

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1998

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company and the Group is principally engaged in the business of cruise and cruise related operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Basis

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and comply with International Accounting Standards.

(b) Basis of Consolidation

The consolidated financial statements are based on the audited financial statements of the Company and all its subsidiaries made up to 31 December 1998.

The results of subsidiaries acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or to the date of disposal.

(c) Goodwill and Reserve on Consolidation

On the acquisition of a subsidiary, fair values are attributed to the share of the net assets acquired. Goodwill on consolidation arises where the consideration paid exceeds the values attributable to such assets acquired. Goodwill on consolidation is amortised using the straight-line method over a period not exceeding 5 years.

Reserve on consolidation arises when the fair value of net assets acquired exceeds the consideration paid. Reserve on consolidation is recognised in the balance sheet as deferred income and is recognised as income using the straight-line method over a period not exceeding 5 years.

(d) Associates

An associate is an enterprise in which the Group has a long term interest of between 20% and 50% and where the Group is in a position to exercise significant influence.

The Group's share of the results of associates is included in the consolidated income statement and the Group's interest in associates is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associates.

(e) Investments

Investments in subsidiaries and other long term investments are stated at cost. Long term investments are only written down when the Directors consider that there is a permanent diminution in the value of the investments.

(f) Fixed Assets and Depreciation

Cruise ships are stated at Directors' valuation with subsequent additions at cost. Conversion and renovation costs incurred subsequent to the revaluations are included in the cruise ships at cost. Such assets are depreciated to their estimated attributable residual value, on a straight-line basis over their estimated useful service life ranging from 13 to 30 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fixed Assets and Depreciation (Continued)

Other fixed assets are stated at cost and are depreciated over their estimated useful life using the straight-line method. The annual rates of depreciation used for the major groups of fixed assets are as follows:

Building improvements	33 1/3%
Equipment and motor vehicles	5% to 33 1/3%

The Group revised the estimated useful life of onboard machinery and equipment from a range of 5 to 10 years to a range of 10 to 20 years to more realistically reflect their remaining estimated useful lives. This change in the estimated useful life has the effect of reducing the depreciation charge for the year and increasing the current year's income by about US\$5,900,000.

The initial cost of operating assets such as soft furnishing and kitchen utensils amounting to approximately US\$7,600,000 (1997: US\$4,000,000) at balance sheet date have been capitalised and are not depreciated. Subsequent acquisitions to replace these operating assets are written-off in the year in which they are acquired.

(g) Interest Capitalisation

Interest incurred on external borrowings on the construction of fixed assets which require a period of time to get them ready for their intended use are capitalised.

(h) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(i) Assets under Lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement as incurred over the lease term.

(j) Deferred Taxation

Deferred tax accounting using the "liability" method is adopted by the Group. Deferred taxation provides for the tax effects of all temporary differences arising between the tax bases of assets or liabilities and their carrying value for financial reporting purposes.

The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

(k) Foreign Currencies

The financial statements are stated in United States Dollars ("US\$").

Transactions in currencies other than US\$ during the year have been translated into US\$ at the rates ruling on the dates of the transactions. Monetary assets and liabilities in currencies other than US\$ at the balance sheet date have been translated into US\$ at approximately the rates ruling on that date. Gains and losses arising from translation are included in the income statement.

Income statements of subsidiaries in reporting currencies other than US\$ are translated into US\$ at average rates for the financial year and the balance sheets are translated at rates approximate to those ruling at the balance sheet date. Exchange differences arising from the translation of income statements at average rates and balance sheets at year end rates, and the restatement at year end rates of the opening net investments in such subsidiaries are taken to reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments

The Group is a party to derivative financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These financial instruments, which mainly consist of forward foreign currency and cross currency interest rate swap contracts are recognised in the financial statements at fair value at the balance sheet date.

Interest rate swap contracts protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest revenue or expense over the period of the contract.

Gains and losses on early termination of interest rate swaps or on repayment of borrowings are taken to the income statement.

(m) Drydocking

Drydocking costs are accrued evenly over the period to the next scheduled drydocking and are included in accrued liabilities.

(n) Cruise Revenue and Related Expenses

Cruise revenue comprise principally package revenue from passengers for cruise sales and revenue from sales of merchandise and services provided onboard the cruise ships.

