trustee of the Discretionary Trust 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).

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

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

(4) Joondalup Limited ("Joondalup") was wholly-owned by Golden Hope as trustee of GHUT.

(5) First Names as trustee of the Discretionary Trust had a corporate interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

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

(7) First Names in its capacity as trustee of the Discretionary Trust had a deemed interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

(8) The interest in 6,003,571,032 ordinary shares was held directly and indirectly by Golden Hope in its capacity as trustee of GHUT (comprising 5,456,942,124 ordinary shares held directly by Golden Hope as trustee of GHUT and 546,628,908 ordinary shares held indirectly through Joondalup).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

Notes : (Continued)

(9) First Names as trustee of the Discretionary Trust was deemed to have interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(10) Cove which held 0.01% of the units in GHUT was deemed to have interest in the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(11) (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.

(12) Out of the same block of 6,003,571,032 ordinary shares held directly and indirectly by Golden Hope as trustee of GHUT, 5,436,846,124 ordinary shares were pledged ordinary shares.

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

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

(15) 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 2016, 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 2016, 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. Information on the Group's retirement benefit schemes is set out in note 34 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for the arrangements relating to the provision of services by Genting Berhad and its related companies to the Group as set out in the section headed “Connected Transactions” above and in the section headed “Significant Related Party Transactions and Balances” in note 33 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.

CORPORATE GOVERNANCE

In the opinion of the Directors, during the year ended 31 December 2016, 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 61 to 94.

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 April 2014, the Group obtained a 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 a 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.

In July 2016, the Group obtained another new secured term loan and revolving credit facility in an aggregate amount of up to US$500 million with a term of 72 months after the first utilisation of the facilities by the Company under the facility agreement (the "US$500 million Facility Agreement") for repayment, in July 2016, 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 August 2012 and for general corporate purposes.

GENERAL DISCLOSURE PURSUANT TO THE LISTING RULES (CONTINUED)

Facility Agreements of the Group (Continued)

In January 2017, the Group obtained another new secured term loan facility for an aggregate amount of the USD equivalent of up to (i) EUR160 million for financing part of the cost of construction and purchase of four river cruise ships to be constructed pursuant to the relevant shipbuilding contracts all dated 7 September 2016 (as amended from time to time); and (ii) 100% of each Hermes Fee (as defined therein) with a term of 102 months after the first utilisation of the facility by the Group under the facility agreement (the "River Cruise Ship Facility Agreement").

Pursuant to (i) the First Vessel Loan Facility Agreement; (ii) the Second Vessel Loan Facility Agreement; (iii) the Crystal Vessel Loan Facility Agreement; (iv) the US$500 million Facility Agreement; and (v) the River Cruise Ship 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, where applicable, 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 2016, the aggregate principal amount under the above facility agreements (excluding the River Cruise Ship Facility Agreement which was entered into in January 2017) was US$2,173.1 million and the aggregate outstanding loan balance thereunder was approximately US$1,215.6 million.

SIGNIFICANT SUBSEQUENT EVENTS

In January 2017, the Group entered into the following secured term loan facilities:

(a) an aggregate amount of (i) EUR160 million (equivalent to approximately US$168.4 million) and (ii) 100% of each Hermes Fees with a term of 102 months after the utilisation date for the relevant ship for financing the construction of four river cruise ships. As at the date of this report, the facility has not been utilised.

(b) an aggregate amount of up to approximately EUR17.0 million (equivalent to approximately US$17.9 million) with a term of 102 months after the earlier of 31 March 2018 and the date on which a panel line system has been completed and delivered for financing the delivery and installation of the panel line system. As at the date of this report, the facility has not been utilised.

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, 16 March 2017

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 2016 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 2016 (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. 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. 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. 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. 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. Given that there is a balanced Board with three Independent Non-executive Directors ("INEDs"), representing more than one-half of the Board, and an INED acting as the Deputy Chairman throughout the year, the Board is of the view that there is a strong independent element on the Board to exercise independent judgement and provide sufficient check and balance. The Board will evaluate from time to time the appropriateness of the dual roles of Chairman and Chief Executive Officer performed by the same individual and ensures that the arrangement will continue to be in the interests of the Company and its shareholders as a whole.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.2 Chairman and Chief Executive (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.2	The Chairman 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. 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.
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.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.2 Chairman and Chief Executive (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.9	The Chairman 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. The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.

A.3 Board composition

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.3.1	INEDs should be identified in all corporate communications that disclose the names of Directors.	No	Throughout the year under review, the Board has three INEDs, representing more than one-half of the Board and constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" of the Company's Annual Report for the skills and experience of each Director. Composition of the Board at the prevailing time throughout the year, by category of Directors, including names of Executive Director(s) and INEDs 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	During the year under review, all Non-executive Directors of the Company are INEDs. A formal letter of appointment had been entered into between the Company and each of the INEDs whereby, the term of his office is generally fixed for a term of not more than approximately two years expiring at the conclusion of the annual general meeting ("AGM") of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws.
A.4.2	All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director should be subject to retirement by rotation at least once every three years.	No	The Company's Bye-laws conform with this code provision whereby every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.
A.4.3	Re-appointment of any INED who has served more than 9 years should be subject to a separate resolution to be approved by shareholders and the papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.	No	During the year under review, no INED who has served on the Board for more than 9 years was subject to re-election.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.5 Nomination Committee

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	A Nomination Committee 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.
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)(5) of this Report.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.6 Responsibilities of Directors

Principle

Every Director must always know his responsibilities as a Director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.1	Every newly appointed Director 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. The Directors are provided with "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry, and the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" published by the Hong Kong Institute of Directors. They are also furnished with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities.
A.6.2	Functions of Non-executive Directors should include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	No	All INEDs of the Company in office during the year under review have duly performed these functions.

(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.6.3	Every Director should give sufficient time and attention to the issuer's affairs.	No	Every Director continues 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. "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 2016 as its code of conduct regarding securities transactions by its Directors. The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Senior Management as included in the Company's latest Annual Report or as otherwise resolved by the Board from time to time.
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. 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.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.6 Responsibilities of Directors (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.6	Each Director 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 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). All INEDs of the Company had attended the 2016 AGM of the Company held on 7 June 2016, and were available to answer questions thereat. Save for the 2016 AGM, no other general meeting of the Company was held during the year under review.
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	Throughout the year under review, there were three INEDs on the Board, 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. Adequate business documents and information about the Group were provided to all Directors in a timely manner. The INEDs 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.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. Directors (Continued)

A.7 Supply of and access to information

Principle

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

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.7.1	For regular Board meetings, and as far as practicable in all other cases, Board papers 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. 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. 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. 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	Issuer should disclose details of any remuneration payable to members of Senior Management by band in its annual reports.	No	Remuneration paid to members of Senior Management has been disclosed by band in the Company's Annual Report. Please refer to note 13 headed "Emoluments of Directors and Senior Management" of the Notes to the Consolidated Financial Statements in the Company's Annual Report.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensive 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 the Corporate Governance 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 2016, the Directors have: (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared accounts on the going concern basis. The Independent 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.

C.2 Risk management and internal control

Principle

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee Management in the design, implementation and monitoring of the risk management and internal control systems, and Management should provide a confirmation to the Board on the effectiveness of these systems.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.1	The Board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in the Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	No	The Board through the Audit Committee, has conducted bi-annual reviews of the effectiveness of the Group's systems of risk management and internal control, which cover all material controls including financial, operational and compliance controls. The Board is of the view that the Group maintains reasonably sound and effective systems of risk management and internal control relevant to its level of operations. Please refer to section (II) of this Report headed "State of Risk Management and Internal Control" for the details.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. Accountability and Audit (Continued)

C.2 Risk management and internal control (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.2	The Board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	No	The Board through the Audit Committee has conducted an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.
C.2.3	The Board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment; (b) the scope and quality of Management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board (or Board Committee(s)); (d) significant control failings or weaknesses that have been identified during the period have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	No	The Board through the Audit Committee has conducted an annual review and considered the followings: (a) The changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment have been considered. (b) The scope and quality of Management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its Internal Audit Department and other assurance providers. (c) The ongoing process and detailed monitoring results of the risk management and internal control systems are shared and communicated to the Board bi-annually. (d) No significant control failing or weakness were identified during the period which have had, could have, or may in the future have, a material impact on the Company's financial performance or condition. (e) The Company's processes for financial reporting and Listing Rule compliance have been operating effectively.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. Accountability and Audit (Continued)

C.2 Risk management and internal control (Continued)

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.4	Issuer should disclose, in the Corporate Governance Report, a narrative statement on how it has complied with the risk management and internal control code provisions during the reporting period. In particular, it should disclose: (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness; (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and (e) the procedures and internal control for the handling and dissemination of inside information.	No	The Board has the ultimate responsibilities for the Group's risk management and internal control systems, which are managed through a number of practices and related policies and procedures established and renewed from time to time which were assessed, on the effectiveness and compliance, from time to time by the internal audit function of the Group which reported to the Audit Committee directly. In addition, a risk management framework and program was adopted with supporting policy and manual pursuant to which 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. Please refer to section (II) of this Report headed "State of Risk Management and Internal Control" for further details of the Group's risk management and internal control systems and the key process and procedures involved in the respective areas as required to be disclosed in this Report. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company adopted the "Disclosure of Inside Information Policy" which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.
C.2.5	Issuer should have an internal audit function.	No	The internal audit function is performed by the Internal Audit Department of the Company, reporting directly to the Audit Committee.

(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, risk management 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. 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: (a) to be partner of the firm; or (b) to have any financial interest in the firm, 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.
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 the Corporate Governance 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	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: (i) Overall strategic direction; (ii) Annual operating plan; (iii) Annual capital expenditure plan; (iv) Major acquisitions and disposals; (v) Major capital projects; and (vi) Monitoring of the Group's operating and financial performance.
D.1.3	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	Issuer 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 or committees 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. 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 2016 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	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 2016 AGM. Save for the 2016 AGM, no other general meeting of the Company was convened during year 2016.
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. 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 RISK MANAGEMENT AND INTERNAL CONTROL

(A) Board responsibilities

The Board has the ultimate responsibilities for the Group's systems of risk management and internal control and, through the Audit Committee, has reviewed the adequacy and effectiveness of the systems including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function(s). The systems are 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 business objectives.

(B) Key features, process and procedures of risk management and internal control systems

The key aspects of the risk management and internal control systems, 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 systems of risk management and 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 risk management, 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 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(B) Key features, process and procedures of risk management and internal control systems (Continued)

(10) The Risk Management ("RM") Framework and Program with supporting policy and manual for the Group adopted by the Board in August 2015 has been applied for the risk management program of the Group (the "Program") since 2016. This RM Framework and Program has set out the oversight authority and responsibilities of the Board, the Audit Committee and the Risk Management Committee (the "RMC") which is formed at Executive Management level and assisted by the Risk Management Department (the "RMD"). The Risk Management 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. 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 independent review on the effectiveness of the Program.

The annual risk management exercise of 2016 was conducted in accordance with the Program. The RMC, RMD and the Units met bi-annually to communicate the details of the Program, evaluate and assess the extent of the significant risks of the Group and the respective action plans. In addition, the Internal Audit performed an independent review on the effectiveness of the Program.

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 (a) bi-annual reviews of the effectiveness of the Group's systems of risk management and internal control, which cover all material controls including financial, operational and compliance controls; and (b) an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The reviews are supported by periodic reports received from management, external and internal auditors.

(C) Statement from Directors

The Board is of the view that the Group maintains reasonably sound and effective systems of risk management and 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 2016.

(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 2016 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 2016 to 31 December 2016 (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, there has been no change in composition of members of the Board.

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

	Board Meeting Attendance	2016 AGM Attendance
Executive Directors:		
Tan Sri Lim Kok Thay *(Note)* *(Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Lim Keong Hui *(Note)*	4/4	1/1
INEDs:		
Mr. Alan Howard Smith *(Deputy Chairman)*	4/4	1/1
Mr. Lam Wai Hon, Ambrose	4/4	1/1
Mr. Justin Tan Wah Joo	4/4	1/1

Note:

- Tan Sri Lim Kok Thay is the father of Mr. Lim Keong Hui.

(III) OTHER INFORMATION (CONTINUED)

(A) Board of Directors (Continued)

(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 2016, 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) reviewed the composition of AML Committee and approved adding members of the Management team to the AML Committee and adopted incidental and housekeeping changes to the AML Committee Charter; 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.

(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 cover 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 2016, 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, 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 business of the Group and the industry.

(III) OTHER INFORMATION (CONTINUED)

(A) Board of Directors (Continued)

(11) The participation by individual Directors in the continuous professional development programmes in 2016 is summarised as follows:

	Type of trainings
Executive Directors:	
Tan Sri Lim Kok Thay *(Chairman and Chief Executive Officer)*	A, B, C
Mr. Lim Keong Hui	A, B, C
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	A, B, C

A: attending in-house briefings and / or reading relevant material
B: attending training relevant to the Group's business / paying visits to the facilities of the Group / industry peers
C: reading material relevant to the director's duties and responsibilities
D: attending training / seminars / conferences on applicable laws, rules and regulations update

(B) Remuneration Committee

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

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

(III) OTHER INFORMATION (CONTINUED)

(B) Remuneration Committee (Continued)

(3) During the year 2016, 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 2015 which has been approved by the shareholders of the Company at the 2016 AGM.

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

(C) Nomination Committee

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

	Attendance
Mr. Alan Howard Smith *(Chairman of the Nomination 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 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 financial year under review, there have not been any changes to the Board composition.

(4) During the year 2016, 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, nominated the retiring Directors for re-appointment taking into account, inter alia, their qualifications, experience, expertise, Board diversity aspects as set out in the Director Nomination Policy (as outlined below) and in the case of nominating a retiring INED for re-appointment, each of the factors for assessing independence of a Director as set out in the Listing Rules.

(III) OTHER INFORMATION (CONTINUED)

(C) Nomination Committee (Continued)

On nomination of the Nomination Committee, the Board has recommended the re-appointment of Tan Sri Lim Kok Thay and Mr. Lam Wai Hon, Ambrose (both retired by rotation pursuant to Bye-law 99 of the Company's Bye-laws) as Directors of the Company at the 2016 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders of the Company.

