



(Continued into Bermuda with Limited Liability)

## ANNOUNCEMENT RESULTS FOR THE THREE MONTHS AND THE YEAR ENDED 31 DECEMBER 2001

The Board of Directors (the "Directors") of Star Cruises Limited (the "Company") announces the audited consolidated accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2001, as follows:

	Note	Three months ended 31 December		Year ended 31 December	
		2001	2000	2001	2000
		US\$'000 unaudited	US\$'000 unaudited	US\$'000 audited	US\$'000 audited
Turnover	1	339,119	345,308	1,381,566	1,326,743
Operating expenses (excluding depreciation and amortisation)		(225,960)	(219,968)	(862,408)	(780,136)
Selling, general and administrative expenses (excluding depreciation)		(63,645)	(58,513)	(240,954)	(208,216)
Other non-recurring expenses (excluding depreciation)		(42,130)	(38,951)	(154,417)	(139,929)
Depreciation and amortisation		(8,430)	(38,663)	(8,430)	(38,663)
Impairment of fixed assets		(370,981)	(356,095)	(1,297,025)	(1,166,944)
Operating profit/(loss)	1	(31,862)	(10,787)	84,541	159,799
Interest income		508	5,523	6,821	7,488
Financial costs		(26,287)	(51,078)	(118,492)	(185,512)
Other non-operating income/(loss), net		4,624	(4,137)	12,846	(1,345)
Share of losses of associated company		—	—	—	(748)
		(21,155)	(49,692)	(98,825)	(180,117)
Loss before taxation		(53,017)	(60,479)	(14,284)	(20,318)
Taxation	2	(952)	361	(1,759)	(18,032)
Loss after taxation		(53,969)	(60,118)	(16,043)	(38,350)
Minority interests		—	22	—	(5,650)
Loss for the period/year		(53,969)	(60,096)	(16,043)	(44,000)
Basic loss per share (US cents)	3	(1.30)	(1.73)	(0.39)	(1.37)
Fully diluted loss per share (US cents)	3	N/A	N/A	N/A	N/A
<u>Operating data</u>					
Passenger Cruise Days		1,778,127	1,895,370	7,133,949	6,735,894
Capacity Days	2	2,034,822	2,004,697	7,523,849	6,949,853
Occupancy as a percentage of capacity days		87%	95%	95%	97%

### NOTES TO THE ACCOUNTS

#### 1. Turnover and Operating Profit/(Loss)

The Group is principally engaged in the operation of passenger cruise ships.

Turnover consists of revenues earned from cruise and cruise related activities and charter hire. Cruise and cruise related revenue comprises sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from onboard services and other related services, including gaming, food and beverage. Charter hire revenue includes the lease operation of a catamaran and a cruise ship to third party customers.

The amounts of each significant category of revenue recognised by the Group were as follows:

	TURNOVER			
	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
Cruise and cruise related activities	337,656	342,333	1,369,051	1,312,715
Charter hire	1,463	2,975	12,515	14,028
	<u>339,119</u>	<u>345,308</u>	<u>1,381,566</u>	<u>1,326,743</u>

	OPERATING PROFIT/(LOSS)			
	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
Cruise and cruise related activities	(36,796)	(11,948)	73,406	152,306
Charter hire	4,934	1,161	11,135	7,493
	<u>(31,862)</u>	<u>(10,787)</u>	<u>84,541</u>	<u>159,799</u>

The Group's turnover in its principal markets of North America and Asia Pacific is analysed as follows:

	TURNOVER			
	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
Asia Pacific	138,991	135,392	511,669	544,562
North America (note)	182,705	187,732	765,585	701,099
Others	17,423	22,184	104,312	81,082
	<u>339,119</u>	<u>345,308</u>	<u>1,381,566</u>	<u>1,326,743</u>

	OPERATING PROFIT/(LOSS)			
	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
Asia Pacific	14,695	(17,360)	94,194	61,953
North America (note)	(39,674)	7,782	(1,415)	95,528
Others	(4,523)	1,152	1,203	10,186
	<u>(29,502)</u>	<u>(8,426)</u>	<u>93,982</u>	<u>167,667</u>
Amortisation of goodwill	(2,360)	(2,361)	(9,441)	(7,868)
	<u>(31,862)</u>	<u>(10,787)</u>	<u>84,541</u>	<u>159,799</u>

Note: Substantially all this turnover and operating profit/(loss) arises in the United States of America.