Cruise revenue and all associated direct costs of a voyage are recognised in the income statement on a pro rata basis, computed using the number of days completed during the reporting period.

3. SEGMENT ANALYSIS

	Revenue		Income / (Loss) before taxation		Assets Employed	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
By geographical location						
Continuing operations						
- Asia Pacific	282,629	179,417	27,943	118,172	1,265,142	757,567
Discontinued operations						
- North America	7,433	-	(25,858)	-	1,370	-
	290,062	179,417	2,085	118,172	1,266,512	757,567

The Group operates predominantly in cruise and cruise related businesses and accordingly, no information on the Group's operations by activity has been provided.

4. OPERATING LOSS FROM DISCONTINUED OPERATIONS

In October 1998, the Group ceased its cruise operations in North America. Therefore, the results of the subsidiaries operating in North America are reported in the financial statements as arising from discontinued operations.

5. EXCEPTIONAL ITEMS

These comprise the following:

	Group	
	1998 US\$'000	1997 US\$'000
Revaluation loss on outstanding cross currency interest rate swaps and forward foreign currency contracts	(9,537)	-
Net gain arising from early settlement of a foreign currency term loan		
- Foreign exchange gain on full settlement of the foreign currency term loan	3,344	-
- Loss on early termination of all associated cross currency interest rate swap contracts	(1,021)	-
	2,323	-
Expenses incurred in relation to the start up of a cruise ship	(6,105)	(3,849)
Gains arising on Genting International PLC's (former holding company) restructuring scheme		
- Gains on disposal of investments in Genting International Management Limited and Genting International Properties Limited	-	91,429
- Reserve on consolidation arising from the acquisition of remaining equity interest in SCSL Group	-	27,575
- Reimbursement to Resorts World Limited in respect of the reduction of the value of non-cruise properties pursuant to the Share Sale Agreement of Lafleur Limited (see Note 25 (iii))	(7,904)	-
	(7,904)	119,004
Additional drydocking costs due to the need to comply with prevailing International Safety Management Code	-	(8,583)
Expenses incurred in relation to proposed cruise infrastructure facilities now written off	-	(2,045)
	(21,223)	104,527

6. INCOME BEFORE TAXATION

Included in income before taxation are the following charges and credits:

	Group	
	1998	1997
	US\$'000	US\$'000
Charges:		
Rental of buildings	3,306	2,769
Directors' remuneration		
- fees	70	67
- other emoluments	1,133	1,590
Provision for doubtful debts	1,375	711
Interest on bank overdraft and other borrowings	4,776	559
Assets written off	33	223
Auditors' remuneration	223	200
Amortisation of goodwill on consolidation	51	50
Fees paid to a firm in which certain directors are members	-	34
Net exchange losses	-	973
Loss on disposal of fixed assets	-	256
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Gain on disposal of fixed assets		
- a cruise ship and its onboard assets	3,540	-
- other assets	9	-
Net exchange gains	1,556	-
Interest income on fixed deposits	3,955	143
Amortisation of reserve on consolidation	119	86
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7. TAXATION

	Group	
	1998	1997
	US\$'000	US\$'000
Foreign taxation		
- Current taxation	584	1,343
- Deferred taxation	(88)	40
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	496	1,383
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All the Group's income are in respect of activities undertaken outside the Isle of Man and are not subject to taxation in the Isle of Man.

Taxation is provided on revenue arising from cruise sales of subsidiaries based on the tax rates applicable to the countries from which the passengers embarked.

8. DIVIDEND

	Group	
	1998	1997
	US\$'000	US\$'000
Proposed final dividend of US\$0.01 per ordinary share (1997: Interim dividend of US\$0.22 per ordinary share)	<u>6,244</u>	<u>44,000</u>