Following re-appointment of the retiring Directors at the 2016 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 2017 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 2017 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 members of the Nomination Committee to hold office until the conclusion of the 2017 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 2017 AGM of the Company and re-appointed Mr. Justin Tan Wah Joo as the Chairman of the Audit Committee.

(5) 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 evaluating the nomination of the retiring Directors for re-appointment 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 each retiring Director that would continue to complement the existing Board;

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

(iii) 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 considered appropriate to complement the business model and to meet any specific needs of the Company.

(III) OTHER INFORMATION (CONTINUED)

(D) Audit Committee

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

	Attendance
INEDs:	
Mr. Justin Tan Wah Joo *(Chairman of the Audit Committee)*	2/2
Mr. Alan Howard Smith	2/2
Mr. Lam Wai Hon, Ambrose	2/2

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

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;

(III) OTHER INFORMATION (CONTINUED)

(D) Audit Committee (Continued)

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

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

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

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

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

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

(3) During the year 2016, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2015 and for the six months ended 30 June 2016;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the risk management program reports;

(e) reviewed the Group's systems of risk management and internal control including, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

(f) reviewed connected transactions and significant related party transactions as set out in the section headed "Connected Transactions" in the Report of the Directors and in note 33 to the consolidated financial statements;

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

(h) considered the engagement of the external auditor to provide non-audit services;

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

(j) 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

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

(III) OTHER INFORMATION (CONTINUED)

(E) Auditor's Remuneration

A remuneration of US$1.7 million was paid / payable to the Company's external auditor for the provision of audit services in 2016. During the same year, the fees paid / payable to the external auditor for non-audit related activities amounted to US$0.7 million of which US$0.3 million related to tax services fees and US$0.4 million related to 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.

(III) OTHER INFORMATION (CONTINUED)

(F) Shareholders' Rights (Continued)

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

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

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

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

(3) Procedures for making proposals at shareholders' meetings

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

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

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

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

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

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

(G) Investor Relations

During the year under review, certain amendments were made to the Company's Bye-laws as approved by the shareholders of the Company at the 2016 AGM by passing a special resolution in order to allow: (i) the printing of the image of the securities seal of the Company (the "Securities Seal") onto certificates for shares or any other securities to be issued by the Company (the "Securities Certificates"), in addition to the existing practice of affixing Securities Seal by manual or mechanical means; and (ii) the affixation of the Securities Seal on the Securities Certificates be dispensed with as the Board may determine. Details of the amendments to the Bye-laws of the Company were set out in the notice of the 2016 AGM dated 27 April 2016. An updated copy of the Company's Bye-laws incorporating aforesaid amendments is available on the websites of the Exchange and the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016 US$'000**	2015 US$'000
Revenue	5	**1,016,668**	689,954
Operating expenses			
Operating expenses excluding depreciation and amortisation		**(848,789)**	(528,437)
Depreciation and amortisation	9	**(123,386)**	(87,505)
		(972,175)	(615,942)
Selling, general and administrative expenses			
Selling, general and administrative expenses excluding depreciation and amortisation		**(258,880)**	(155,362)
Depreciation and amortisation	9	**(8,815)**	(7,403)
		(267,695)	(162,765)
		(1,239,870)	(778,707)
		(223,202)	(88,753)
Share of (loss)/profit of joint ventures	17	**(516)**	247
Share of profit of associates	18	**32,890**	36,418
Other expenses, net	6	**(7,474)**	(42,888)
Other (losses)/gains, net	7	**(301,054)**	2,223,778
Finance income		**10,548**	11,363
Finance costs	8	**(6,841)**	(25,959)
		(272,447)	2,202,959
(Loss)/Profit before taxation	9	**(495,649)**	2,114,206
Taxation	10	**(8,583)**	(8,151)
(Loss)/Profit for the year		**(504,232)**	2,106,055

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
(Loss)/Profit for the year		**(504,232)**	2,106,055
Other comprehensive (loss)/income:			
Items that have been or may be reclassified to profit or loss:			
Foreign currency translation differences		**(50,104)**	(41,578)
Fair value loss on derivative financial instruments		**(14,271)**	(4,230)
Fair value (loss)/gain on available-for-sale investments		**(402,952)**	215,187
Transfer of available-for-sale investments reserve to profit or loss on impairment		**305,034**	—
Share of other comprehensive income of an associate		**136**	16,658
Cash flow hedges transferred to profit or loss		**—**	19,365
Release of reserves upon disposal of available-for-sale investments		**(10,022)**	(63,517)
Release of reserves upon disposal of equity interest in an associate		**—**	29,191
Release of reserves upon disposal of a joint venture		**—**	1,721
		(172,179)	172,797
Item that will not be reclassified subsequently to profit or loss:			
Actuarial loss on retirement benefit plans		**(819)**	—
Other comprehensive (loss)/income for the year		**(172,998)**	172,797
Total comprehensive (loss)/income for the year		**(677,230)**	2,278,852
(Loss)/Profit attributable to:			
Equity owners of the Company		**(502,325)**	2,112,687
Non-controlling interests		**(1,907)**	(6,632)
		(504,232)	2,106,055
Total comprehensive (loss)/income attributable to:			
Equity owners of the Company		**(675,323)**	2,285,484
Non-controlling interests		**(1,907)**	(6,632)
		(677,230)	2,278,852
(Loss)/Earnings per share attributable to equity owners of the Company			
– Basic (US cents)	11	**(5.92)**	25.50
– Diluted (US cents)	11	**(5.92)**	25.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,111,526**	1,978,555
Land use right	15	**3,671**	4,040
Intangible assets	16	**80,189**	52,372
Interests in joint ventures	17	**3,847**	6,942
Interests in associates	18	**549,885**	542,319
Deferred tax assets	30	**2,130**	761
Available-for-sale investments	19	**9,585**	207,530
Other assets and receivables	23	**11,909**	23,918
		3,772,742	2,816,437
CURRENT ASSETS			
Properties under development	20	**45,056**	20,393
Inventories	21	**65,947**	52,553
Trade receivables	22	**49,765**	51,257
Prepaid expenses and other receivables	23	**173,434**	126,192
Available-for-sale investments	19	**1,257,073**	1,488,341
Amounts due from related companies		**1,153**	1,752
Restricted cash	24	**141,251**	173,035
Cash and cash equivalents	25	**1,040,274**	1,778,745
		2,773,953	3,692,268
TOTAL ASSETS		**6,546,695**	6,508,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital	26	**848,249**	848,249
Reserves:			
Share premium		**41,634**	41,634
Contributed surplus		**936,823**	936,823
Additional paid-in capital		**111,780**	111,644
Foreign currency translation adjustments		**(137,601)**	(93,784)
Available-for-sale investments reserve		**104,037**	218,264
Cash flow hedge reserve		**(17,280)**	(3,009)
Retained earnings		**2,897,616**	3,400,760
		4,785,258	5,460,581
Non-controlling interests		**37,958**	39,865
TOTAL EQUITY		**4,823,216**	5,500,446
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	27	**1,036,936**	444,150
Deferred tax liabilities	30	**18,597**	14,913
Provisions, accruals and other liabilities	32	**1,123**	—
Retirement benefit obligations	34	**8,934**	7,906
Advance ticket sales		**19,394**	—
		1,084,984	466,969
CURRENT LIABILITIES			
Trade payables	31	**85,606**	68,284
Current income tax liabilities		**6,875**	7,527
Provisions, accruals and other liabilities	32	**224,062**	169,368
Current portion of loans and borrowings	27	**135,243**	87,160
Derivative financial instruments	29	**17,280**	3,009
Amounts due to related companies		**2,458**	571
Advance ticket sales		**166,971**	205,371
		638,495	541,290
TOTAL LIABILITIES		**1,723,479**	1,008,259
TOTAL EQUITY AND LIABILITIES		**6,546,695**	6,508,705
NET CURRENT ASSETS		**2,135,458**	3,150,978
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,908,200**	5,967,415

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 2016

	Note	2016 US$'000	2015 US$'000
OPERATING ACTIVITIES			
Cash used in operations	(a)	**(48,743)**	(158,969)
Interest paid		**(18,745)**	(29,397)
Payment of loan arrangement fees		**(34,720)**	(3,071)
Interest received		**11,446**	9,847
Income tax paid		**(6,751)**	(5,186)
Net cash outflow from operating activities		**(97,513)**	(186,776)
INVESTING ACTIVITIES			
Acquisitions of subsidiaries and business, net of cash acquired	38	**(278,644)**	(360,693)
Disposal of equity interest in an associate	(b)	**—**	862,992
Disposal of equity interest in a joint venture	(c)	**—**	111,386
Purchase of property, plant and equipment		**(1,088,773)**	(401,191)
Proceeds from sale of property, plant and equipment		**6,127**	83
Proceeds from disposal of available-for-sale investments		**24,915**	935,825
Acquisition of equity shares and preferred shares in joint venture	17	**—**	(576)
Dividends received		**13,354**	19,369
Loans to a joint venture		**(5,888)**	—
Net cash (outflow)/inflow from continuing investing activities		**(1,328,909)**	1,167,195
Net cash inflow from discontinued operations	(d)	**18,522**	37,043
Net cash (outflow)/inflow from investing activities		**(1,310,387)**	1,204,238
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**964,628**	300,770
Repayments of loans and borrowings		**(284,433)**	(167,722)
Dividends paid		**—**	(84,825)
Net cash inflow from financing activities		**680,195**	48,223
Effect of exchange rate changes on cash and cash equivalents		**(10,766)**	(5,514)
Net (decrease)/increase in cash and cash equivalents		**(738,471)**	1,060,171
Cash and cash equivalents at beginning of year		**1,778,745**	718,574
Cash and cash equivalents at end of year	25	**1,040,274**	1,778,745

Notes to Consolidated Statement of Cash Flows

(a) Cash used in continuing operations

	2016 US$'000	2015 US$'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(495,649)**	2,114,206
Depreciation and amortisation		
– relating to operating function	**123,386**	87,505
– relating to selling, general and administrative function	**8,815**	7,403
	132,201	94,908
Finance costs	**6,841**	25,959
Finance income	**(10,548)**	(11,363)
Share of loss/(profit) of joint ventures	**516**	(247)
Share of profit of associates	**(32,890)**	(36,418)
Loss on disposal of a joint venture	**—**	6,364
Gain on disposal of equity interest of an associate	**—**	(212,500)
Gain on de-recognition of an associate	**—**	(1,954,508)
Gain on disposal of available-for-sale investments	**(10,022)**	(63,134)
Loss/(Gain) on disposal of property, plant and equipment	**3**	(2,522)
Impairment loss on available-for-sale investments and other receivables	**310,419**	—
Waiver of loan and interest receivable from a joint venture	**657**	—
Dividend income from available-for-sale investments	**(4,832)**	(4,403)
Impairment loss on property, plant and equipment	**—**	12,840
Reorganisation costs	**13,003**	—
Others	**(400)**	2,383
	(90,701)	(28,435)
Decrease/(Increase) in:		
Trade receivables	**(1,621)**	42,199
Inventories	**(33,410)**	(2,962)
Restricted cash	**31,784**	(163,876)
Properties under development, other assets, prepaid expenses and other receivables	**(35,500)**	(42,082)
Increase/(Decrease) in:		
Trade payables	**17,322**	8,667
Provisions, accruals and other liabilities	**78,367**	21,363
Amounts due to related companies	**3,402**	2,105
Advance ticket sales	**(19,006)**	3,715
Retirement benefit obligations	**620**	337
Cash used in operations	**(48,743)**	(158,969)

Notes to Consolidated Statement of Cash Flows (Continued)

(b) Sales of 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%.

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
Net assets disposed of	254,735
Release of reserves upon disposal of equity interest of an associate	8,678
Gain on disposal of equity interest of an associate	599,579
Net proceeds	862,992
Sales proceeds received in cash:	
Cash received	862,992

(c) Proceeds from disposal of 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 1 June 2012, the Group as a seller 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. The consideration has been fully settled and received by the Group during the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity owners of the Company										
	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Additional paid-in capital US$'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 2016	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
Comprehensive loss:											
Loss for the year	—	—	—	—	—	—	—	(502,325)	(502,325)	(1,907)	(504,232)
Other comprehensive income/(loss) for the year:											
Foreign currency translation differences	—	—	—	—	(50,104)	—	—	—	(50,104)	—	(50,104)
Fair value loss on derivative financial instruments	—	—	—	—	—	(14,271)	—	—	(14,271)	—	(14,271)
Share of other comprehensive income of an associate	—	—	—	136	—	—	—	—	136	—	136
Fair value loss on available-for-sale investments	—	—	—	—	—	—	(402,952)	—	(402,952)	—	(402,952)
Actuarial loss of retirement benefit plans	—	—	—	—	—	—	—	(819)	(819)	—	(819)
Release of reserves upon disposal of available-for-sale investments	—	—	—	—	6,287	—	(16,309)	—	(10,022)	—	(10,022)
Transfer of available-for-sale investments reserve to profit or loss on impairment	—	—	—	—	—	—	305,034	—	305,034	—	305,034
Total comprehensive income/(loss)	—	—	—	136	(43,817)	(14,271)	(114,227)	(503,144)	(675,323)	(1,907)	(677,230)
At 31 December 2016	848,249	41,634	936,823	111,780	(137,601)	(17,280)	104,037	2,897,616	4,785,258	37,958	4,823,216

	Attributable to equity 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

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 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 2016

From 1 January 2016, 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.

(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 appropriate for intangible assets. The standards and amendments do not have a material impact on the Group's consolidated financial statements.

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

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

(iv) HKFRSs (Amendments), "Annual improvements to HKFRSs 2012–2014 Cycle" (effective from 1 January 2016). The amendments include changes to HKFRS 7, "Financial instruments: Disclosures", HKAS 19, "Employee benefits" and HKAS 34 "Interim financial information". The amendments do not have a material impact on the Group's consolidated financial statements.

(v) HKAS 1 (Amendments), "Disclosure initiative" (effective from 1 January 2016). The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments do not have a material impact on the Group's consolidated financial statements.