#### 2. Taxation

	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited

employee benefits including provident fund scheme and medical insurance schemes for its staff. The Group has Employees' Share Option Schemes, under which options may be granted to employees of the Group entitling them to subscribe for shares representing up to a maximum of five percent of the issued and paid up share capital of the Company from time to time.

There is no significant change in the remuneration policies; bonus and share options schemes and training schemes for the Group during the year ended 31 December 2001.

#### Results for the year ended 31 December 2001 as compared with proforma results for the year ended 31 December 2000

The following discussion is prepared based on the results for the year ended 31 December 2001 as compared with proforma results for the year ended 31 December 2000.

The results of operations of the Group for the year ended 31 December 2001 are not directly comparable to the year ended 31 December 2000 as the Group consolidated the results of NCL, which was acquired over the period December 1999 to February 2000, with effect from 1 March 2000. On a proforma basis, including NCL's results for January and February 2000, the Group recorded a net loss of US\$16.0 million compared to a proforma net loss of US\$38.1 million.

Proforma results for the year ended 31 December 2000 is as follows:

	Year ended 31 December	
	2001 US\$'000 audited	2000 US\$'000 unaudited
Reported operating profit	84,541	159,799
<u>Proforma adjustments</u>		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	15,243
Proforma operating profit	<u>84,541</u>	<u>175,042</u>
Reported net loss	(16,043)	(44,000)
<u>Proforma adjustments</u>		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	5,853
Proforma net loss	<u>(16,043)</u>	<u>(38,147)</u>
<u>Operating data</u>	Actual	Proforma
Passenger Cruise Days	7,133,949	7,396,010
Capacity Days	7,523,849	7,667,241
Occupancy as a percentage of capacity days	95%	96%

Note: The above unaudited proforma results for the year ended 31 December 2000 have been prepared for illustrative purposes only and exclude any proforma adjustments for increased interest expense on borrowings to fund the acquisition.

#### Turnover

Total revenues for the Group for the year ended 31 December 2001 were US\$1,381.6 million. Revenues from cruise and cruise-related activities were US\$1,369.1 million in the year ended 31 December 2001, and made up 99.1 per cent. of total revenues for the year.

Charter-hire revenues amounted to US\$12.5 million or 0.9 per cent. of total turnover of the Group. Charter-hire revenues were made up of the charter-hire of Hyundai Kungang and SuperStar Express during the year ended 31 December 2001.

Total revenues decreased US\$89.3 million from US\$1,470.9 million for the year ended 31 December 2000 to US\$1,381.6 million for the year 2001. The reduction in total revenues was primarily due to a 1.9% decrease in capacity days and 4.3% decrease in yield, as defined, revenue per capacity day. The 1.9% decline in capacity days was primarily due to the sale and drydocking of ships and cessation of cruise operations in Taiwan and Japan. This was partially offset by the introduction into service of M/S Norwegian Sun, m.v. Norwegian Star and Wasa Queen in the second half of the year. The decrease in yield was mainly attributable to Norwegian Cruise Line and Orient Lines, which experienced competitive trading conditions where this year there has been a significant increase in capacity for the industry as well as relatively softer demand during the year. The tragic events of 11 September 2001 has further reduced the demand for cruises resulted in the Group reporting lower occupancies and prices during the last quarter of 2001. The Group's Asia Pacific businesses have been much less affected by the events of 11 September apart from the rationalisation of the North Asia operations.

The Group received an amount of approximately US\$5 million in November 2001 upon termination of the charter-hire of Hyundai Kungang by the charterer prior to the date the charter expires. Hyundai Kungang was returned to the Group and subsequently renamed m.v. SuperStar Capricorn. m.v. SuperStar Capricorn commenced cruise operation in the Thailand market with the Group in January 2002.

