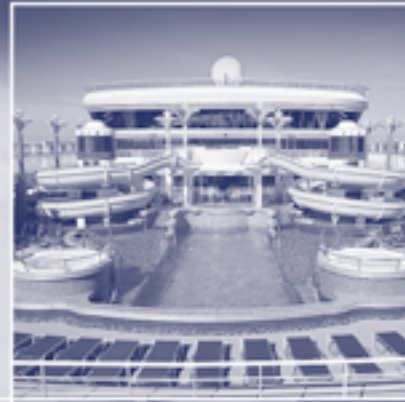




STAR CRUISES
STAR CRUISES LIMITED
(Continued into Bermuda with limited liability – Registration No. 29337)

INTERIM REPORT TO SHAREHOLDERS

for the three months and nine months ended 30 September 2002





STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

Interim Report for the three months and nine months ended 30 September 2002

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This interim report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of Star Cruises Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") operate. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Group, are difficult to predict and could cause actual result to differ materially from those expressed or forecast in the forward-looking statements. Factors that could cause actual result to differ materially from those reflected in the forward-looking statements include general economic and business conditions, changes in cruise industry competition, weather and other factors. Reliance should not be placed on these forward-looking statements, which reflect the view of the Company's directors and management as of the date of this report only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the publication of this interim report.

Corporate Information

Board of Directors

Tan Sri Lim Kok Thay
Chairman, President and Chief Executive Officer

Mr. Alan Howard Smith, J.P.
Deputy Chairman and Independent Non-executive Director

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. William Ng Ko Seng
Executive Director and Executive Vice President

Mr. David Colin Sinclair Veitch
Executive Director, President and Chief Executive Officer of Norwegian Cruise Line Limited

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Lim Lay Leng
Independent Non-executive Director

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Mr. Tan Wooi Meng
A.S. & K. Services Ltd.

Registered Office

Cedar House, 41 Cedar Avenue, Hamilton HM12,
Bermuda

Corporate Headquarters

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

Bermuda Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke, Bermuda
Tel: (441) 2951111
Fax: (441) 2956759

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905,
19th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong SAR
Tel: (852) 28628628
Fax: (852) 28650990/25296087

Transfer Agent

M & C Services Private Limited
138 Robinson Road #17-00,
The Corporate Office,
Singapore 068906
Tel: (65) 62280507
Fax: (65) 62251452

Auditors

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

Internet Homepage

www.starcruses.com

Investor Relations

Enquiries may be directed to:

Ms. Louisa Tam Suet Lin
Company Secretary
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809
E-mail : louisatam@starcruses.com.hk

Mr. Gerard Lim Ewe Keng
Senior Vice President, Chief Executive Office
Kuala Lumpur, Malaysia
Tel: (603) 20306013
Fax: (603) 21613621
E-mail: gerard@starcruses.com.my

The Board of Directors (the “Directors”) of Star Cruises Limited (the “Company”) presents the unaudited consolidated accounts of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2002, as follows:

Consolidated Profit and Loss Accounts

	<i>Note</i>	Three months ended 30 September		Nine months ended 30 September	
		2002 <i>US\$'000</i> <i>unaudited</i>	2001 <i>US\$'000</i> <i>unaudited</i>	2002 <i>US\$'000</i> <i>unaudited</i>	2001 <i>US\$'000</i> <i>unaudited</i>
Turnover	2	447,373	379,834	1,205,171	1,042,447
Operating expenses (excluding depreciation and amortisation)		(264,266)	(221,289)	(735,673)	(636,448)
Selling, general and administrative expenses (excluding depreciation)		(62,555)	(59,314)	(180,647)	(177,309)
Depreciation and amortisation	3	(43,950)	(38,411)	(130,154)	(112,287)
		<u>(370,771)</u>	<u>(319,014)</u>	<u>(1,046,474)</u>	<u>(926,044)</u>
Operating profit	2	76,602	60,820	158,697	116,403
Interest income		1,266	1,020	2,264	6,313
Financial costs		(25,022)	(25,247)	(74,243)	(92,205)
Other non-operating income / (expenses), net		3,391	1,046	(6,980)	8,222
		<u>(20,365)</u>	<u>(23,181)</u>	<u>(78,959)</u>	<u>(77,670)</u>
Profit before taxation		56,237	37,639	79,738	38,733
Taxation	4	(600)	(341)	(1,135)	(807)
Net profit for the period		<u>55,637</u>	<u>37,298</u>	<u>78,603</u>	<u>37,926</u>
Basic earnings per share (US cents)	5	1.28	0.90	1.86	0.92
Fully diluted earnings per share (US cents)	5	1.28	0.90	1.86	0.91
<u>Operating data</u>					
Passenger Cruise Days		2,225,359	1,894,158	6,248,438	5,353,701
Capacity Days		2,133,505	1,864,419	6,323,797	5,485,527
Occupancy as a percentage of total capacity days		104%	102%	99%	98%