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

(a) Basis of preparation (Continued)

Standards, amendments and interpretations to existing standard effective in 2016 (Continued)

(vi) HKFRS 10, HKFRS 12 and HKAS 28 (Amendments), "Investment entities: applying the consolidation exception" (effective from 1 January 2016). The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. 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) 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 other comprehensive income and fair value through profit or loss. 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 other comprehensive income without recycling to profit or loss. 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 loss. 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.

(ii) 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.

(iii) HKFRS 10 and HKAS 28 (Amendments), "Sale or contribution of assets between an investor and its associate or joint venture" (effective from 1 January 2019). 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.

(iv) HKAS 7 (Amendments), "Disclosure initiative" (effective from 1 January 2017). The amendments introduce an additional disclosure on changes in liabilities arising from financing activities.

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)

(v) HKAS 12 (Amendments), "Recognition of deferred tax assets for unrealised losses" (effective from 1 January 2017). The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments shall be applied retrospectively.

(vi) HKFRS 16, "Leases" (effective from 1 January 2019). Under HKFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. HKFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). HKFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in HKAS 16 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the statement of comprehensive income. For lessors, HKFRS 16 retains most of the requirements in HKAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group plans to apply the standards and amendments when they become effective. The Group has already commenced assessments of the related impacts to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant policies and presentation of the financial information will result.

(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 unrealised 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.

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

(b) Consolidation (Continued)

(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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(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 other comprehensive income is recognised in other comprehensive income. 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 legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial information of associates was prepared using accounting policies of the respective countries and where necessary, appropriate adjustments were made to conform with the accounting policies adopted by the Group.

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

(b) Consolidation (Continued)

(v) Joint ventures

The Group's interests in joint ventures is accounted for using the equity method of accounting in the consolidated financial statements. 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 other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount, which includes goodwill identified 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 external party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value or an impairment of an asset transferred.

The financial information of joint ventures was prepared using accounting policies of the respective countries and where necessary, appropriate adjustments were made to conform with 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.

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.

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

(b) Consolidation (Continued)

(vi) Business combinations (Continued)

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 dollar, 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 profit or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other 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 statement of 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) acquisition, disposal and partial disposal of foreign operation

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Foreign exchange differences arising are recognised in other comprehensive income.

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.

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

(c) Translation of foreign currencies (Continued)

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.

(d) Revenue and expense recognition

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the year. Where services are provided on credit, revenue is recognised when it is probable that future economic benefits will flow to the Group. Ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

Deposits received from customers for future voyages are recorded as advance ticket sales until such passenger ticket 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.

Entertainment onboard revenue is the aggregate of wins and losses. Commission rebated directly or indirectly through promoters to customers, cash discounts and other cash incentives are recorded as a reduction of gross entertainment onboard 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. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the profit or loss.

(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, and other short-term highly liquid investments which are subject to an insignificant risk of change in value and exclude restricted cash and bank overdrafts. 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.

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

(k) Convertible bonds (Continued)

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

(l) Inventories

Inventories include 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.

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

(o) Financial assets (Continued)

(i) Classification (Continued)

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" and "trade and other receivables" in the consolidated statement of financial position.

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 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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note (bb)). 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 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).

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

(o) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

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

(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.

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

(r) Trade payables

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

(s) Assets under leases

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor 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 consolidated 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

(i) 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.

(ii) 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 cruise ships, buildings, and 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 the following dilutive potential ordinary shares: share options. Certain shares under share options 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.

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.

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

(x) Retirement benefit costs (Continued)

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 its derivatives as 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 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) 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 to limit its exposures to fluctuations in foreign currency exchange rates.

(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 Singapore dollar, Hong Kong dollar, Euro dollar, Chinese Renminbi and Malaysian Ringgit. 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 2016, if Singapore dollar, Euro dollar, Chinese Renminbi and Malaysian Ringgit had weakened/strengthened by 5% (2015: 5%) against US dollar with all other variables held constant, the foreign exchange losses/gains as a result of translation of Singapore dollar, Euro dollar, Chinese Renminbi and Malaysian Ringgit denominated trade receivables, trade payables and cash and cash equivalents would be as follows:

	2016 **US$'000**	2015 US$'000
Foreign exchange losses/gains	**15,522**	8,175

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

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale investments. As at 31 December 2016, if the equity securities price had increased/decreased by 10% (2015: 10%) with all other variables held constant, other comprehensive loss would have been decreased/increased by US$125.7 million (2015: other comprehensive income increased/decreased by US$168.5 million). The investments made by the Group are for strategic purposes, and each investment is managed by senior management on a case by case basis. 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

(a) Financial risk factors (Continued)

(iii) Credit risk

Credit risk arises from cash and cash equivalents, 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 Aa1 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 (2016: US$1,040.3 million and 2015: US$1,778.7 million) and committed credit lines available (2016: US$229.4 million and 2015: US$229.8 million).

Management also monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents based on expected cash flows to ensure that it will have sufficient cash flows to meet its working capital, loan repayments and covenant requirements. This is generally carried out on a regular and frequent 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 non-derivative financial liabilities and derivative 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

(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
2016				
Non-derivative financial liabilities				
Loans and borrowings	**152,665**	**137,847**	**413,595**	**529,612**
Trade payables	**85,606**	**—**	**—**	**—**
Accruals and other liabilities	**149,869**	**160**	**642**	**321**
Amounts due to related companies	**2,458**	**—**	**—**	**—**
Derivative financial liabilities				
Inflow arising from derivative financial instruments	**(294,644)**	**—**	**—**	**—**
Outflow arising from derivative financial instruments (note 29)	**317,120**	**—**	**—**	**—**
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 29)	262,636	—	—	—

(v) Fair value interest rate risk

As at 31 December 2016 and 2015, 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 2016, if the interest rates on variable-rate borrowings had been higher or lower by one percent, loss before taxation would have increased or decreased (2015: profit before taxation would have decreased or increased) by the amounts shown below:

	2016 US$'000	2015 US$'000
Increase/decrease in loss before taxation (2015: Decrease/increase in profit before taxation)	**12,156**	5,339

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

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

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

The gearing ratio as at 31 December 2016 was as follows:

	2016 **US$'000**	2015 US$'000
Total borrowings (note 27)	**1,172,179**	531,310
Less: cash and cash equivalents (note 25)	**(1,040,274)**	(1,778,745)
Net debt/(cash)	**131,905**	(1,247,435)
Total equity	**4,823,216**	5,500,446
Gearing ratio	**2.7%**	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 **US$'000**	**Level 2** **US$'000**	**Level 3** **US$'000**	**Total** **US$'000**
2016				
Financial assets				
Available-for-sale investments	**1,257,073**	**—**	**—**	**1,257,073**
Financial liabilities				
Derivatives financial instruments	**—**	**17,280**	**—**	**17,280**
2015				
Financial assets				
Available-for-sale investments	1,684,940	—	—	1,684,940
Financial liabilities				
Derivatives financial instruments	—	3,009	—	3,009

There have been no transfers between the levels of the fair value hierarchy during the years ended 31 December 2016 and 2015.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active market is based on quoted market prices at the 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.

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:

	2016 **US$'000**	2015 US$'000
Carrying amount	**1,172,179**	531,310
Fair value	**1,233,719**	548,470

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, loans 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 independent 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, opinion from external legal counsel and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group.

(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) 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, life expectancy of customers and fair value of cabins onboard and other goods and services as at year end. The Group reassess the measurement basis used for calculating the fair value of customer loyalty award credits for redemption of cabin onboard and other goods and services on a regular basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) 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.

(g) 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.

(h) Impairment of goodwill

The Group conducts reviews annually whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of CGUs are determined based on value-in-use calculations or fair value less costs of disposal. Value-in-use calculations require the use of management judgements and estimates in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Fair value less costs of disposal calculations require available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group's financial condition and results of operations.

Details of the key assumptions applied by management in assessing impairment of goodwill are stated in note 16.

5. REVENUE 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 the Group. 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 agent, aviation, entertainment, shipyard business and dividend income from investments, none of which are of a significant size to be reported separately.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Passenger ticket revenue and onboard revenue increased significantly in 2016 due to the full year contribution from Crystal Cruises. However, the one-time start-up and marketing costs for the launch of new Dream and Crystal Cruises brands and products in 2016, together with higher overall operating and selling, general and administrative expenses including depreciation and amortisation resulted in an increase in segmental loss of our "cruise and cruise-related activities". Higher revenue of non-cruise activities was primarily contributed by revenue from yard repairs and conversion activities as a result of the acquisition of shipyards in Germany. The increase in segmental loss of our "non-cruise activities" was mainly due to additional depreciation and amortisation, start-up and acquisition related costs arising from its shipyard operations and newbuilding activities.

The segment information of the Group is as follows:

For the year ended 31 December 2016	Cruise and cruise-related activities US$'000	Non-cruise activities US$'000	Total US$'000
Passenger ticket revenue	503,448	—	503,448
Onboard revenue	404,663	—	404,663
Other revenue	—	108,557	108,557
Total revenue from external customers	908,111	108,557	1,016,668
Inter-segment revenue	—	62,580	62,580
Reportable segment revenue	908,111	171,137	1,079,248
Segment results	(106,236)	(116,966)	(223,202)
Share of loss of joint ventures			(516)
Share of profit of associates			32,890
Other expenses, net			(7,474)
Other losses, net			(301,054)
Finance income			10,548
Finance costs			(6,841)
Loss before taxation			(495,649)
Taxation			(8,583)
Loss for the year			(504,232)

As at 31 December 2016	Cruise and cruise-related activities US$'000	Non-cruise activities US$'000	Total US$'000
Segment assets	3,673,773	2,872,922	6,546,695
Total assets			6,546,695
Segment liabilities	182,767	361,658	544,425
Loans and borrowings (including current portion)	1,162,225	9,954	1,172,179
	1,344,992	371,612	1,716,604
Current income tax liabilities			6,875
Total liabilities			1,723,479
Capital expenditure:			
Property, plant and equipment	1,004,087	37,868	1,041,955
Acquisitions of subsidiaries and business	—	229,160	229,160
	1,004,087	267,028	1,271,115
Depreciation and amortisation	105,647	26,554	132,201

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2015	Cruise and cruise-related activities US$'000	Non-cruise activities US$'000	Total US$'000
Passenger ticket revenue	289,133	—	289,133
Onboard revenue	363,713	—	363,713
Other revenue	—	37,108	37,108
Total revenue from external customers	652,846	37,108	689,954
Inter-segment revenue	—	—	—
Reportable segment revenue	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

As at 31 December 2015	Cruise and cruise-related activities US$'000	Non-cruise activities US$'000	Total US$'000
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
Current income tax liabilities			7,527
Total liabilities			1,008,259
Capital expenditure:			
Property, plant and equipment	390,259	10,937	401,196
Acquisitions of subsidiaries and business	509,017	33,834	542,851
	899,276	44,771	944,047
Depreciation and amortisation	84,062	10,846	94,908

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue

Revenue from cruise and cruise-related activities are analysed based on geographical territory of departure port. Revenue 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.

	2016 US$'000	2015 US$'000
Asia Pacific (note (a))	**571,192**	478,712
America	**256,810**	66,629
Europe	**172,852**	130,989
Others	**15,814**	13,624
	1,016,668	689,954

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

	2016 US$'000	2015 US$'000
Asia Pacific (note (a))	**2,569,271**	1,786,780
Europe	**333,598**	37,237
Unallocated (note (b))	**846,249**	760,211
	3,749,118	2,584,228

Notes:

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

(b) With the exception of Crystal River Cruises ships operating in Europe, 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, NET

	2016 US$'000	2015 US$'000
(Loss)/Gain on disposal of property, plant and equipment	**(3)**	2,522
Loss on foreign exchange	**(425)**	(33,269)
Impairment loss on leasehold land (note (a))	**—**	(12,840)
Reorganisation costs (note (b))	**(13,003)**	—
Other income, net	**5,957**	699
	(7,474)	(42,888)

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 2016, the Group communicated to the representatives of affected employees a detailed formal reorganisation plan of its shipyard operations and accordingly provided for an estimated cost of approximately EUR11.9 million (approximately US$13.0 million) for the year ended 31 December 2016.

7. OTHER (LOSSES)/GAINS, NET

	2016 US$'000	2015 US$'000
Gain on disposal of available-for-sale investments (note (a))	**10,022**	63,134
Impairment loss on:		
– available-for-sale investments (note (b))	**(307,730)**	—
– other receivables	**(2,689)**	—
Gain on de-recognition of an associate (note (c))	**—**	1,954,508
Gain on disposal of equity interest in an associate (note (d))	**—**	212,500
Loss on disposal of a joint venture (note (e))	**—**	(6,364)
Waiver of loan and interest receivable from a joint venture (note (f))	**(657)**	—
	(301,054)	2,223,778

Notes:

(a) The Group recorded a gain of US$10.0 million arising from the disposal of certain available-for-sale investments during the year.

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

(b) The Group completed a review of the carrying value of its available-for-sale investments in December 2016 and determined that there was a decline in fair value of NCLH Shares. Accordingly, for the year ended 31 December 2016, the Group transferred the fair value loss amounting to US$305.0 million from available-for-sale investment reserve to profit or loss. In addition, an impairment loss on an unlisted available-for-sale investment amounted to US$2.7 million was recorded.

(c) In May 2015, the Group entered into an underwriting agreement to sell 10.0 million 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.

(d) 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%.

(e) 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.

(f) The Group waived an investor loan receivable of EUR0.5 million (approximately US$0.5 million) granted to Wider S.R.L. ("Wider"), a joint venture of the Group, in prior years and the interest receivable of EUR0.2 million (approximately US$0.2 million) arising from an existing loan facility entered into between the Group and Wider to improve the equity position of Wider. As a result of the waiver, a loss of US$0.7 million to the Group was recorded.