#### Cost and expenses

Total costs and expenses before interest and non-operating items for the year ended 31 December 2001 amounted to US\$1,297.0 million as compared with US\$1,295.9 million for the year ended 31 December 2000. The comparison with 2000 is affected by the inclusion in 2001 of non-recurring charges of US\$30.8 million (represented 2.4 per cent. of the total costs and expenses of the Group) and the start up and promotional expenses of ships of US\$15.7 million (represented 1.2 per cent. of the total costs and expenses of the Group), and the fixed assets impairment loss of US\$8.4 million related to a write down in the carrying value of a ship, (represented 0.7 per cent. of the total costs and expenses). The costs and expenses for 2000 include fixed assets impairment loss of US\$38.7 million mainly arising from the disposal of m.v. Star Aquarius.

Non-recurring expenses of US\$30.8 million were mainly expenses in rationalising the North Asia operations in the face of a steeper than expected economic downturn exacerbated by the tragic events of 11 September 2001, with the cessation of cruise operations in Taiwan and Japan.

Excluding these one time charges and non-recurring expenses, total costs and expenses before interest and non-operating items decreased US\$15.1 million from US\$1,257.2 million for the year ended 31 December 2000 to US\$1,242.1 million for the year 2001.

Operating expenses before the start up and promotional expenses decreased US\$21.3 million from US\$877.5 million for the year 2000 to US\$856.2 million for the year 2001. The decrease in the operating expenses was primarily due to the reduced costs associated with the reduced capacity days. Operating expenses for the year 2001 represent 66.0 per cent. of total costs and expenses of the Group. Of the operating expenses, approximately US\$641.2 million or 74.9 per cent. of total operating expenses of the Group, was attributable to shipboard expenses which include crew wages and benefits, port charges, fuel, food, ship maintenance expenses, entertainment, cabin consumables, ship insurance and charter-hire expenses. Other operating expenses were air and land transportation expenses, passenger shoreside hotel expenses, passenger transfer costs and travel agent commissions.

Selling, general and administrative expenses before the start up and promotional expenses increased US\$3.2 million from US\$228.3 million for the year 2000 to US\$231.5 million for the year 2001. Selling, general and administrative expenses for the year 2001 represented 17.8 per cent. of total costs and expenses. US\$91.3 million or 39.4 per cent. of total selling, general and administrative expenses of the Group, was attributable to costs in respect of onshore employees and US\$81.2 million or 35.1 per cent. of total selling, general and administrative expenses of the Group, was attributable to selling expenses. The remainder was attributed to expenses of the Group's various offices located within and outside of Asia.

Depreciation and amortisation expenses amounted to US\$154.4 million or 11.9 per cent. of total costs and expenses of the Group. Depreciation was made up of the depreciation of cruise ships and shore assets and accounted for US\$138.8 million or 89.9 per cent. of total depreciation and amortisation expenses of the Group. Amortisation expenses amounted to US\$15.6 million was made up of the amortisation of goodwill and trade names and trademarks on acquisition of NCL.

Depreciation and amortisation expenses increased US\$3.1 million from US\$151.3 million in the year ended 31 December 2000 to US\$154.4 million in the year ended 31 December 2001. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment expenditure during the year partially offset by the disposal of ships.

#### Operating profit

The Group's operating profit excluding the non-recurring expenses, start up expenses and fixed assets impairment loss for the year was US\$139.5 million as compared with US\$213.7 million in 2000 reflecting a lower yield during the year.