9. FIXED ASSETS

Group	Cruise ships US\$'000	Building improvements US\$'000	Equipment and motor vehicles US\$'000	Cruise ships under construction US\$'000	Total US\$'000
1998					
Cost/Valuation					
At beginning of year	550,785	892	70,889	108,643	731,209
Exchange differences	-	9	144	-	153
Reclassification	343,046	-	-	(343,046)	-
Additions	82,819	-	22,259	343,456	448,534
Assets written off	-	-	(57)	-	(57)
Disposals	(30,960)	-	(542)	-	(31,502)
At end of year	<u>945,690</u>	<u>901</u>	<u>92,693</u>	<u>109,053</u>	<u>1,148,337</u>
Less: Accumulated depreciation					
At beginning of year	50,086	535	30,702	-	81,323
Exchange differences	-	6	68	-	74
Charge for the year	27,350	180	7,152	-	34,682
Assets written off	-	-	(24)	-	(24)
Disposals	(2,077)	-	(122)	-	(2,199)
At end of year	<u>75,359</u>	<u>721</u>	<u>37,776</u>	<u>-</u>	<u>113,856</u>
Net book value at end of year	<u>870,331</u>	<u>180</u>	<u>54,917</u>	<u>109,053</u>	<u>1,034,481</u>
Representing:					
- Assets at 1995 valuation	98,000	-	-	-	98,000
- Assets at 1994 valuation	284,649	-	15,277	-	299,926
- Assets at cost	563,041	901	77,416	109,053	750,411
	<u>945,690</u>	<u>901</u>	<u>92,693</u>	<u>109,053</u>	<u>1,148,337</u>

9. FIXED ASSETS (CONTINUED)

Group	Cruise ships US\$'000	Building improvements US\$'000	Equipment and motor vehicles US\$'000	Cruise ships under construction US\$'000	Total US\$'000
1997					
Cost/Valuation					
At beginning of year	463,372	729	57,522	52,089	573,712
Exchange differences	-	(165)	(1,120)	-	(1,285)
Subsidiaries acquired	-	45	2,383	-	2,428
Additions	87,413	461	13,484	56,554	157,912
Assets written off	-	-	(232)	-	(232)
Disposals	-	(178)	(1,148)	-	(1,326)
At end of year	550,785	892	70,889	108,643	731,209
Less: Accumulated depreciation					
At beginning of year	32,122	301	20,351	-	52,774
Exchange differences	-	(36)	(658)	-	(694)
Subsidiaries acquired	-	21	1,277	-	1,298
Charge for the year	17,964	311	10,139	-	28,414
Assets written off	-	-	(9)	-	(9)
Disposals	-	(62)	(398)	-	(460)
At end of year	50,086	535	30,702	-	81,323
Net book value at end of year	500,699	357	40,187	108,643	649,886
Representing:					
- Assets at 1995 valuation	98,000	-	-	-	98,000
- Assets at 1994 valuation	284,649	-	15,277	-	299,926
- Assets at cost	168,136	892	55,612	108,643	333,283
	550,785	892	70,889	108,643	731,209

Interest capitalised during the year into cost of fixed assets amounted to US\$4,076,000 (1997: US\$3,207,000). A capitalisation rate of 7% representing the weighted average borrowing cost of the Group was used for this purpose.

Certain cruise ships and onboard machinery were revalued by the Directors of the subsidiaries concerned at 31 December 1994 and 1 January 1995 based on independent valuations carried out by a firm of professional valuers using the open market value basis.

9. FIXED ASSETS (CONTINUED)

Had the fixed assets been included in the financial statements at cost less depreciation, the carrying amount of each class of fixed assets would have been :

	Group	
	1998	1997
	US\$'000	US\$'000
Cruise ships	809,524	436,684
Building improvements	180	357
Equipment and motor vehicles	52,551	37,573
Cruise ships under construction	109,053	108,643
	971,308	583,257

10. SUBSIDIARIES

	Company	
	1998	1997
	US\$'000	US\$'000
Unquoted - at cost	0.010	0.010
Amounts due from subsidiaries	767,299	741,842
Amounts due to subsidiaries	(10,059)	(57,752)
	757,240	684,090

The principal subsidiaries are listed in Note 26 to the financial statements.

The amounts due from/(to) subsidiaries are unsecured and have no fixed repayment terms. The Company allocated interest expenses of US\$3,908,000 to subsidiaries during the year.