Consolidated Balance Sheet

	<i>Note</i>	30 September 2002 <i>US\$'000</i> <i>unaudited</i>	As at 31 December 2001 <i>US\$'000</i> <i>audited</i>
Intangible assets		613,833	626,138
Fixed assets		3,232,615	3,296,768
Restricted cash		150	150
Other assets		16,616	10,514
CURRENT ASSETS			
Consumable inventories		38,298	32,871
Trade receivables	6	13,418	25,398
Prepaid expenses and others		48,632	53,681
Amounts due from related companies	9	103	—
Restricted cash		5,084	1,891
Cash and cash equivalents		355,139	171,575
		460,674	285,416
CURRENT LIABILITIES			
Trade creditors	7	75,421	109,293
Provisions, accruals and other liabilities		180,593	148,878
Current portion of long-term bank loans	8	215,181	94,551
Amounts due to related companies	9	—	96
Advance ticket sales		187,925	161,195
		659,120	514,013
Net current liabilities		(198,446)	(228,597)
Total assets less current liabilities		3,664,768	3,704,973
Financed by:			
Share capital		433,804	414,673
Reserves		1,267,341	1,159,568
Shareholders' funds		1,701,145	1,574,241
Long-term bank loans	8	1,954,711	2,120,564
Other long-term liabilities		8,734	9,990
Deferred taxation		178	178
		3,664,768	3,704,973

Consolidated Cash Flow Statements

	Three months ended 30 September		Nine months ended 30 September	
	2002	2001	2002	2001
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
OPERATING ACTIVITIES				
Cash generated from operations	86,721	50,628	285,157	244,930
Interest paid	(21,311)	(22,241)	(63,866)	(113,775)
Interest received	1,231	1,020	2,190	6,285
Income tax paid	(335)	(261)	(1,517)	(974)
	66,306	29,146	221,964	136,466
INVESTING ACTIVITIES				
Purchase of fixed assets	(26,110)	(131,238)	(58,212)	(283,725)
Proceeds from sale of fixed assets	1	154	87	90,657
Others	—	—	—	(246)
	(26,109)	(131,084)	(58,125)	(193,314)
FINANCING ACTIVITIES				
Proceeds from short and long-term bank loans	—	269,999	450,000	325,209
Principal repayments of long-term bank loans	(17,387)	(176,386)	(495,223)	(383,173)
Proceeds from issuance of ordinary shares, net of issuance cost of approximately US\$3 million in 2002	—	—	77,329	—
Proceeds from issuance of ordinary shares pursuant to Star Cruises Employees Share Option Scheme	200	724	674	1,557
Restricted cash	2	709	(3,193)	735
Others, net	(1,146)	(742)	(11,669)	(2,035)
	(18,331)	94,304	17,918	(57,707)
Effect of exchange rate changes on cash and cash equivalents	(887)	836	1,807	(1,303)
	20,979	(6,798)	183,564	(115,858)
Cash and cash equivalents at the beginning of the period	334,160	183,448	171,575	292,508
Cash and cash equivalents at the end of the period	355,139	176,650	355,139	176,650

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended 30 September 2002								
<u>unaudited</u>								
At 1 January 2002	414,673	1,054,845	93,952	(26,189)	(6,450)	(8,059)	51,469	1,574,241
Exchange translation differences	—	—	—	247	—	—	—	247
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(41,104)	—	(41,104)
- Transferred to profit and loss account	—	—	—	—	—	9,506	—	9,506
Net profits / (losses) not recognised in the profit and loss account	—	—	—	247	—	(31,598)	—	(31,351)
Net profit for the period	—	—	—	—	—	—	78,603	78,603
Issue of ordinary shares pursuant to Star Cruises Employees Share Option Scheme	222	452	—	—	—	—	—	674
Issue of ordinary shares to an existing shareholder, net of issuance costs of approximately US\$3 million	18,909	58,420	—	—	—	—	—	77,329
Amortisation of share option expense	—	—	—	—	1,649	—	—	1,649
At 30 September 2002	<u>433,804</u>	<u>1,113,717</u>	<u>93,952</u>	<u>(25,942)</u>	<u>(4,801)</u>	<u>(39,657)</u>	<u>130,072</u>	<u>1,701,145</u>

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended 30 September 2001								
<u>unaudited</u>								
At 1 January 2001	414,108	1,053,853	93,952	(25,577)	(8,911)	—	67,512	1,594,937
Exchange translation differences	—	—	—	(263)	—	—	—	(263)
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(14,821)	—	(14,821)
- Transferred to profit and loss account	—	—	—	—	—	395	—	395
Net losses not recognised in the profit and loss account	—	—	—	(263)	—	(14,426)	—	(14,689)
Net profit for the period	—	—	—	—	—	—	37,926	37,926
Issue of ordinary shares pursuant to Star Cruises Employees Share Option Scheme	565	992	—	—	—	—	—	1,557
Amortisation of share option expense	—	—	—	—	2,090	—	—	2,090
At 30 September 2001	<u>414,673</u>	<u>1,054,845</u>	<u>93,952</u>	<u>(25,840)</u>	<u>(6,821)</u>	<u>(14,426)</u>	<u>105,438</u>	<u>1,621,821</u>

- (i) In June 2002, the Company issued 189,091,000 new ordinary shares of US\$0.10 each at an aggregate price, net of issuance costs, of US\$77,328,617 to an existing shareholder in a top-up share placement. The proceeds will be used for the acquisition or construction of vessel(s) and as general working capital.