#### Non-operating income/(expense)

Non-operating expenses decreased 48.2 per cent. from US\$190.9 million for 2000 to US\$98.8 million in 2001 mainly as a result

	OPERATING PROFIT / (LOSS)			
	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
Asia Pacific	14,695	(17,360)	94,194	61,953
North America <i>(note)</i>	(39,674)	7,782	(1,415)	95,528
Others	(4,523)	1,152	1,203	10,186
	<u>(29,502)</u>	<u>(8,426)</u>	<u>93,982</u>	<u>167,667</u>
Amortisation of goodwill	(2,360)	(2,361)	(9,441)	(7,868)
	<u>(31,862)</u>	<u>(10,787)</u>	<u>84,541</u>	<u>159,799</u>

*Note:* Substantially all this turnover and operating profit/(loss) arises in the United States of America.

## 2. Taxation

	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
	Overseas taxation			
- Current taxation	949	235	1,756	1,126
- Deferred taxation	3	(596)	3	16,906
	<u>952</u>	<u>(361)</u>	<u>1,759</u>	<u>18,032</u>

## 3. Loss Per Share

Loss per share has been calculated as follows:

	Three months ended 31 December		Year ended 31 December	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 audited	2000 US\$'000 audited
	BASIC			
Net loss	(53,969)	(60,096)	(16,043)	(44,000)
Average outstanding ordinary shares in thousands	4,146,732	3,470,487	4,144,733	3,212,970
Basic loss per share in US cents	<u>(1.30)</u>	<u>(1.73)</u>	<u>(0.39)</u>	<u>(1.37)</u>

Diluted loss per share for the three months and years ended 31 December 2001 and 2000 are not shown, as the diluted loss per share is less than the basis loss per share.

## FINAL DIVIDEND

The Directors do not recommend the declaration of any final dividend in respect of the year ended 31 December 2001 (2000: Nil).

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

### GENERAL

The Group operates nineteen ships under three mainstream brand names, Star Cruises, Norwegian Cruise Line and Orient Lines. Star Cruises operates nine ships offering various cruise itineraries and calls on destinations primarily in the Asia Pacific region. Norwegian Cruise Line and Orient Lines operate ten ships in the Caribbean, Bermuda, Alaska, Europe, Hawaii, New England, Central and South America.

### REVENUES FROM CRUISE AND CRUISE-RELATED ACTIVITIES

Revenues from cruise and cruise-related activities can be further categorised as "cruise revenues" and "on-board revenues". Cruise revenues are derived from the sale of passenger tickets. Passenger ticket sales comprise a one-off up-front payment collected from passengers for accommodation, meals in certain restaurants on the ship, certain on-board entertainment and, where relevant, air and land transportation to and from the ship. Passenger ticket sales also includes amounts collected as passenger handling charges, which are charged to the passengers separately from the price of passenger tickets, but which are recorded as passenger ticket sales. These passenger handling charges include port fees, berthing charges, embarkation and disembarkation fees, baggage handling charges and other related charges. Revenues from passenger ticket sales are collected from passengers prior to their departure on the cruise, usually at the time of booking the cruise.

On-board revenues consist of revenues from gaming, beverage sales, shore excursions, a la carte dining outlets and revenues from on-board retail sales. On-board revenues vary according to the size of the ships in operation, the length of cruises operated, and the markets in which the ships operate.

### CHARTER-HIRE REVENUES

The Group derives revenues from the bareboat charter-hire of certain of its ships. The revenues the Group derives from charter-hire generally vary according to the number of ships it has on charter-hire during a given period.

### OPERATING EXPENSES

Operating expenses are made up of air and land transportation expenses, overnight shoreside hotel expenses, passenger transfer costs, travel agent commission, ship charter costs and all shipboard operating expenses including crew wages and benefits, port charges, fuel, food, ship maintenance and entertainment expenses, cabin consumables and ship insurance. Most of the operating expenses are generally fixed per cruise, while passenger food expenses and port expenses typically vary according to the number of passengers on board a particular cruise ship.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses consist of the expenses of the Group's marketing activities. These marketing activities include advertising and promotional activities, operation of the Group reservation call centres and support functions, and other passenger related services.

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 (including the operation of the Star Cruises Ship Simulator Centre), purchasing operations and other ship-related support activities.

### DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses consisted primarily of depreciation of ships and shoreside assets as well as amortisation of goodwill and tradenames and trade marks.