11. INVESTMENT

	Group		Company	
	1998	1997	1998	1997
	US\$'000	US\$'000	US\$'000	US\$'000
Shares in unquoted overseas corporation				
- at cost	49,759	36,645	-	-

The shares in the unquoted corporation represents the Group's investment in Cape Thunder Sdn Bhd ("CT"), a company involved in cruise infrastructure development. The Group owns 2% of the equity interest in CT and 100% of the issued preference shares in CT. Under the terms of the subscription for the preference shares in CT, all economic benefits and obligations will accrue to the Group as long as the preference shares are outstanding.

12. GOODWILL ON CONSOLIDATION

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
At beginning of year	303	353	-	-
Amortisation charge	(51)	(50)	-	-
At end of year	252	303	-	-

13. STOCKS

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Food and beverages	1,538	1,744	-	-
Supplies, spares and consumables	8,731	5,491	-	-
	10,269	7,235	-	-

14. DEBTORS

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Trade debtors	9,229	5,313	-	-
Less: Provision for doubtful debts	(2,199)	(824)	-	-
	7,030	4,489	-	-
Non-trade debtors	14,557	25,032	2,471	48
	21,587	29,521	2,471	48

15. BANK BALANCES AND DEPOSITS

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Deposits with banks - maturing within 3 months	120,368	5,964	107,551	1,225
Cash and bank balances	29,796	28,013	8	8
	150,164	33,977	107,559	1,233

16. CREDITORS

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Trade creditors	6,714	20,592	-	-
Non-trade creditors and accruals	115,166	24,951	8,215	46
	121,880	45,543	8,215	46

Included in the Group non-trade creditors and accruals is an amount of US\$67,500,000 (1997: US\$ NIL) being the balance of purchase consideration in respect of a cruise ship.

17. BANK OVERDRAFT AND OTHER BORROWINGS

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Secured				
- Current portion of long term loan (see Note 20)	27,137	-	-	-
Unsecured				
- Revolving short term bank loans	-	60,000	-	60,000
- Bank overdraft	-	294	-	-
	27,137	60,294	-	60,000

18. SHARE CAPITAL

	Group/Company	
	1998 US\$'000	1997 US\$'000
Authorised:		
999,990,000 ordinary shares of US\$0.10 each	99,999	99,999
10,000 1% non-cumulative redeemable preference shares of US\$0.10 each	1	1
	100,000	100,000
Issued and fully paid:		
Ordinary shares of US\$0.10 each		
At 1 January	49,945	20,000
Issued during the year	12,500	29,945
At 31 December	62,445	49,945

On 30 June 1998, the issued and paid-up share capital of the Company was increased from US\$49,944,724 to US\$62,444,724 by the issue and allotment of 125,000,000 new ordinary shares of US\$0.10 each at a premium of US\$2.00 per share.

18. SHARE CAPITAL (CONTINUED)

During the year, options were granted under "The Star Cruises Employees' Share Option Scheme", in exchange for the unexpired share options granted by its former holding company. No options were exercised during the year.

Exercisable Period From	Subscription price per share	1998 Number of shares
19 December 1998 onwards	US\$1.356	10,000,000
5 December 2001 onwards	US\$2.275	6,119,400

19. RESERVES

Group	Non-Distributable			Distributable	
	Share premium US\$'000	Capital reserve US\$'000	Exchange differences US\$'000	Unappropriated income US\$'000	Total US\$'000
At 1 January 1997	180,000	76,928	(217)	3,358	260,069
Created during the year	245,547	-	-	-	245,547
Movement during the year	-	-	(24,834)	-	(24,834)
Net income for the year	-	-	-	116,648	116,648
Interim dividend	-	-	-	(44,000)	(44,000)
At 31 December 1997	425,547	76,928	(25,051)	76,006	553,430
Created during the year	250,000	-	-	-	250,000
Movement during the year	-	-	1,308	-	1,308
Net income for the year	-	-	-	2,374	2,374
Proposed dividend	-	-	-	(6,244)	(6,244)
At 31 December 1998	675,547	76,928	(23,743)	72,136	800,868
Company					
At 1 January 1997	180,000	-	-	40,086	220,086
Created during the year	245,547	-	-	-	245,547
Net income for the year	-	-	-	109,989	109,989
Interim dividend	-	-	-	(44,000)	(44,000)
At 31 December 1997	425,547	-	-	106,075	531,622
Created during the year	250,000	-	-	-	250,000
Net income for the year	-	-	-	14,988	14,988
Proposed dividend	-	-	-	(6,244)	(6,244)
At 31 December 1998	675,547	-	-	114,819	790,366

Capital reserve represents the surplus arising from the revaluation of certain cruise ships and onboard machinery.