8. FINANCE COSTS

	2016 US$'000	2015 US$'000
Commitment fees and amortisation of bank loans arrangement fees	**17,156**	10,105
Interests on:		
– bank loans and others	**19,528**	24,904
– convertible bonds	**—**	896
Interest capitalised for qualifying assets	**(29,843)**	(9,946)
Finance costs expensed	**6,841**	25,959

9. (LOSS)/PROFIT BEFORE TAXATION

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

	2016 US$'000	2015 US$'000
Total depreciation and amortisation analysed into:	**132,201**	94,908
– relating to operating function	**123,386**	87,505
– relating to selling, general and administrative function	**8,815**	7,403
Staff costs (note 12)	**424,949**	166,256
Commission, incentive, transportation and other related costs	**125,996**	34,613
Onboard costs	**92,457**	121,418
Food and supplies	**45,069**	28,167
Fuel costs	**51,339**	63,184
Operating leases – land and buildings	**14,621**	6,558
Auditors' remuneration:		
– audit services	**1,684**	1,242
– non-audit services	**664**	1,780
Advertising expenses	**77,567**	40,295

10. TAXATION

	2016 US$'000	2015 US$'000
Overseas taxation		
– Current taxation	**5,416**	3,984
– Deferred taxation (note 30)	**1,778**	2,587
	7,194	6,571
Under provision in respect of prior years		
– Current taxation	**1,389**	1,580
	8,583	8,151

The Company, which is domiciled in Bermuda, is not subject to income tax. The Group has incurred tax charges, as shown above, based on income derived from certain jurisdictions where its subsidiaries operate. The appropriate tax rates have been applied in order to determine the applicable tax charges in accordance with relevant tax regulations. Certain revenue of the Group derived from international waters or outside taxing jurisdictions is not subject to income tax and/or is eligible to tax exemption.

10. TAXATION (CONTINUED)

	2016 US$'000	2015 US$'000
(Loss)/Profit before taxation	**(495,649)**	2,114,206
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(52,987)**	(7,895)
Tax effects of:		
– Income not subject to taxation purposes	**(5,518)**	(670)
– Expenses not deductible for taxation purposes	**8,535**	3,227
– Utilisation of previously unrecognised tax losses and deductible temporary differences	**(95)**	(263)
– Deductible temporary differences not recognised	**56,616**	12,221
– Others	**643**	(49)
Under provision in respect of prior years	**1,389**	1,580
Total tax expense	**8,583**	8,151

11. (LOSS)/EARNINGS PER SHARE

(Loss)/Earnings per share is computed as follows:

	2016 US$'000	2015 US$'000
BASIC		
(Loss)/Profit attributable to equity owners of the Company for the year	**(502,325)**	2,112,687
Weighted average outstanding ordinary shares, in thousands	**8,482,490**	8,286,603
Basic (loss)/earnings per share for the year in US cents	**(5.92)**	25.50

	2016 US$'000	2015 US$'000
DILUTED		
(Loss)/Profit attributable to equity owners of the Company for the year	**(502,325)**	2,112,687
Weighted average outstanding ordinary shares, in thousands	**8,482,490**	8,286,603
Effect of dilutive potential ordinary shares, in thousands:		
– options	**—***	3,478
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**8,482,490**	8,290,081
Diluted (loss)/earnings per share for the year in US cents	**(5.92)**	25.48

* The calculation of diluted loss per share for the year ended 31 December 2016 did not take into account the share options of the Company as the assumed exercise had an anti-dilutive effect on the basic loss per share. Therefore, the diluted loss per share is the same as basic loss per share.

12. STAFF COSTS

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

	2016 US$'000	2015 US$'000
Wages and salaries	**388,456**	161,018
Termination benefits	**14,821**	507
Social security costs	**14,823**	899
Non-cash share option expenses	**—**	193
Post-employment benefits		
– defined contribution plan	**6,255**	3,194
– defined benefit plan	**594**	445
	424,949	166,256

Total staff costs include payroll and related staff expenses of US$286.9 million (2015: US$143.7 million) relating to operating function.

13. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(i) Directors' emoluments

The aggregate amounts of emoluments of the Directors of the Company for the year ended 31 December 2016 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
2016						
Tan Sri Lim Kok Thay	**50**	**1,799**	**753**	**10**	**2**	**2,614**
Mr. Alan Howard Smith	**74**	**—**	**—**	**—**	**—**	**74**
Mr. Lam Wai Hon, Ambrose	**72**	**—**	**—**	**—**	**—**	**72**
Mr. Lim Keong Hui	**50**	**379**	**95**	**13**	**2**	**539**
Mr. Justin Tan Wah Joo	**62**	**—**	**—**	**—**	**—**	**62**
	308	**2,178**	**848**	**23**	**4**	**3,361**

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

Note:

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

13. EMOLUMENTS OF DIRECTORS AND 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 33 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:

	2016 US$'000	2015 US$'000
Fees	**50**	50
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	**5,467**	16,863
Contributions to provident fund	**7**	630
Non-cash share option expenses	**—**	27
	5,524	17,570
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 **2016**	2015
HK$4,000,001 – HK$10,000,000	**4**	3
HK$15,000,001 – HK$20,000,000	**—**	1
HK$20,000,001 – HK$21,000,000	**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 **2016**	2015
HK$1,000,001 – HK$2,000,000	**—**	1
HK$2,000,001 – HK$5,000,000	**5**	4
HK$5,000,001 – HK$8,000,000	**1**	1
HK$8,000,001 – HK$10,000,000	**—**	—
HK$20,000,001 – HK$21,000,000	**—**	—
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 ferries 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 2016	1,847,673	368,969	312,265	303,568	194,160	3,026,635
Currency translation differences	—	(20,691)	(2,616)	(223)	—	(23,530)
Additions	13,100	11,505	53,994	928,798	34,558	1,041,955
Acquisitions of subsidiaries and business	—	216,339	12,821	—	—	229,160
Write off	—	(1,087)	(13,603)	—	—	(14,690)
Disposals	—	(8,344)	(633)	—	—	(8,977)
Reclassification	841,964	9	78,879	(920,852)	—	—
Transfer from inventories	—	—	18,663	—	—	18,663
At 31 December 2016	2,702,737	566,700	459,770	311,291	228,718	4,269,216
Accumulated depreciation and impairment loss						
At 1 January 2016	(772,016)	(110,100)	(161,272)	—	(4,692)	(1,048,080)
Currency translation differences	—	2,055	827	—	—	2,882
Charge for the year	(81,139)	(19,405)	(26,305)	—	(2,752)	(129,601)
Write off	—	1,001	13,261	—	—	14,262
Disposals	—	2,237	610	—	—	2,847
At 31 December 2016	(853,155)	(124,212)	(172,879)	—	(7,444)	(1,157,690)
Net book value						
At 31 December 2016	1,849,582	442,488	286,891	311,291	221,274	3,111,526

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cruise ships, passenger ferries 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
Acquisitions of subsidiaries and business	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 2016, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$2.0 billion (2015: US$1.2 billion).

During the year, the Group has capitalised borrowing costs amounting to US$29.8 million (2015: US$9.9 million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.65% (2015: 4.76%).

For the year ended 31 December 2016, the Group incurred operating losses in both operating segments, namely cruise and cruise-related and non-cruise activities, and there were adverse changes in the market and economic environment in a country where the leasehold land is located, the management have reviewed the recoverability of the relevant carrying amounts of these CGUs, which is determined at each of the brands of cruise ship and passengers ferries and other business, each shipyards and leasehold land that generate independent cash flows.

The recoverable amount of the CGU of Star Cruises is determined based on the valuations performed by an independent valuer with reference to the available market information having taken into account the conditions, ages and sizes of the cruise ships, passenger ferries and ship improvements.

The recoverable amounts of CGUs of MV Werften and Lloyd Werft are determined based on discounted cash flows calculations. These calculations use five-year discounted cash flows based on plans projected and approved by management. Details of key assumptions are disclosed in note 16.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has engaged an independent valuer to evaluate the recoverable amount of leasehold land based on residual method. This calculation uses discounted cash flows based on plans projected and approved by management.

The development period for leasehold land has expired on 1 August 2016. The Group is currently actively discussing with the local authority for an extension of the development deadline. This process is currently ongoing and based on advice from external legal counsel that there is a reasonable chance that the extension could be obtained by the Group.

As a result of the impairment reviews, the recoverable amounts are higher than the respective carrying values of these CGUs. Accordingly, no impairment loss provision is considered necessary.

15. LAND USE RIGHT

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

	2016 **US$'000**	2015 US$'000
Outside Hong Kong: Medium leasehold (less than 50 years but not less than 10 years)	**3,671**	4,040

	2016 **US$'000**	2015 US$'000
At 1 January	**4,040**	4,278
Amortisation of prepaid operating lease for the year	**(110)**	(58)
Currency translation differences	**(259)**	(180)
At 31 December	**3,671**	4,040

16. INTANGIBLE ASSETS

	Goodwill (note (a)) US$'000	**Tradenames (note (b)) US$'000**	**Total US$'000**
Cost			
At 1 January 2016	**13,008**	**40,230**	**53,238**
Acquisitions of subsidiaries and business	**32,052**	**—**	**32,052**
Adjustment to fair value of assets and liabilities acquired (note (c))	**467**	**—**	**467**
Currency translation differences	**(2,212)**	**—**	**(2,212)**
At 31 December 2016	**43,315**	**40,230**	**83,545**
Accumulated amortisation and impairment			
At 1 January 2016	**—**	**(866)**	**(866)**
Amortisation charge for the year	**—**	**(2,490)**	**(2,490)**
At 31 December 2016	**—**	**(3,356)**	**(3,356)**
Net book value			
At 31 December 2016	**43,315**	**36,874**	**80,189**

16. INTANGIBLE ASSETS (CONTINUED)

	Goodwill (note (a)) US$'000	Tradenames (note (b)) US$'000	Total US$'000
Cost			
At 1 January 2015	—	—	—
Acquisitions 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

Notes:

(a) Goodwill is monitored by management at the CGU level within an operating segment level with reference to each brands of cruise ship and passengers ferries and other businesses, each group of shipyards. A summary of the allocation of goodwill to the identified CGUs of the Group is as follows:

	2016 US$'000	2015 US$'000
Crystal Cruises	**10,356**	10,356
Lloyd Werft	**1,512**	1,047
Zouk	**1,605**	1,605
MV Werften	**29,842**	—
	43,315	13,008

The recoverable amount is calculated based on the higher of value-in-use calculation or fair value less costs of disposal.

The recoverable amount of Crystal Cruises is determined based on value-in-use calculation. This calculation uses cash flow projections based on five-year financial budgets, with reference to past performance and expectations for market development, approved by management. The annual revenue growth rate during the projection period is 3.0% whereas the cash flows beyond the five-year period are extrapolated with an estimated general annual growth rate of 2.44% which does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used of approximately 8.61% is pre-tax and reflects the specific risks related to the relevant business.

The recoverable amount of MV Werften is determined based on fair value less costs of disposal. The fair value is derived using an income approach, calculated based on a five-year discounted cash flows projection from the Group's long term shipbuilding programme, by taking into account the Group's committed investments in the capabilities of the yards and a reasonable shipbuilder's contract margin established on a negotiated basis. The discount rate used of approximately 6.48% is post-tax and reflects the specific risks related to the relevant business. The measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs used in valuation.

The recoverable amounts of these CGUs that take into account the fair value of the underlying assets and liabilities are not less than the carrying amounts of the CGUs. Any reasonably possible change in any of these assumptions would not cause the recoverable amounts of the CGUs to fall below the carrying amounts. Accordingly, no impairment loss was considered necessary.

No impairment review for Crystal Cruises was performed as at 31 December 2015 as the calculation of goodwill was only finalised in the year ended 31 December 2016.

16. INTANGIBLE ASSETS (CONTINUED)

Notes: (Continued)

(b) The tradenames arose from the acquisition of equity shares of Crystal Cruises and the business of Zouk. Included within the carrying amount of tradenames, US$31.2 million (2015: US$32.5 million) relating to the Crystal Cruises for which the remaining life is 38.4 years (2015: 39.4 years).

(c) On completion of the fair value assessments, adjustment made to the provisional calculation of identifiable assets and liabilities of Lloyd Werft amounted to US$467,000, with an equivalent increase in the reported value of goodwill (note 38 (ii)).

17. INTERESTS IN JOINT VENTURES

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

	2016 **US$'000**	2015 US$'000
At 1 January	**6,942**	127,706
Equity investment in a joint venture	**—**	576
Share of (loss)/profit of joint venture	**(516)**	247
Disposal of equity of a joint venture	**—**	(117,750)
Dividends	**(2,839)**	(3,837)
Currency translation differences	**260**	—
At 31 December	**3,847**	6,942

As at 31 December 2016 and 2015, there are no material joint ventures that have significant impact towards the financial position of the Group.

18. INTERESTS IN ASSOCIATES

The Group's interests in associates are as follows:

	2016 **US$'000**	2015 US$'000
At 1 January	**542,319**	1,394,279
Share of profit of associates	**32,890**	36,418
Share of reserves of an associate	**136**	16,658
Disposal of equity interest of an associate	**—**	(100,770)
De-recognition of an associate	**—**	(778,676)
Dividends	**(7,437)**	(11,128)
Currency translation differences	**(18,023)**	(16,969)
Others	**—**	2,507
At 31 December	**549,885**	542,319

18. INTERESTS IN ASSOCIATES (CONTINUED)

Set out below is Travellers International Hotel Group, Inc. ("Travellers") as at 31 December 2016, which, in the opinion of the directors, is material to the Group. Travellers has share capital consisting of ordinary shares and preferred shares, which are held directly by the Group.

Nature of interest in Travellers as at 31 December 2016 and 2015 is as follows:

Name	Country of incorporation	Principal country of operations	% of ownership interest 2016	2015	Nature of relationship	Measurement method
Travellers	Republic of the Philippines	Republic of the Philippines	**44.9**	44.9	Note 1	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. Travellers is the Group's first foray in a land-based attraction.

As at 31 December 2016, the fair value of the Group's interest in Travellers, which is listed on The Philippines Stock Exchange, Inc, was approximately US$470.1 million (2015: US$663.0 million) and the carrying amount of the Group's interest was approximately US$540.9 million (2015: US$533.5 million).