### FOREIGN EXCHANGE AND INTEREST RATE SWAPS

The functional currency of the Group is the U.S. dollar as a substantial portion of the Group's transactions are realised or settled in U.S. dollars. Transactions in currencies other than U.S. dollars ("foreign currencies") are translated into U.S. dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the balance sheet date. All such exchange differences are reflected in the consolidated profit and loss account.

The Group does not undertake extensive hedging of its foreign currency cashflows as the Directors believe that the main foreign currencies in which the Group derives its revenues, the Singapore dollar and the Hong Kong dollar, are generally stable. The Group does from time to time enter into hedging arrangements in connection with anticipated foreign currency fluctuations against the U.S. dollar. At present, the Group is a party to certain forward contracts with a total notional amount of US\$201.2 million in respect of the Singapore dollar and the remaining life ranging from 5 to 10 years.

The Group's indebtedness and its related interest expenses are denominated in U.S. dollars and are based upon floating rates of interest. In order to limit its exposure in interest rate fluctuation, variable to fixed interest rate swaps have been utilised from time to time, 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 debt based on its view of interest rate movement. As at 31 December 2001, the Group had interest rate swaps on debts with a notional amount of US\$318.5 million and the remaining life ranging from 7 to 10 years.

### TAXATION

Bermuda, the jurisdiction of existence for the Company, and the Isle of Man, the jurisdiction of incorporation for most of the Company's operating subsidiaries, excluding NCL Holding ASA ("NCL") and its subsidiaries which are primarily incorporated in Bermuda impose no tax on income derived outside of those respective jurisdictions. The Company's operating subsidiaries do, however, file relevant returns in the tax regimes of the relevant Asian jurisdictions in which they operate, and pay taxes as required by those regimes. During the year, the Group completed a restructuring of NCL and its subsidiaries. The Bermuda based operating subsidiary, Norwegian Cruise Line Limited, is now a directly held subsidiary of Arrasas Limited and accordingly the profits of Norwegian Cruise Line Limited are no longer subject to taxation in Norway as the earnings of Norwegian Cruise Line Limited is no longer flowing upwards to NCL. NCL and its subsidiary NCL Cruises Limited remain within the Norwegian tax regime and are currently dormant. Income tax expense includes current taxes and the change in deferred taxes. Deferred tax assets and liabilities are calculated in accordance with the liability method.

### SEASONALITY

The cruise industry in Asia Pacific is less seasonal than the North American cruise market. This lower degree of seasonality is primarily attributable to the lower degree of seasonal climate variation in certain parts of Asia Pacific, particularly South-east Asia. However, the Group has generally experienced a decrease in demand in December and January in the Hong Kong market attributable to unfavourable weather patterns during that time of year. This seasonal decrease in demand is generally offset by increased demand in other markets, such as Singapore, Thailand, and Malaysia, related to public holidays in December and January.

The cruise industry in North America is, however, moderately seasonal with greater demand generally occurring during the months of December through March and June through August.

Demand, however, also varies by ship and itinerary.

### HUMAN RESOURCES

As at 31 December 2001, the Group had approximately 14,380 full time employees, of which approximately 11,976 was ship officers, crew and staff on ships. The remaining was employed in shoreside operations world-wide. The Group has provided

maintenance expenses, entertainment, cabin consumables, ship insurance and charter-hire expenses. Other operating expenses were air and land transportation expenses, passenger shoreside hotel expenses, passenger transfer costs and travel agent commissions.

Selling, general and administrative expenses before the start up and promotional expenses increased US\$3.2 million from US\$228.3 million for the year 2000 to US\$231.5 million for the year 2001. Selling, general and administrative expenses for the year 2001 represented 17.8 per cent. of total costs and expenses. US\$91.3 million or 39.4 per cent. of total selling, general and administrative expenses of the Group, was attributable to costs in respect of onshore employees and US\$81.2 million or 35.1 per cent. of total selling, general and administrative expenses of the Group, was attributable to selling expenses. The remainder was attributed to expenses of the Group's various offices located within and outside of Asia.