20. TERM LOAN

Analysis by year of repayment:

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Between one and two years	17,600	2,778	-	2,778
Between two and five years	52,800	22,222	-	22,222
After 5 years	176,000	-	-	-
Non-current portion	246,400	25,000	-	25,000
Portion repayable within one year (see Note 17)	27,137	-	-	-
	273,537	25,000	-	25,000

On 22 January 1998, a Syndicated Term Loan for an amount up to US\$521.6 million was obtained by two subsidiaries, as joint and several borrowers to part finance the new buildings of *m.v. SuperStar Leo* and *m.v. SuperStar Virgo* respectively. The tranches in respect of *m.v. SuperStar Leo* have been fully drawdown during the year.

The term loan is secured by the following:

- Panamanian Ship Mortgages
- First Insurance Assignments
- First Earnings Assignments
- Assignments of Operating and Management Agreements
- Issue of debentures for fixed and floating charges over the assets of the two subsidiaries
- Charges over shares of the two subsidiaries
- Guarantees given by the Company
- Assignment of the shipbuilding contract and the benefit of the refund guarantees from the builder pursuant to the said shipbuilding contract.

The Syndicated Term Loan bears interest at a rate which varies according to the London Interbank Offer Rate and is repayable in 24 equal half yearly instalments commencing 6 months from the relevant ship delivery date, with a maturity date payment to be paid on the relevant maturity dates.

To manage the risk arising from the fluctuation in foreign currency and interest rates, the Group makes use of the following derivative financial instruments:

(i) US\$/JPY Cross Currency Interest Rate Swap

In anticipation of the relocation of a cruise ship to Japan in 1998, the Group entered into various cross currency interest rate swap contracts that entitle it to receive floating rate on US\$ and oblige it to pay fixed rate on JPY ("Japanese Yen").

At 31 December 1998, the following forward foreign currency contracts were outstanding :

- (a) Two cross currency interest rate swap contracts that entitled the Group to receive a floating rate in US\$ and obliged it to pay a fixed rate of 2.067% and 2.3% in JPY respectively. The swap principals amount to US\$30.0 million and this would be received by the Group in return for the payment of JPY4,302.5 million. These swaps terminate on 29 September 2000.

20. TERM LOAN (CONTINUED)

(b) A forward contract that entitled the Group to receive US\$15.0 million in return for a payment of JPY1,912.5 million. This forward contract terminates on 11 January 1999.

The effect of the above transactions effectively convert part of the US\$ floating rate term loan into a JPY fixed rate liability.

Subsequent to the year end, the Group terminated the above forward foreign currency contracts with no further material losses to the Group.

(ii) Amortising Interest Rate Swap

This is an interest rate swap contract converting US\$30.0 million of the term loan into a 6.97% fixed rate obligation. Under this interest rate swap, the Group agrees with the other party to exchange at specified intervals (six monthly), the difference between the fixed rate and the floating rate interest amount calculated by reference to the agreed amortising notional principal amount. The notional principal amount decreases equally over the specified intervals to an amount of US\$7.0 million on 25 March 2010. This swap terminates on 25 September 2010.

The effect of this transaction effectively fixes the interest rate payable on this portion of the term loan.

Credit risk

The Group has no significant concentrations of credit risk. Derivative financial instruments are entered into with, and cash is placed with internationally well-established financial institutions. The credit exposure of derivative financial instruments are represented by the fair values of the contracts as disclosed below.

Fair values

The fair value of the Group's derivative financial instruments at balance sheet date which have been calculated using the rates quoted by the Group's bankers to terminate the contracts at balance sheet date, were as follows:

	Group	
	1998	1997
	US\$'000	US\$'000
Cross currency interest rate swap contracts	37,697	-
Forward contract	16,840	-
	54,537	-

Financial instruments on the balance sheet include cash and bank balances, investment, receivable, trade payable and borrowings. The carrying amounts of these financial instruments approximate to their estimated fair value.