Summarised financial information for an associate

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

Summarised statement of financial position

	Travellers 2016 US$'000	2015 US$'000
Current		
Cash and cash equivalents	**267,654**	262,015
Other current assets (excluding cash)	**123,730**	155,089
Total current assets	**391,384**	417,104
Other current liabilities (including trade payables)	**(633,256)**	(273,244)
Total current liabilities	**(633,256)**	(273,244)
Non-current		
Assets	**1,150,053**	1,068,953
Financial liabilities	**—**	(311,759)
Other liabilities	**(6,756)**	(6,020)
Total non-current liabilities	**(6,756)**	(317,779)
Net assets	**901,425**	895,034

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information for an associate (Continued)

Summarised statement of comprehensive income

	Travellers 2016 US$'000	2015 US$'000
Revenue	**577,584**	609,833
Depreciation and amortisation	**(34,523)**	(30,863)
Interest income	**1,816**	2,558
Interest expense	**(30,646)**	(17,058)
Profit before taxation	**72,754**	89,474
Taxation	**(1,351)**	(1,086)
Profit for the year	**71,403**	88,388
Other comprehensive (loss)/income	**(128)**	451
Total comprehensive income	**71,275**	88,839
Dividends received from an associate	**7,437**	11,128

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

Reconciliation of summarised comparison financial information

	Travellers 2016 US$'000	2015 US$'000
Net assets as at 1 January	**895,034**	871,959
Profit for the year	**71,403**	88,388
Other comprehensive (loss)/income	**(128)**	451
Dividend declaration	**(15,913)**	(23,835)
Currency translation differences	**(48,971)**	(41,929)
Net assets as at 31 December	**901,425**	895,034
Interest in an associate @ 44.9%	**404,740**	401,870
Carrying value	**540,877**	533,484
Fair value adjustment from acquisition	**(120,204)**	(123,473)
Translation differences on the consolidation level	**(15,933)**	(8,141)
Share of net assets of the associate	**404,740**	401,870

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 US$'000	2015 US$'000
At 1 January	**1,695,871**	225,458
Exchange difference	**1,350**	(22,232)
Additions	**—**	2,212,651
Disposals	**(24,915)**	(935,193)
Fair value losses from equity	**(305,034)**	—
Fair value (losses)/gains recognised in equity	**(97,918)**	215,187
Impairment loss recognised in profit or loss	**(2,696)**	—
At 31 December	**1,266,658**	1,695,871
Less: non-current portion	**(9,585)**	(207,530)
Current portion	**1,257,073**	1,488,341

Available-for-sale investments include the following:

	2016 US$'000	2015 US$'000
Listed investments:		
Equity securities – listed outside Hong Kong	**1,257,073**	1,684,940
Unlisted investments:		
Equity securities	**9,585**	10,931
	1,266,658	1,695,871

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

	2016 US$'000	2015 US$'000
US dollar	**1,080,190**	1,488,341
Australian dollar	**176,883**	196,599
Philippine Peso	**9,401**	8,744
Euro dollar	**184**	2,187
	1,266,658	1,695,871

20. PROPERTIES UNDER DEVELOPMENT

	2016 US$'000	2015 US$'000
Properties under development	**45,056**	20,393

At 31 December 2016, properties under development amounting to US$45.1 million (2015: US$20.4 million) was scheduled for completion within twelve months.

21. INVENTORIES

	2016 US$'000	2015 US$'000
Food and beverages	12,193	12,915
Supplies and consumables	12,108	27,548
Retail inventories	24,277	8,146
Raw materials	889	1,716
Work-in-progress	16,480	2,228
	65,947	52,553

22. TRADE RECEIVABLES

	2016 US$'000	2015 US$'000
Trade receivables	244,092	238,805
Less: Provisions	(194,327)	(187,548)
	49,765	51,257

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

	2016 US$'000	2015 US$'000
Current to 30 days	45,731	39,827
31 days to 60 days	1,760	2,647
61 days to 120 days	126	6,598
121 days to 180 days	789	803
181 days to 360 days	87	352
Over 360 days	1,272	1,030
	49,765	51,257

Credit terms generally range from payment in advance to 45 days credit (31 December 2015: payment in advance to 45 days credit).

Receivables amounting to US$4.5 million (2015: US$14.9 million) are secured by the underlying pledged securities and bear interest ranging from 5.0% to 6.5% (2015: 5.0% to 6.5%) per annum.

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

	2016 US$'000	2015 US$'000
Hong Kong dollar	10,838	24,690
US dollar	16,665	8,596
Singapore dollar	5,973	10,255
Malaysian Ringgit	543	4,274
Chinese Renminbi	352	383
Euro dollar	12,049	2,059
Other currencies	3,345	1,000
	49,765	51,257

22. TRADE RECEIVABLES (CONTINUED)

The Group has provided US$14.7 million for trade receivables in 2016 (2015: US$54.3 million), and US$7.9 million was recovered during the year (2015: US$3.6 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 2016, the trade receivables that were past due but not provided was US$4.0 million (2015: US$11.4 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:

	2016 US$'000	2015 US$'000
Up to 3 months	**1,886**	9,243
3 months to 1 year	**876**	1,157
Over 1 year	**1,272**	1,030
	4,034	11,430

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

	2016 US$'000	2015 US$'000
Other debtors	**25,902**	33,524
Deposits	**4,603**	4,129
Prepayments	**107,192**	53,052
Receivables relating to disposal of m.v. Norwegian Sky (note (a))	**—**	18,522
Loans and advance to a joint venture (note (b))	**43,247**	35,803
Amount due from an associate	**4,399**	5,080
	185,343	150,110
Less: non-current portion	**(11,909)**	(23,918)
Current portion	**173,434**	126,192

Notes:

(a) The balance of US$18.5 million as at 31 December 2015 relates to the remaining consideration of disposal of m.v. Norwegian Sky in prior years. The amount has been received during the year ended 31 December 2016.

(b) The loan granted to a joint venture includes EUR18.1 million (equivalent to US$19.1 million) (2015: EUR18.1 million (equivalent to US$20.1 million)) facility agreement, which is secured and subject to interest at EURIBOR plus 5.5% per annum, to Wider S.R.L. for construction of yacht. In 2015, the loan granted to a joint venture also included a EUR0.5 million (equivalent to US$0.7 million) unsecured, interest free investor loan.

24. RESTRICTED CASH

Restricted cash of the Group includes an amount of US$108.4 million (2015: US$158.8 million) pledged to the banks for the issuance of irrevocable standby letter of credit in favour of third parties. Restricted cash is presented within "operating activities" as part of the changes in working capital in the consolidated statement of cash flows.

25. CASH AND CASH EQUIVALENTS

Deposits, cash and bank balances consist of the following:

	2016 **US$'000**	2015 US$'000
Deposits with banks	**386,776**	729,793
Cash and bank balances	**653,498**	1,048,952
	1,040,274	1,778,745

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

	2016 **US$'000**	2015 US$'000
Deposits, cash and bank balances	**1,040,274**	1,778,745

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

	2016 **US$'000**	2015 US$'000
US dollar	**610,621**	1,161,266
Singapore dollar	**62,189**	106,063
Hong Kong dollar	**101,909**	225,259
Malaysian Ringgit	**16,224**	32,468
Australian dollar	**308**	93,913
Chinese Renminbi	**76,563**	76,153
Philippine Peso	**874**	2,456
Indian Rupee	**7,104**	7,483
New Taiwan dollar	**6,442**	11,066
Euro dollar	**156,261**	58,554
Other currencies	**1,779**	4,064
	1,040,274	1,778,745

26. SHARE CAPITAL

	Authorised share capital			
	Preference shares of US$0.10 each		Ordinary shares of US$0.10 each	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January 2016 and 31 December 2016	**10,000**	**1**	**19,999,990,000**	**1,999,999**
At 1 January 2015 and 31 December 2015	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 2016 and 31 December 2016	**8,482,490,202**	**848,249**
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

27. LOANS AND BORROWINGS

Loans and borrowings consist of the following:

	2016 US$'000	2015 US$'000
SECURED:		
US$600 million secured term loan and revolving credit facility	**—**	237,996
US$500 million secured term loan and revolving credit facility	**293,488**	—
US$300 million secured term loan	**249,470**	281,184
US$664 million secured term loan	**619,085**	—
RMB24 million entrustment loan (note (i))	**2,806**	—
RMB14 million entrustment loan (note (i))	**—**	2,156
RMB12.5 million entrustment loans (note (i))	**3,598**	3,850
RMB10 million entrustment loan (note (i))	**—**	1,540
RMB9 million entrustment loan (note (i))	**431**	770
EUR3.6 million secured term loan	**3,301**	3,814
Total liabilities	**1,172,179**	531,310
Less: Current portion	**(135,243)**	(87,160)
Non-current portion	**1,036,936**	444,150

Note:

(i) As at 31 December 2016 and 2015, the entrustment loans are secured by equivalent amount of restricted cash.

27. LOANS AND BORROWINGS (CONTINUED)

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

	2016 US$'000	2015 US$'000
US dollar	1,162,044	519,180
Euro dollar	3,301	3,814
Chinese Renminbi	6,834	8,316
	1,172,179	531,310

As at 31 December 2016, the outstanding balances of loans and borrowings denominated in Chinese Renminbi and Euro dollar was approximately RMB47.5 million (2015: RMB54.0 million) and EUR3.1 million (2015: EUR3.5 million) respectively.

As at 31 December 2016, approximately 1% of the Group's loans and borrowings was fixed rated (2015: 2%) and 99% was variable rated (2015: 98%).

The following is a schedule of repayments of the loans and borrowings in respect of the outstanding borrowings as at 31 December 2016:

	2016 US$'000	2015 US$'000
Within one year	135,243	87,160
In the second year	129,372	78,903
In the third to fifth years	393,838	240,815
After the fifth year	513,726	124,432
	1,172,179	531,310

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:

	2016 US$'000	2015 US$'000
6 months or less	1,162,044	519,180

The secured loans and borrowings were secured by legal charges over assets including fixed and floating charges of US$2,012.1 million (2015: US$1,158.7 million).

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

	2016	2015
Bank borrowings in US dollar	2.7%	2.5%
Bank borrowings in Chinese Renminbi	4.4%	3.9%
Bank borrowings in Euro dollar	2.2%	2.2%

28. CONVERTIBLE BONDS

US$150 million 7.5% unsecured Convertible Bonds due 2016

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

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

The Bonds due 2016 may be redeemed, at the option of the bondholders, in the event of a Change in Control or Delisting (as defined in the Terms and Conditions of the Bonds due 2016), at the Early Redemption Amount together with any accrued but unpaid interest.

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

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

As at 31 December 2015, all of Bonds due 2016 had been converted into ordinary shares in the Company.

The analysis of the Bonds due 2016 is as follows:

	2015 US$'000
Face value of the Bonds due 2016 issued on 20 August 2009	150,000
Issuance costs	(4,000)
Net proceeds	146,000
Equity component transferred to the share premium	(8,893)
Remaining equity component	—
Equity component	(8,893)
Liability component on initial recognition	137,107
Interest accrued as at 1 January	12,122
Interest expense for the year	896
Interest paid during the year	(2,438)
Conversion of the Bonds due 2016 to ordinary shares and share premium	(147,687)
Liability component	—

29. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of financial instruments including derivatives are determined based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the 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.

The Group entered into forward contracts to buy Euro dollar at a fixed exchange rate. As at 31 December 2016, the notional amount of these contracts was US$317.1 million (2015: US$262.6 million) and the estimated fair value loss of these forward contracts was approximately US$17.3 million (2015: US$3.0 million). These forward contracts had 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 upon maturity will be included in the initial measurement of the cost of the underlying hedged items which are non-financial assets.

The fair values of the above instruments have been estimated using quotes from reputable financial institutions. The Group has no significant concentrations of credit risk as at 31 December 2016.

30. DEFERRED TAX

Movements in net deferred income tax liabilities are as follows:

	2016 US$'000	2015 US$'000
At 1 January	**14,152**	7,538
Exchange difference	**(28)**	(110)
Acquisitions of subsidiaries and business	**565**	4,137
Deferred taxation charged to consolidated statement of comprehensive income	**1,778**	2,587
At 31 December	**16,467**	14,152

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same for jurisdiction, is as follows:

	2016		
	Undistributed profit of associate US$'000	Excess of capital allowances over depreciation US$'000	Total US$'000
Deferred tax liabilities			
The movements in deferred tax liabilities are as follows:			
At 1 January	10,740	4,173	14,913
Exchange difference	—	28	28
Acquisitions of subsidiaries and business	—	565	565
Deferred taxation charged to consolidated statement of comprehensive income	2,780	311	3,091
At 31 December	13,520	5,077	18,597
The amount shown in the consolidated statement of financial position includes the following:			
Deferred tax liabilities to be settled after 12 months	13,520	5,077	18,597

30. DEFERRED TAX (CONTINUED)

	2015		
	Undistributed profit of associate US$'000	Excess of capital allowances over depreciation US$'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
Acquisitions of subsidiaries and business	—	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

	Tax losses	
	2016 US$'000	2015 US$'000
Deferred tax assets		
The movements in the deferred tax assets are as follows:		
At 1 January	**761**	312
Exchange difference	**56**	111
Acquisitions of subsidiaries and business	**—**	207
Deferred taxation credited to consolidated statement of comprehensive income	**1,313**	131
At 31 December	**2,130**	761
The amount shown in the consolidated statement of financial position includes the following:		
Deferred tax assets to be recovered after 12 months	**2,130**	761

As at 31 December 2016, the unused tax losses for which no deferred tax asset was recognised in the consolidated statement of financial position were approximately US$449 million (2015: US$299 million), of which US$12 million (2015: US$11 million) will expire in three to twenty years.

31. TRADE PAYABLES

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

	2016 US$'000	2015 US$'000
Current to 60 days	**63,191**	47,054
61 days to 120 days	**3,098**	5,195
121 days to 180 days	**8,413**	4,625
Over 180 days	**10,904**	11,410
	85,606	68,284

Credit terms granted to the Group generally vary from no credit to 45 days credit (31 December 2015: no credit to 45 days credit).

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

	2016 US$'000	2015 US$'000
US dollar	**48,670**	43,260
Hong Kong dollar	**14,381**	13,007
Malaysian Ringgit	**3,117**	2,073
Euro dollar	**14,141**	3,556
Other currencies	**5,297**	6,388
	85,606	68,284

32. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consist of the following:

	2016 US$'000	2015 US$'000
Payroll, taxes and related benefits	**42,938**	30,074
Accruals for obligations under customer loyalty programmes	**25,692**	22,730
Interest accrued	**7,993**	2,409
Port charges accrued	**7,768**	12,816
Advanced receipts	**48,501**	6,220
Accrued expenses	**53,149**	52,388
Accruals for repairs and maintenance	**1,607**	1,563
Provision for reorganisation costs	**12,522**	—
Accruals for loss on fuel swap	**—**	1,595
Option consideration payable	**—**	16,366
Others	**25,015**	23,207
	225,185	169,368
Less: non-current portion	**(1,123)**	—
Current portion	**224,062**	169,368

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group during the year ended 31 December 2016 and 2015 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 wholly 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 ("Tan Sri Lim"), Mr. Lim Keong Hui ("Mr. Lim") and certain other members of Tan Sri Lim's family, is a substantial shareholder of the Company.