Depreciation and amortisation expenses amounted to US\$154.4 million or 11.9 per cent. of total costs and expenses of the Group. Depreciation was made up of the depreciation of cruise ships and shore assets and accounted for US\$138.8 million or 89.9 per cent. of total depreciation and amortisation expenses of the Group. Amortisation expenses amounted to US\$15.6 million was made up of the amortisation of goodwill and trade names and trademarks on acquisition of NCL.

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### Operating profit

The Group's operating profit excluding the non-recurring expenses, start up expenses and fixed assets impairment loss for the year was US\$139.5 million as compared with US\$213.7 million in 2000 reflecting a lower yield during the year.

### Non-operating income/(expense)

Non-operating expenses decreased 48.2 per cent. from US\$190.9 million for 2000 to US\$98.8 million in 2001 mainly as a result of lower interest expenses.

Interest expenses, net of capitalised interest decreased to US\$118.5 million in 2001 from US\$196.0 million in 2000 primarily as a result of lower weighted average outstanding debts and interest rates. The lower weighted average debts in 2001 was mainly due to the substantial repayment of the financing obtained to acquire NCL. The Group also benefited from the lower average interest rate during the year.

Non-cash gain on foreign exchange amounted to US\$13.5 million in 2001 as compared to US\$3.2 million in 2000. This non-cash gain resulted primarily from the weakening of Singapore dollars against US dollars during the year.

### Loss before taxation

The Group recorded loss before taxation of US\$14.3 million in the year ended 31 December 2001. Excluding the non-recurring expenses, start up expenses and fixed assets impairment loss, the profit before taxation would have been US\$40.7 million.

### Taxation

The Group incurred taxation expenses of US\$1.8 million in 2001 as compared with US\$22.3 million in 2000. The income tax expense in 2000 consists of deferred taxation amounted to US\$21.1 million, primarily in respect of shipping income of NCL at the Norwegian corporate income tax rate which was at 28%. As a result of the restructuring completed during the year, the profits of Norwegian Cruise Line Limited are no longer subject to taxation in Norway and accordingly, no deferred taxation was provided on the shipping income of NCL during the year.

### Net loss attributable to shareholders

As a result of the changes in revenue and expenses, the Group recorded a net loss attributable to shareholders of US\$16.0 million for the year ended 31 December 2001. Excluding the non-recurring expenses, start up and promotional expenses and fixed assets impairment loss, the net profit attributable to shareholders would have been US\$38.9 million.

### Liquidity and capital resources

#### Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. In the year ended 31 December 2001, cash and cash equivalents decreased to US\$171.6 million from US\$292.5 million last year. The Group's business provided US\$312.1 million of net cash from operations in the year ended 31 December 2001.

During the year ended 31 December 2001, the Group's capital expenditures were approximately US\$644.0 million. A substantial portion of capital expenditures was related to the delivery of ships to the Group and payments for shipbuilding construction as well as the costs for vessel refurbishing to maintain consistent fleets standards. On the shoreside capital expenditure, the Group has substantially completed the construction of the cruise terminal in Laem Chabang, Bangkok, Thailand during the year. The Group received approximately US\$90.7 million, mainly from the disposal of m.v. Star Aquarius and m.v. MegaStar Sagittarius.

During the year ended 31 December 2001, the Group made scheduled principal repayments of US\$81.2 million in relation to its long-term bank loans. In April 2001, the Group repaid US\$150 million of the 5-year Barclays syndicated term loan, which was made from the proceeds of the disposal of m.v. Star Aquarius in February 2001 of US\$75 million with the balance from the proceeds of the convertible notes issued to Resorts World Limited and the share placement, both of which occurred in 2000.

In August 2001, the Group took delivery of M/S Norwegian Sun. The Group funded the final shipyard contract payment (including costs related to extras) through drawdown of a substantial portion under the US\$225 million M/S Norwegian Sun Post-Delivery Loan Agreement and an additional US\$45 million term loan. The balance of the proceeds from these borrowings was used to fully repay the US\$150 million 1999 KfW Loan.