21. RESERVE ON CONSOLIDATION

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
At beginning of year	550	432	-	-
Arising from acquisition of remaining interest in an existing subsidiary	-	204	-	-
Amortisation	(119)	(86)	-	-
At end of year	431	550	-	-

22. DEFERRED TAXATION

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Excess of capital allowances over depreciation	30	117	-	-

Deferred tax assets are recognised for temporary differences only to the extent that realisation of the related tax benefit is probable. Temporary differences of approximately US\$61.1 million (1997: US\$35.8 million) have not been recognised in the financial statements due to uncertainty of their recoverability.

23. EARNINGS PER SHARE

- (i) Earnings per share is calculated by dividing the Group's net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	1998	1997
Group's net income attributable to shareholders in US\$'000	2,374	116,648
Weighted average number of shares in issue in thousand	562,803	249,908
Earnings per share in US cents	0.42 cents	46.68 cents

- (ii) The adjusted earnings per share before exceptional items is calculated by dividing the income for the year before exceptional items but after charging taxation and minority interests by the weighted average number of ordinary shares in issue during the year.

	Group	
	1998 US\$'000	1997 US\$'000
Group's net income attributable to shareholders	2,374	116,648
Exceptional items	21,223	(104,527)
Group's net income before exceptional items	23,597	12,121
Adjusted earnings per share before exceptional items in US cents	4.19 cents	4.85 cents

24. COMMITMENTS

(a) Commitments for capital expenditure

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Authorised capital expenditure but not provided for in the financial statements:				
Cruise ships under construction	992,204	559,800	-	-
Cruise ship	-	67,500	-	-
Others	-	3,899	-	-
	992,204	631,199	-	-

(b) Lease commitments

As at the year end, non-cancellable operating lease commitments in respect of rental of office premises payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:

	Group		Company	
	1998 US\$'000	1997 US\$'000	1998 US\$'000	1997 US\$'000
Future rental payments:				
- expiring in the first year	754	948	-	-
- expiring in the second to fifth year inclusive	142	867	-	-
	896	1,815	-	-

25. SIGNIFICANT RELATED PARTY DISCLOSURES

- (i) Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee for Golden Hope Unit Trust controls the Company by virtue of its holding of an equity interest in the Company of more than 50%.
- (ii) The Group extended a short term loan of US\$2,352,000 in October 1998 to an executive director of the Company. An initial amount of US\$18,000 was repaid during the year. This amount is secured and bears interest at a rate equal to the deposit rate of the Group. As at year end, the remaining balance is included in the non-trade debtors of the Group and Company.
- (iii) The Group will reimburse Resorts World Limited ("RWL"), an amount of US\$7,904,000 (1997: US\$NIL), in respect of the reduction of the value of non-cruise properties pursuant to the Share Sale Agreement of Lafleur Limited between Genting International PLC ("GIPLC"), the former holding company, RWL and the Company. The agreement was entered into and form an integral part of GIPLC's restructuring scheme as set out in the Circular to shareholders of GIPLC dated 17 April 1997. As at year end, this amount is outstanding.

26. PRINCIPAL SUBSIDIARIES

	Country of Incorporation	Class of Shares Held	Effective Percentage of Ownership		Principal Activities
			1998	1997	
Inter-Ocean Limited	Isle of Man	Ordinary	100	100	Investment holding and cruise services
Star Cruise Management Limited	Isle of Man	Ordinary	100	100	Investment holding, ship management and marketing services
Cruise Properties Limited	Isle of Man	Ordinary	100	100	Investment holding
Star Cruise Services Limited	Isle of Man	Ordinary	100	100	Investment holding and onboard club services

REPORT OF THE AUDITORS TO THE MEMBERS OF STAR CRUISES PLC

(Incorporated in the Isle of Man with limited liability)

We have audited the financial statements set out on pages 24 to 44 which have been prepared in accordance with International Accounting Standards. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing. Those Standards require that the audit is planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 1998 and of the results and cash flows of the Group for the year then ended in accordance with International Accounting Standards and the Isle of Man Companies Acts, 1931 to 1993.

Price Waterhouse
Certified Public Accountants
Hong Kong

9 March 1999