Tan Sri Lim and Mr. Lim are Executive Directors, connected persons (as defined under Chapter 14A of the Listing Rules) and related parties of the Company. Each of Tan Sri Lim and Mr. Lim is a beneficiary of another discretionary trust, whose trustee in its capacity as trustee of such discretionary trust indirectly holds more than 30% of the equity interests in Genting Berhad ("GENT"). Genting Management and Consultancy Services Sdn Bhd ("GMC") is a wholly-owned subsidiary of GENT. Genting Malaysia Berhad ("GENM") and Genting Singapore PLC ("GENS") are also subsidiaries of GENT. Accordingly, pursuant to the Listing Rules, each of GENT, GENM, GENS and GMC is considered to be an associate (as defined under Chapter 14A of the Listing Rules) of each of Tan Sri Lim and Mr. Lim, and is therefore a connected person and related party of the Company. Each of GENT and GENM is a company listed on the Main Market of Bursa Malaysia Securities Berhad while GENS is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

WorldCard International Limited ("WCIL") is a wholly-owned subsidiary of Star Cruise (C) Limited ("SC (C)") which is in turn a wholly-owned subsidiary of the Company.

Resorts World Inc Pte. Ltd. ("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).

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 and his wife has an attributable interest as to 50%. Tan Sri Lim 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.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Norwegian Cruise Line Holdings Ltd. ("NCLH" or "Norwegian") was an associate of the Company before the completion of a secondary offering of its ordinary shares on 26 May 2015 whereupon it became an available-for-sale investment of the Company and ceased to be a related party of the Company. Prior to that, Norwegian was 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 and 20% by his wife.

Travellers International Hotel Group, Inc. ("Travellers") was a joint venture of the Company before the initial listing of its common shares on 5 November 2013 whereupon it became 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 and an uncle of Mr. Lim) has 59.95% indirect equity interest.

Each of RW Tech Labs Sdn Bhd ("RWT"), RW Services Pte Ltd ("RW Services") and FreeStyle Gaming Limited ("FSG") is a wholly-owned subsidiary of RWI.

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

Petram Beteiligungs GmbH ("Petram") was a substantial shareholder of Lloyd Werft Bremerhaven AG (now known as Lloyd Werft Bremerhaven GmbH) ("LWB", the then non-wholly-owned subsidiary of the Company) and Lloyd Investitions- und Verwaltungs GmbH ("LIV", the then 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.

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

33. 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 2016 and 2015 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. 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 2016, (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 (2015: US$7,000); (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$2,006,000 (2015: US$1,288,000); and (iii) the amount charged to the Group in respect of leasing of office premises and information technology services rendered by the GENS group was approximately US$287,000 (2015: US$40,000 in respect of administrative and other support services).

(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 2016, (i) the amount charged by the Group in respect of air ticket purchasing and travel related services to the GENS group was approximately US$157,000 (2015: US$123,000) and (ii) the amount charged by the Group in respect of tourism consultancy services rendered to the GENM group was approximately US$40,000 (2015: US$47,000).

(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 and supplemented) (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 on 31 December 2013, the Group and the GENM group entered into supplemental agreements to renew the Inter-Operator Agreement and the JPM Agreement each for a further period of 3 years commencing from 1 January 2014.

Due to the change in the customer loyalty programme for the GENM group and the cessation in the exchange of the WorldCard points, the Inter-Operator Agreement (as supplemented) was not renewed upon its expiry on 31 December 2016. During the year ended 31 December 2016 and 2015, the following transactions took place:

	Group	
	2016	2015
	US$'000	US$'000
Amounts charged by the GENT group to the Group	**35**	58
Amounts charged to the GENT group by the Group	**300**	477

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) On 5 October 2012 and 13 June 2016, TIECL entered into two tenancy agreements with CCL in respect of the leases of office premises in Macau. During the year ended 31 December 2016, the amount charged by CCL to the Group in respect of the rental amounted to US$58,000 (2015: 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. A new tenancy agreement was entered into by the parties on 9 December 2015 to renew the lease for another 2 years commencing from 1 January 2016. During the year ended 31 December 2016, the amount charged by Rich Hope to SCHK in respect of the rental amounted to US$249,000 (2015: US$232,000).

(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. On 7 June 2016, SCA entered into a services agreement with Ambadell in respect of the provision of administrative, accounting and other support services by Ambadell to SCA. During the year ended 31 December 2016, the total amount charged by Ambadell to the Group in respect of the rental and service charges amounted to US$78,000 (2015: US$65,000 in respect of the rental).

(g) On 31 December 2012, CAL entered into the Second Supplemental Agreement with RWS to renew the RWS Services Agreement dated 21 January 2010 (as amended by the First Supplemental Agreement dated 29 December 2011) 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. In view of the expiry of the Second Supplemental Agreement on 31 December 2015, the parties entered into the Third Supplemental Agreement on 21 December 2015 to extend the term for a further one year ended on 31 December 2016. Amount charged to RWS in respect of these services rendered by CAL was approximately US$1,683,000 for the year ended 31 December 2016 (2015: US$1,489,000).

(h) (1) 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 a hotel to be constructed in Zhang Jia Kou City, Hebei Province, the People's Republic of China. 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 2016, the amount charged by the Group to 3rd Valley in respect of such management and other services was Nil (2015: Nil).

(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. The agreement was renewed on 16 September 2015 for a further 3 years ending on 31 March 2018. During the year ended 31 December 2016, the amount charged by GIML to SMHL in respect of the annual license fee was US$28,000 (2015: US$26,000).

33. 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. The loan was repaid by 3rd Valley International in November 2015. During the year ended 31 December 2016, the interest amount charged by WDKZ to 3rd Valley International in respect of the loan was Nil (2015: US$28,000).

(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"), Star Cruise Pte Ltd and Genting Philippines Holdings Limited, all of which are wholly-owned subsidiaries of the Company entered into Contracts of Lease and amendment agreement (as applicable) with Travellers in respect of the lease of office area in the Philippines. During the year ended 31 December 2016, the amount charged by Travellers to the Group in respect of the rental amounted to US$254,000 (2015: US$447,000).

(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 2016, no service was provided by Famous City and service revenue received from GSTA and GMS was Nil (2015: US$156,000).

(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 2016, the amount charged by CAL to NCLB in respect of the services amounted to US$4,000 (2015: US$250,000).

(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 2016, the amount charged by Famous City to Travellers in respect of the services amounted to US$518,000 (2015: US$824,000).

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(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 2016, no service was provided by CAL and service revenue received from Travellers was Nil (2015: US$130,000).

(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 2016, service revenue received from SCHKMS was US$14,000 (2015: US$63,000).

(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 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 and 6 May 2016, the parties entered into the first supplemental agreement and the second supplemental agreement to renew the term of the service agreement for one year ended on 13 October 2015 and 2016 respectively. During the year ended 31 December 2016, service revenue received from APEC was US$69,000 (2015: US$64,000).

(u) 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$2.9 million). 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. 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. The provision of the consultancy services by 3rd Valley under the cooperation agreement was not extended upon its expiry of the 3-year term of services at the end of December 2016. During the year ended 31 December 2016, the amount paid to 3rd Valley was RMB7,000,000 (equivalent to approximately US$1,079,000) (2015: Nil).

(v) 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. In view of the expiry of the services agreements, on 31 December 2015, the parties entered into new services agreements to renew the respective services agreements (with the addition of the provision of ski ticket sales and related services by 3rd Valley group to the Group) each for a further 3 years ending on 31 December 2018. During the year ended 31 December 2016, (i) the amounts charged by 3rd Valley group to the Group was US$16,000 (2015: US$252,000); and (ii) the amounts charged to 3rd Valley group by the Group was US$64,000 (2015: US$32,000).

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(w) 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%)).

(x) 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 2016, the amount charged by IRMS to the Group in respect of the consultancy services amounted to SGD505,000 (equivalent to approximately US$366,000) (2015: SGD623,000 (equivalent to approximately US$442,000)).

(y) 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.

(z) On 5 March 2015, 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 6.25 million ordinary shares in NCLH ("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.

(aa) 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.

(bb) On 19 October 2015, LWB entered into an agreement on charged rates for the provision of dock facilities and related services and personnel leasing with GDD in relation to the provision of dock facilities, personnel leasing, services and other works (i) by GDD to the LWB group and (ii) by the LWB group to GDD respectively for a period from 19 October 2015 to 31 December 2016. During the year ended 31 December 2016, (i) the amount paid/payable by the LWB group was EUR212,000 (approximately US$234,000) (2015: Nil) and (ii) the amount received/receivable by the LWB group was EUR5,333,000 (approximately US$5,884,000) (2015: EUR1,785,000 (approximately US$1,950,000)).

(cc) 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 the purchaser's conditions precedent could not be satisfied on or before the final delivery date, on 24 March 2016, the parties entered into a termination agreement to terminate the aircraft sale and purchase agreement with immediate effect.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(dd) 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 (the "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$17,997,000) in accordance with the call and put option agreement entered into between SCSIH and Petram on 17 September 2015 (as amended) (the "Option Agreement"). The acquisition was completed on 11 January 2016.

(ee) As a term of the Option Agreement, on 11 January 2016, LIV entered into a sale and purchase agreement with Petram in respect of the disposal of the floating dock IV located at Bremerhaven, Germany by LIV to Petram at a consideration of EUR1.5 million (equivalent to approximately US$1.6 million) upon exercise of the Option under the Option Agreement. The consideration was paid by SCSIH on behalf of Petram out of part of the purchase price payable by SCSIH upon exercise of the Option under the Option Agreement. The disposal was completed on 11 January 2016.

(ff) On 18 August 2015, Star Cruise Services Limited ("SCSL", a wholly-owned subsidiary of the Company) entered into a service agreement with RWT whereby SCSL agreed to subscribe a software system and RWT agreed to provide system management services on customers' data for SCSL for a term commencing from 1 June 2015 to 31 May 2017. Pursuant to the service agreement, SCSL may enter into separate agreements with other Genting group of companies that have subscribed the software system to share respective customers' data with each other. During the year ended 31 December 2016, the amount charged by RWT to SCSL in respect of the services amounted to US$18,000 (2015: Nil).

(gg) On 14 September 2016, SC (C) entered into a Genting Rewards Alliance agreement (the "GRA Agreement") with RW Services whereby RW Services granted to SC (C) the non-exclusive right to become an alliance participant in the customer loyalty programme known as "Genting Rewards Alliance" (the "GRA Programme") at an annual alliance fee of the higher of (i) US$30,000 (which will not be applicable to the first twelve months from the effective date of the GRA Agreement) or (ii) a fee equivalent to 3% of the value of the total products and/or services supplied by or for and on behalf of SC (C) and redeemed by members of the GRA Programme within the consecutive twelve months period effective from the date of agreement to 31 December 2018, which shall be renewable at the option of SC (C) for a 3-year term of up to a maximum of nine such renewals.

The GRA Programme is a multi-jurisdictional and multilateral alliance of customer rewards programme and provides a network through which multiple customer rewards programmes from different localities and countries can participate as part of the network, facilitating the redemption of loyalty or reward points across loyalty programmes by participants in the GRA Programme.

During the period ended 31 December 2016, no transactions under the GRA Agreement were conducted and accordingly, (i) the aggregate amount paid/payable by the Group under the GRA Agreement was Nil (2015: Nil) and (ii) the aggregate amount received/receivable by the Group under the GRA Agreement was Nil (2015: Nil).

(hh) On 17 October 2016, Zouk Consulting Pte. Ltd. ("Zouk Consulting", a wholly-owned subsidiary of the Company) entered into a joint marketing and promotion agreement with RWS in respect of the promotion of a specified event organised by RWS whereby Zouk Consulting provided certain marketing and promotional services for RWS and the event in consideration of certain sponsorships from RWS during the period from 17 October 2016 to 31 October 2016.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(ii) On 8 November 2016, the Company as purchaser entered into a master agreement (the "FSG Master Agreement") with FSG as vendor whereby FSG provided the Group with the electronic equipment and devices for electronic games (the "Equipment") and services in relation to (a) installation and set-up of hardware and software for the Equipment; (b) training personnel; (c) after-sales-services; (d) software enhancement and development; and (e) other services related to the Equipment, for a term commencing from 8 November 2016 until 31 December 2018, which shall be renewable at the option of the Company for such duration and upon such terms and conditions as shall be mutually approved by the Company and FSG. During the year ended 31 December 2016, the aggregate amount paid/payable by the Group under the FSG Master Agreement (including the transaction amounts for a series of completed transactions of a similar nature in the past 12 months prior to the FSG Master Agreement) was approximately US$3,816,000 (2015: Nil).

The related party transactions described above were carried out on terms, conditions and prices comparable to transactions with independent parties.

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 2016 and the outstanding share options as at 31 December 2016 are set out in the section headed "Share Options" in the Report of the Directors.

Key management compensation

(kk) The key management compensations are analysed as follows:

	2016 US$'000	2015 US$'000
Salaries and other short-term employee benefits	**6,638**	18,600
Post-employment benefits	**18**	641
Non-cash share option expenses	**—**	29
	6,656	19,270

34. RETIREMENT BENEFIT OBLIGATIONS

The Group maintains (i) the Crystal Cruises Pension Plan ("Crystal Pension Plan") in the US, a non-contributory defined benefit pension plan; (ii) Lloyd Werft Occupational Pension Scheme ("Lloyd Werft Pension Scheme") in Germany and (iii) Lloyd Werft Managing Directors Pension Scheme ("Lloyd Werft MDPS") in Germany for certain executive management.

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.

34. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The independent actuarial valuation of the Crystal Pension Plan was prepared by Principal Financial Services, Inc., using the projected unit credit method in 2016 and 2015. The actuarial valuation indicates that the Group's obligations under the Crystal Pension Plan was 83% (2015: 84%) covered by the plan assets held by the trustees at 31 December 2016.

The independent actuarial valuation of the Lloyd Werft Pension Scheme and Lloyd Werft MDPS was prepared by Rüß, Dr. Zimmermann und Partner (GbR), using the projected unit credit method in 2016 and 2015. There is no plan asset cover the Group's obligations.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2016 US$'000	2015 US$'000
Present value of funded obligations	**27,540**	25,778
Fair value of plan assets	**(18,606)**	(17,872)
Liability in the consolidated statement of financial position	**8,934**	7,906

The movement in the defined benefit liability is as follows:

	Present value of obligation US$'000	**Fair value of plan assets US$'000**	**Total US$'000**
At 1 January 2016	**25,778**	**(17,872)**	**7,906**
Current service cost	**594**	**—**	**594**
Interest expense/(income)	**1,037**	**(766)**	**271**
Administrative expenses	**—**	**113**	**113**
	27,409	**(18,525)**	**8,884**
Currency translation differences	**(206)**	**—**	**(206)**
Contributions:			
– Employers	**—**	**(500)**	**(500)**
– Plan participants	**—**	**—**	**—**
Payments from plans:			
– Benefit payments	**(946)**	**883**	**(63)**
Remeasurements:			
– Experience adjustments	**168**	**—**	**168**
– Losses arising from changes in financial assumptions	**1,115**	**—**	**1,115**
– Return on plan assets	**—**	**(464)**	**(464)**
At 31 December 2016	**27,540**	**(18,606)**	**8,934**

34. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	Present value of obligation US$'000	Fair value of plan assets US$'000	Total 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

During the year ended 31 December 2015, the Group also had the Crystal Cruises Supplemental Executive Retirement Plans ("Crystal SERP") in the US, a supplemental plan for certain executive management who participated in the Crystal Pension Plan. Crystal SERP was terminated and a lump sum settlement of US$181,000 was made on 31 July 2015.

The defined benefit obligation and plan assets are composed by country as follows:

	2016		
	US US$'000	**Germany US$'000**	**Total US$'000**
Present value of obligation	**22,482**	**5,058**	**27,540**
Fair value of plan assets	**(18,606)**	**—**	**(18,606)**
Total	**3,876**	**5,058**	**8,934**

	2015		
	US US$'000	Germany US$'000	Total 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$11.0 million (2015: US$12.0 million) relating to active employees, US$4.2 million (2015: US$4.1 million) relating to deferred members and US$12.3 million (2015: US$9.7 million) relating to members in retirement.

34. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The significant actuarial assumptions were as follows:

	2016	
	US	**Germany**
Discount rate	**4.1%** (2015: 4.4%)	**1.8%** (2015: 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 in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.6% (2015: Decrease by 3.6%)	Increase by 3.8% (2015: 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.

35. COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

	2016 US$'000	2015 US$'000
Contracted but not provided for		
– Cruise ships and related costs	**661,497**	1,319,810
– Aircrafts and related costs	**107,327**	153,149
– Property under development and others	**69,064**	54,710
	837,888	1,527,669
Authorised but not contracted for	**142,938**	—

35. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Operating leases

Rental expense under non-cancellable operating lease commitments was US$14.6 million for the year ended 31 December 2016 (2015: US$6.6 million).

At 31 December 2016, future minimum lease payments payable under non-cancellable operating leases are as follows:

	2016 US$'000	2015 US$'000
Within one year	**12,366**	9,617
In the second to fifth year inclusive	**35,646**	30,929
After the fifth year	**15,898**	21,382
	63,910	61,928

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.

36. SHARE OPTION SCHEME (CONTINUED)

Post-listing Employee Share Option Scheme (Continued)

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.

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.

36. SHARE OPTION SCHEME (CONTINUED)

Post-listing Employee Share Option Scheme (Continued)

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.

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

	2016	
	Average exercise price in HK$ per ordinary share	Number of ordinary shares under options (thousands)
At 1 January	2.8215	19,875
Forfeited	3.7215	(1,708)
At 31 December	2.7369	18,167

	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

A summary of the share options outstanding as at 31 December 2016 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	9,475	1.4	9,475
HK$3.7800	8,692	3.9	8,692
	18,167	2.6	18,167

37. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries of the Company as at 31 December 2016:

Name of Company	Country of Incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Interest held by the Group (%)
Subsidiaries held directly:				
Star Cruises Asia Holding Ltd.	Bermuda	Investment holding	158,032,326 common shares of US$1.00 each	100
Star NCLC Holdings Ltd.	Bermuda	Investment holding	10,000 ordinary shares of US$1.00 each	100
Subsidiaries held indirectly:				
Star Cruise Management Limited	Note (1)	Investment holding and provision of management services	2,000,000 ordinary shares of US$1.00 each	100
Cruise Properties Limited	Isle of Man	Investment holding	197,600,000 ordinary shares of MYR1.00 each	100
Inter-Ocean Limited	Isle of Man	Investment holding	52,000,000 ordinary shares of US$1.00 each	100
Star Cruise Services Limited	Isle of Man	Investment holding	52,000,000 ordinary shares of US$1.00 each	100
Superstar Virgo Limited	Isle of Man	Bareboat chartering	25,000,002 ordinary shares of US$1.00 each	100
Chinese Dream Limited	Bermuda	Bareboat chartering	100 common shares of US$1.00 each	100
My Inn (Hangzhou) Hotel Co. Limited (Note (2))	The People's Republic of China	Hotel management, accommodation and property management	RMB74,000,000	100
Suzhou My Inn Hotel Co., Ltd. (Note (2))	The People's Republic of China	Operation of economy accommodation services	US$9,500,000	100
Shanghai My Inn Hotel Co. Limited (Note (3))	The People's Republic of China	Accommodation and property management	RMB1,500,000	100

37. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of Company	Country of Incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Interest held by the Group (%)
Subsidiaries held indirectly: (Continued)				
Zhangjiakou Chongli District My Inn Hotel Co., Limited (Note (3))	The People's Republic of China	Operation and management of hotel	RMB500,000	100
Suzhou Trip-X Information Technologies Co., Ltd. (Note (2))	The People's Republic of China	Software development of tourist information system	US$11,800,000	100
Genting (Shanghai) Education Information Consulting Co., Limited (Note (2))	The People's Republic of China	Education information consulting (except study abroad consulting and agent service)	US$140,000	100
Treasure Island Entertainment Complex Limited (Note (4))	Macau Special Administrative Region	Development of hospitality facilities	MOP100,000	75
Genting Philippines Holdings Limited	Note (5)	Investment holding	10,002 ordinary shares of US$1.00 each	100
Genting Securities Limited	Hong Kong Special Administrative Region	Securities dealing and securities margin financing	400,000,002 ordinary shares (HK$400,000,002)	100
Genting Credit Limited	Hong Kong Special Administrative Region	Provision of credit services	5,000,000 ordinary shares (HK$5,000,000)	100
Star Cruises (HK) Limited	Hong Kong Special Administrative Region	Cruise sales, marketing and support services	23,000,000 ordinary shares (HK$230,000,000)	100
Star Cruises China Holdings Limited	Hong Kong Special Administrative Region	Travel agent and provision of consultancy services	500,000 ordinary shares (HK$500,000)	100
Dynamic Merits Limited	Hong Kong Special Administrative Region	Investment holding	1 ordinary share (HK$1.00)	100
Exa Limited	Isle of Man	Investment holding	41,034 1% Convertible Non-Cumulative Redeemable Preference shares of US$1.00 each and 2 ordinary shares of US$1.00 each	100

37. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of Company	Country of Incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Interest held by the Group (%)
Subsidiaries held indirectly: (Continued)				
Crystal Cruises, LLC	Note (6)	Cruise line operator	4,071.8824 shares of common stock	100
Crystal Acquisition Company Limited	Isle of Man	Investment holding	818,785,775 ordinary shares of US$1.00 each	100
Symphony Holdings Limited	Isle of Man	Cruise services	100 ordinary shares of US$0.01 each	100
Serenity Holdings Limited	Isle of Man	Cruise services	100 ordinary shares of US$0.01 each	100
Crystal Air Holdings Limited	Isle of Man	Investment holding	2 ordinary shares of US$1.00 each	100
Star Cruises Singapore Investment Holding Pte. Ltd.	Singapore	Investment holding	2 ordinary shares (SGD2.00)	100
Lloyd Investitions- und Verwaltungs GmbH	Bremerhaven, Germany	Investment holding and owns the shipyard area and annexed dockyards	18,000,000 shares of EUR1.00 each	100
Lloyd Werft Bremerhaven AG (renamed as Lloyd Werft Bremerhaven GmbH after conversion into a GmbH on 31 January 2017)	Bremerhaven, Germany	Investment holding and operates the Lloyd Werft shipyard and offers newbuilding, conversion and maintenance services for ships	6,750,000 shares of EUR1.00 each	100
MV Werften Holdings Limited	United Kingdom	Investment holding	84,016,001 shares of GBP1.00 each	100
MV Werften Stralsund GmbH	Note (7)	Operation of shipyards and docking facilities at Stralsund	1 share of EUR25,000	100
MV Werften Stralsund Property GmbH	Note (7)	Holding and management of real estate in Stralsund	1 share of EUR25,000	100
MV Werften Rostock GmbH	Note (8)	Operation of shipyards and docking facilities at Warnemünde	1 share of EUR25,000	100
MV Werften Rostock Property GmbH	Note (8)	Holding and management of real estate in Warnemünde	1 share of EUR25,000	100

37. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of Company	Country of Incorporation and place of business	Principal activities	Issued and fully paid up share/registered capital	Interest held by the Group (%)
Subsidiaries held indirectly: (Continued)				
MV Werften Wismar GmbH	Note (9)	Operation of shipyards and docking facilities at Wismar	1 share of EUR25,000	100
MV Werften Wismar Property GmbH	Note (9)	Holding and management of real estate in Wismar	1 share of EUR25,000	100
MV Werften Services GmbH	Note (9)	Rendering of services in connection with the operation of shipyards	1 share of EUR25,000	100
Zouk Event Pte. Ltd.	Singapore	Investment holding and event organiser	3,000,001 ordinary shares (SGD3,000,001)	100
Zouk IP Pte. Ltd.	Singapore	Holder of IPs and trademarks	1 ordinary share (SGD1.00)	100
Zouk Consulting Pte. Ltd.	Singapore	Investment holding in entertainment business	30,500,001 ordinary shares (SGD30,500,001)	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 The People's Republic of China as wholly foreign owned enterprises.

(3) These companies were incorporated in The People's Republic of China as domestic capital enterprises.

(4) The Group held 75% interest in this company, while the remaining 25% interest was held by non-controlling interests.

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

(6) This company was incorporated in California, USA and provides cruise operating services substantially in international waters.

(7) These companies were incorporated in Bremerhaven, Germany and the place of business is in Stralsund, Germany.

(8) These companies were incorporated in Bremerhaven, Germany and the place of business is in Rostock, Germany.

(9) These companies were incorporated in Bremerhaven, Germany and the place of business is in Wismar, Germany.

38. BUSINESS COMBINATIONS

Acquisition of subsidiaries and business

(i) On 24 April 2016, the Group has completed acquisition of the assets for the construction of cruise ships and real estate properties of three shipyards in Germany located respectively in Wismar, Warnemünde and Stralsund (collectively, "MV Werften"), from an independent third party for an aggregate consideration of EUR230.6 million (approximately US$260.6 million).

The following table summarises the consideration paid for MV Werften, and the provisional fair value of the assets acquired and liabilities assumed at the acquisition date.

	As at the date of acquisition US$'000
Recognised amounts of the identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	229,160
Deferred tax liabilities	(565)
Total identifiable net assets	228,595
Goodwill	32,052
Net assets acquired	260,647

	US$'000
Purchase consideration settled in cash	260,647
Acquisition-related costs	9,033

The acquisition of MV Werften did not have a material impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2016.

(ii) On 23 November 2015, the Group acquired 50% and 70% of the equity interest in LIV and 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 of EUR16.5 million (approximately US$18.0 million). 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. On 31 December 2015, the Group has exercised the call option and the acquisition of the NCI was completed on 11 January 2016.

In respect of the acquisition, during the year the Group has finalised the fair value assessments for the net assets acquired from the business combination. On completion of the fair value assessments, adjustment made to the provisional calculation of identifiable assets and liabilities amounted to US$467,000, with an equivalent increase in the reported value of goodwill. The changes mainly represent finalisation of the fair value of property, plant and equipment and deferred tax liabilities.

38. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of subsidiaries and business (Continued)

(ii) The following table summarises the consideration paid for Lloyd Werft, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at the date of acquisition US$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	20,949
Property, plant and equipment	35,008
Other assets	461
Inventories	6,162
Trade and other receivables	8,226
Trade and other payables	(27,489)
Retirement benefit obligations	(4,439)
Deferred tax liabilities	(3,255)
Total identifiable net assets	35,623
Goodwill	1,514
Net assets acquired	37,137

	US$'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Purchase consideration settled in cash	37,137
Less: Cash and cash equivalents in subsidiaries acquired	(20,949)
Net cash outflow on acquisition	16,188
Acquisition-related costs	1,567

38. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of subsidiaries and business (Continued)

(iii) 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 for the year ended 31 December 2015. 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 would show pro-forma revenue of US$311.4 million and profit of US$7.4 million for the year ended 31 December 2015.

38. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of subsidiaries and business (Continued)

(iv) 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 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:	
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

39. SIGNIFICANT SUBSEQUENT EVENTS

In January 2017, the Group entered into the following secured term loan facilities:

(a) an aggregate amount of (i) EUR160 million (equivalent to approximately US$168.4 million) and (ii) 100% of each Hermes Fees with a term of 102 months after the utilisation date for the relevant ship for financing the construction of four river cruise ships. As at the date of these consolidated financial statements, the facility has not been utilised.