In November 2001, the Group drewdown US\$313.5 million under a syndicated term loan agreement obtained in 1999, which was subsequently amended to provide for borrowings up to US\$626.9 million in October 2001, to pay the shipyard upon delivery of m. v. Norwegian Star to the Group. The balance of this syndicated term loan will be used to finance the final shipyard payment upon delivery of m.v. Norwegian Dawn (formerly known as m.v. SuperStar Scorpio) to the Group.

The Group was in breach of two of the financial covenants relating to the 5-year Barclays syndicated term loan as at 31 December 2001. In February 2002, the Group signed an agreement with a syndicate of banks to provide up to US\$450 million in loans (the "facility") to refinance the 5-year Barclays syndicated term loan. Based on this refinancing commitments, the 5-year Barclays syndicated term loan has been reclassified as a long-term loan as at 31 December 2001.

The facility bears interest at rates, which vary according to the London Interbank Offer Rate, and is repayable in 12 equal instalments payable at six-monthly intervals commencing 18 months from the facility agreement date.

#### Gearing ratio

The gearing ratio as at 31 December 2001 was 0.53 times (2000: 0.50 times). The calculation of gearing ratio is based on total outstanding borrowings of the Group of US\$2,215.1 million (2000: US\$1,960 million) divided by the total assets at the end of the year of US\$4,219.0 million (2000: US\$3,929 million).

As a result of drawdown of borrowings to finance the final payments to the shipyards upon deliveries of the ships to the Group and losses reported during the year, the gearing ratio has increased slightly to 0.53 from 0.50.

#### Contingent Liabilities

Details of the contingent liabilities will be disclosed in the Group's annual report for the year ended 31 December 2001.

#### Future Commitments and Funding Sources

As at 31 December 2001, the Group had aggregate capital expenditure commitments of approximately US\$330.7 million relating to the construction of m.v. Norwegian Dawn.

The Group expects that future cash from operations will be the Group's principal funding source for debt service requirements and working capital. As at 31 December 2001, the Group had available aggregate credit facilities of US\$2.5 billion of which approximately US\$313.4 million was unutilised. The unutilised credit facilities are to be used for the Group's capital commitments for the new ship, m.v. Norwegian Dawn. The Group had total outstanding bank borrowings of approximately US\$2.2 billion. Approximately US\$94.6 million will be due in 2002. These outstanding bank borrowings were secured by legal charges over vessels including fixed and floating charges over assets of the Group of US\$2.7 billion and guarantees given by the Group.

To the extent that the Group requires additional financing in order to fund future capital commitments, or in order for NCL to provide a higher performance guarantee or to refinance any part of NCL's debt, the Directors believe that the Group will be able to secure additional financing from institutional lenders, the offering of debt and/or equity securities in the public and private markets and from other sources. There can be no assurance that such sources will be sufficient to fund such commitments.

#### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2001, save for the issue of 5,649,500 new ordinary shares of US\$0.10 each at an aggregate price of US\$1,556,957 pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme.

#### CORPORATE GOVERNANCE

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng. The consolidated accounts have been reviewed by the Audit Committee.

In the opinion of the Directors, the Company has complied with the Code of Best Practice at any time during the year ended 31 December 2001 except that Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

#### PUBLICATION OF FINANCIAL INFORMATION

All the information required by paragraphs 45(1) to 45(3) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be available for publication in the website of the Stock Exchange as soon as practicable.

By order of the Board  
**DATO' LIM KOK THAY**  
*Chairman, President and Chief Executive Officer*

Hong Kong, 22 February 2002

*Note:* The Group prepares financial statements in accordance with Hong Kong GAAP given its listing on the Stock Exchange of Hong Kong. Management continues to prepare financial statements in accordance with US GAAP given that this was the basis historically and most global cruise companies prepare their financial statements in accordance with US GAAP. For information on the Group's US GAAP announcement, kindly visit the Group's website at [www.starcruires.com](http://www.starcruires.com).