(b) an aggregate amount of up to approximately EUR17.0 million (equivalent to approximately US$17.9 million) with a term of 102 months after the earlier of 31 March 2018 and the date on which a panel line system has been completed and delivered for financing the delivery and installation of the panel line system. As at the date of these consolidated financial statements, the facility has not been utilised.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2016

	Note	**2016 US$'000**	2015 US$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**464**	603
Interests in subsidiaries		**1,838,317**	1,838,317
		1,838,781	1,838,920
CURRENT ASSETS			
Prepaid expenses and other receivables		**435**	4,610
Amounts due from subsidiaries		**4,119,370**	3,875,329
Cash and cash equivalents		**22,886**	230,180
		4,142,691	4,110,119
TOTAL ASSETS		**5,981,472**	5,949,039
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital		**848,249**	848,249
Reserves:			
Share premium	(a)	**41,634**	41,634
Contributed surplus	(a)	**936,823**	936,823
Additional paid-in capital	(a)	**102,542**	102,542
Retained earnings	(a)	**645,971**	668,008
TOTAL EQUITY		**2,575,219**	2,597,256
LIABILITIES			
NON-CURRENT LIABILITY			
Loans and borrowings		**245,529**	191,232
		245,529	191,232
CURRENT LIABILITIES			
Provisions, accruals and other liabilities		**5,488**	6,142
Current portion of loans and borrowings		**47,959**	46,764
Amounts due to subsidiaries		**3,107,277**	3,107,645
		3,160,724	3,160,551
TOTAL LIABILITIES		**3,406,253**	3,351,783
TOTAL EQUITY AND LIABILITIES		**5,981,472**	5,949,039
NET CURRENT ASSETS		**981,967**	949,568
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,820,748**	2,788,488

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	Retained earnings US$'000	Total US$'000
At 1 January 2016	**848,249**	**41,634**	**936,823**	**102,542**	**668,008**	**2,597,256**
Comprehensive income:						
Loss for the year	**—**	**—**	**—**	**—**	**(22,037)**	**(22,037)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(22,037)**	**(22,037)**
At 31 December 2016	**848,249**	**41,634**	**936,823**	**102,542**	**645,971**	**2,575,219**

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

Note:

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

41. FINAL DIVIDEND

A final dividend in respect of the year ended 31 December 2016 of US$0.01 per ordinary share (2015: Nil) amounting to a total dividend of approximately US$84,825,000 (2015: Nil) was recommended by the Directors at a meeting held on 16 March 2017, which will be payable subject to shareholders' approval at the 2017 annual general meeting of the Company. The proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017. Subject to the approval by the shareholders of the Company at the 2017 annual general meeting of the Company, the proposed final dividend is expected to be paid on 17 July 2017 in US$ to the shareholders of the Company whose names appear on the Registers of Members of the Company (both the Principal Register in Bermuda and Hong Kong Branch Register) as at the close of business on 23 June 2017.

42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2017.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Genting Hong Kong Limited
(Continued into Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Genting Hong Kong Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 178, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of non-financial assets

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition Refer to note 5 to the consolidated financial statements. During the financial year ended 31 December 2016, the Group had passenger ticket revenue of US$503.4 million and onboard revenue of US$404.7 million respectively.	

Passenger ticket revenue
Passenger ticket revenue primarily consists of revenue from sale of passenger tickets. The Group recognises passenger ticket revenue based on the provision of services on a pro rata basis. Recognition of passenger ticket revenue is a key audit matter because of the huge volume of transactions and the recording of revenue involves certain manual processes which pose a higher risk of misstatement that revenue may not be recorded accurately.
	Our procedures performed in relation to the Group's passenger ticket revenue included the following:
	• Understood, evaluated and tested the Group's key controls, on a sample basis, over:
	  • recording of ticket sales transactions in the cruise reservation system;
	  • reliability of voyage reports generated from the cruise reservation system;
	  • recording of passenger ticket revenue in the general ledger based on the system generated voyage reports; and
	• Tested the passenger ticket revenue on a sample basis by agreeing the transactions to supporting documents, including voyage reports, booking confirmation slips and remittance advices.

Onboard revenue
Onboard revenue consists of revenue from food and beverages, shore excursions, entertainment and other onboard services.
Recognition of entertainment onboard revenue is considered as a key audit matter because of the volume of transactions, the involvement of large number of employees handling relevant currencies and tokens, and the recording of revenue involves certain manual processes which pose a higher risk of misstatement that revenue may not be recorded completely and accurately or in the proper period.
	Our procedures performed in relation to the Group's entertainment onboard revenue included the following:
	• Understood, evaluated and tested the Group's key manual controls, on a sample basis, over:
	  • count procedures over relevant currencies and tokens;
	  • recording of daily net wins and losses to the operating system based on the count results;
	  • recording of revenue to the general ledger;
	• Observed the count processes over the relevant currencies and tokens performed by management on selected cruises at the year end date; and
	• Tested, on a sample basis, the entertainment onboard revenue recorded in the general ledger to the daily reconciliation report, which reconciles the movement in relevant currencies and tokens to the daily count results.
	We did not identify any material exception from performing the above procedures.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of non-financial assets Refer to notes 4, 14 and 16 to the consolidated financial statements. As of 31 December 2016, the carrying amounts of the Group's property, plant and equipment and intangible assets amounted to US$3,111,526,000 (2015: US$1,978,555,000) and US$80,189,000 (2015: US$52,372,000) respectively. These non-financial assets mainly comprised of cruise ships, passenger ferries and ship improvements, shipyard assets, tradename, goodwill and leasehold land held by different cash generating units ("CGUs") that generated independent cash flows. Management considers each brand of cruise ship and passenger ferry, which included Star Cruises and Crystal Cruises; each group of shipyard, which included MV Werften and Lloyd Werft; and the leasehold land to be separate CGUs. During the year, the Group incurred operating losses in both operating segments, namely cruise and cruise related activities and non-cruise activities, and there were adverse changes in the market and economic environment. These were considered as indicators of impairment to the Group's non-financial assets and accordingly, impairment assessment was carried out for each of the relevant CGUs as detailed below. The recoverable amounts of the Group's CGUs are determined based on the higher of management's cash flow projections for the value-in-use, or fair value less cost of disposal valuations. ***For assessment of Star Cruises using market approach*** Management engaged an independent valuer to evaluate the recoverable amount of the CGU that suffered losses and whose financial performance was subject to high degree of uncertainty. The independent valuer performed valuations based on market approach using market values of cruise ships and passenger ferries with similar type and condition as compared to those of the Group and adjusted the market values to reflect the type and condition of cruise ships and passenger ferries held by the Group, and such selection and adjustment required significant judgements and assumptions.	We assessed management's determination of CGUs for the respective standing alone cash-generating units and noted they are reasonable based on our understanding of the Group's business and available evidence. Our procedures performed in relation to the impairment assessments of respective CGUs include: ***For assessment of Star Cruises using market approach*** • Evaluated the competency, qualifications, experience and objectivity of the independent valuer; • Read the valuation report issued by the independent valuer. Discussed with the independent valuer to understand and evaluate the appropriateness of methodology, assumptions and adjustments applied, including the assessment of types, conditions, ages and sizes of cruises ships and passenger ferries based on our understanding of the Group and industry knowledge; and • Compared the values of the cruise ships and passenger ferries determined by the independent valuer to available information through market research. ***For assessments of Crystal Cruises, MV Werften and Lloyd Werft using income approach*** • Discussed and evaluated management's key assumptions used in each of the cash flow projections, including the annual growth rate and the terminal growth by comparing them to the Group's historical data and trends, market research reports and to the development plan of the CGU approved by the Board of Directors. We also compared the discount rate used in the projection to comparable businesses in the industry; and • Performed sensitivity analysis around the key assumptions for annual and terminal growth rates and discount rate and considered the extent of change in those assumptions that would result in impairment.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of non-financial assets ***For assessments of Crystal Cruises, MV Werften and Lloyd Werft using income approach*** For these CGUs that contain goodwill, management estimated their respective recoverable amounts using discounted cash flows model. The model represented a cash flow projection of the CGU for a period of 5 years which involved significant judgements towards future results of businesses, in particular, the key assumptions in future cash flow forecasts including the annual growth rate, terminal growth rate applied to the end of the 5th year and discount rate. ***For assessment of the leasehold land using residual value approach*** The development period for the leasehold land has expired on 1 August 2016. The Group is currently actively discussing with the local authority for an extension of the development deadline. This process is currently ongoing and based on advice from the external legal counsel that there is a reasonable chance that the extension could be obtained by the Group. Significant judgement was made by management that the Group has the ground to apply for extension of development right based on the legal advice obtained from an external legal counsel. In addition, the Group engaged an independent valuer to estimate the recoverable amount of the leasehold land using residual value approach. Significant assumptions were made in the cash flows projection including hotel occupancy rates, growth rate, net profit margin, capitalisation rate and discount rate. Based on management's assessments described above, no impairment charge was made for the Group's non-financial assets for the year ended 31 December 2016. We focused on the above impairment assessments because the carrying amounts of these non-financial assets are significant to the consolidated financial statements. Further, the judgements, assumptions and adjustments applied to these assessments are fundamental in determining whether an impairment charge is required.	***For assessment of the leasehold land using residual value approach*** • Discussed with management to understand the status of the application for extension of the development right of the leasehold land and checked the correspondence between the Group and the government; • Read and considered the opinion obtained by management from the external legal counsel with respect to the Group's ground for application of extension of development right on the lease hold land; • Read the valuation report issued by the independent valuer and discussed with the independent valuer and management to understand the methodology and assumptions used; • Evaluated the competency, qualifications, experience and objectivity of the external legal counsel and the independent valuer; • Reconciled the data input in the cash flows projections to supporting evidence, including budgets approved by Board of Directors; • Evaluated and tested the key assumptions used in the cash flow projections by comparing the key assumptions including hotel occupancy rates, growth rate, net profit margin, capitalisation rate and discount rate to available market information and assessing whether they are reasonable; and • Performed sensitivity analysis around these key assumptions and considered the extent of change in those assumptions that would result in impairment. We found the judgements made and assumptions used by management in assessing the impairment of these non-financial assets to be reasonable based on the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2017

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000	2012 US$'000
Results					
Revenue	**1,016,668**	689,954	570,810	554,729	520,381
Results from continuing operations	**(223,202)**	(88,753)	(41,902)	(35,479)	62,744
Share of (loss)/profit of joint ventures	**(516)**	247	1,530	43,278	162,893
Share of profit of associates	**32,890**	36,418	147,276	31,291	203
Other (expenses)/income, net	**(7,474)**	(42,888)	8,424	(14,903)	1,588
Other (losses)/gains, net	**(301,054)**	2,223,778	300,952	576,254	259
Finance income	**10,548**	11,363	12,997	13,219	12,032
Finance costs	**(6,841)**	(25,959)	(31,442)	(47,800)	(55,073)
(Loss)/Profit before taxation	**(495,649)**	2,114,206	397,835	565,860	184,646
Taxation	**(8,583)**	(8,151)	(13,771)	(13,909)	(1,313)
(Loss)/Profit for the year from continuing operations	**(504,232)**	2,106,055	384,064	551,951	183,333
Profit for the year from discontinued operations	**—**	—	—	—	14,672
(Loss)/Profit for the year	**(504,232)**	2,106,055	384,064	551,951	198,005
(Loss)/Profit attributable to:					
Equity owners of the Company	**(502,325)**	2,112,687	384,475	552,389	198,361
Non-controlling interests	**(1,907)**	(6,632)	(411)	(438)	(356)
	(504,232)	2,106,055	384,064	551,951	198,005
Basic (loss)/earnings per share (US cents)	**(5.92)**	25.50	4.79	7.00	2.55
Diluted (loss)/earnings per share (US cents)	**(5.92)**	25.48	4.61	6.61	2.45
Assets and Liabilities					
Total assets	**6,546,695**	6,508,705	3,871,051	3,866,985	3,450,017
Total liabilities	**(1,723,479)**	(1,008,259)	(630,567)	(917,799)	(1,077,919)
Total equity	**4,823,216**	5,500,446	3,240,484	2,949,186	2,372,098

PROPERTIES SUMMARY

As at 31 December 2016

	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)	Until 31 October 2087	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)	—	Until 31 October 2087	J
3.	No. 288 Suzhou Avenue East, Suzhou Industrial Park, Suzhou, China	Lot No: 75034	4,220 m^2	870 m^2	Until 30 August 2046	O/H
4.	A piece of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli District, Zhangjiakou City, Hebei Province, China	Lot No: [2013]21	15,106 m^2	2,500 m^2	Until 1 March 2054	H/RT
5.	Two (2) pieces of land located at Tai Zi Cheng Cun, Sitaizui Township, Chongli District, Zhangjiakou City, Hebei Province, China	Lot No: (a) [2013]20 Lot No: (b) [2016]14	(a) 22,644 m^2 (b) 9,440 m^2	(a) — (b) 6,000 m^2	(a) Until 1 March 2084 (b) Until 29 June 2086	(a) RSD (b) 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	Until 31 December 2025	OSB
8.	Werftallee 10/Passagierkai 6 18119 Rostock, Germany	Lot No: 791, 9019 and 48200	848,366 m^2	139,000 m^2	Freehold	OSB
9.	An der Werft 5 18439 Stralsund, Germany	Lot No: 20853	340,672 m^2	112,000 m^2	Freehold	OSB
10.	Werftstraße 4/Wendorfer Weg 5 23966 Wismar, Germany	Lot No: 11885, 12005, 13456 and 13611	539,014 m^2	177,700 m^2	Freehold	OSB
11.	Zum Magazin 1 23966 Wismar, Germany	Lot No: 13456 (part)	25,466 m^2	10,300 m^2	Freehold	OSB
12.	An der Westtangente 1 23966 Wismar, Germany	Lot No: 40372	27,286 m^2	13,585 m^2	Freehold	OSB
13.	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	—	Until 24 June 2033	H/C

Notes:

i The Group owns 100% of each of the properties listed in items 1 to 12 above. The Group owns 75% of the property listed in item 13 above by virtue of the Group's equity interest in the company which owns the property.

ii. Usage:

J – Jetty

O – Office

H – Hotel

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

RT – Restaurant

RSD – Residential

OSB – Operational shipyard business

iii. The two (2) pieces of land in Chongli District listed in item 5 are adjacent to each other.

iv. The Group has acquired beneficial ownership of the property listed in item 12 in 2016; legal ownership will be transferred upon registration in the land register in 2017.

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