As at 30 September 2002, US\$2.9 million has been used to fund newbuilding programme and the remaining amount was on deposit with banks.

- (ii) On 19 August 2002, the Company issued options entitling the Directors of the Company and employees of the Group to subscribe for an aggregate of 100,269,000 ordinary shares under the Post-listing Scheme. Details of the offer are given in the section headed "Share Options" in this interim report.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited accounts of the Group have been prepared in compliance with the revised Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2001.

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current financial periods.

2. TURNOVER AND OPERATING PROFIT

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 to a third party customer.

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

	Cruise and cruise related activities		Charter Hire		Total	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Three months ended 30 September						
<u>unaudited</u>						
Turnover	446,053	375,648	1,320	4,186	447,373	379,834
Operating profit	75,976	58,559	626	2,261	76,602	60,820
Interest income					1,266	1,020
Financial costs					(25,022)	(25,247)
Other non-operating income / (expenses), net					3,391	1,046
Profit before taxation					56,237	37,639
Taxation					(600)	(341)
Net profit for the period					55,637	37,298
Nine months ended 30 September						
<u>unaudited</u>						
Turnover	1,202,090	1,031,395	3,081	11,052	1,205,171	1,042,447
Operating profit	157,519	110,202	1,178	6,201	158,697	116,403
Interest income					2,264	6,313
Financial costs					(74,243)	(92,205)
Other non-operating income / (expenses), net					(6,980)	8,222
Profit before taxation					79,738	38,733
Taxation					(1,135)	(807)
Net profit for the period					78,603	37,926

Notes to the Accounts (Continued)

2. TURNOVER AND OPERATING PROFIT (Continued)

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

	TURNOVER			
	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Asia Pacific	120,648	119,790	352,208	372,678
North America (note)	306,149	223,369	785,551	582,880
Others	20,576	36,675	67,412	86,889
	<u>447,373</u>	<u>379,834</u>	<u>1,205,171</u>	<u>1,042,447</u>
	OPERATING PROFIT			
	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Asia Pacific	26,788	25,752	77,220	79,485
North America (note)	48,326	32,255	81,287	37,507
Others	3,767	4,881	7,027	5,614
	<u>78,881</u>	<u>62,888</u>	<u>165,534</u>	<u>122,606</u>
Amortisation of goodwill	(2,279)	(2,068)	(6,837)	(6,203)
	<u>76,602</u>	<u>60,820</u>	<u>158,697</u>	<u>116,403</u>

Note: Substantially, all this turnover and operating profit arises in the United States of America.

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Depreciation of fixed assets	39,697	33,732	116,896	97,700
Amortisation of software				
development costs	151	788	953	2,916
Amortisation of goodwill	2,279	2,068	6,837	6,203
Amortisation of trade names and trademarks	1,823	1,823	5,468	5,468
	<u>43,950</u>	<u>38,411</u>	<u>130,154</u>	<u>112,287</u>
- relating to operating function	40,972	36,096	120,766	105,621
- relating to selling, general and administrative function	2,978	2,315	9,388	6,666

4. TAXATION

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Overseas taxation				
- Current taxation	600	341	1,135	807
	<u>600</u>	<u>341</u>	<u>1,135</u>	<u>807</u>

Notes to the Accounts (Continued)

5. EARNINGS PER SHARE

Earnings per share has been calculated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
BASIC				
Net profit	55,637	37,298	78,603	37,926
Average outstanding ordinary shares in thousands	4,337,691	4,144,802	4,224,691	4,144,060
Basic earnings per share in US cents	1.28	0.90	1.86	0.92
FULLY DILUTED				
Net profit	55,637	37,298	78,603	37,926
Average outstanding ordinary shares in thousands	4,337,691	4,144,802	4,224,691	4,144,060
Effect of dilutive ordinary shares in thousands	11,612	15,118	12,481	21,990
Average outstanding ordinary shares after assuming dilution in thousands	4,349,303	4,159,920	4,237,172	4,166,050
Fully diluted earnings per share in US cents	1.28	0.90	1.86	0.91

6. TRADE RECEIVABLES

	As at	
	30 September 2002 US\$'000 unaudited	31 December 2001 US\$'000 audited
Trade receivables	17,082	28,804
Less: Provisions	(3,664)	(3,406)
	13,418	25,398

At 30 September 2002 and 31 December 2001, the ageing analysis of the trade receivables were as follows:

	As at	
	30 September 2002 US\$'000 unaudited	31 December 2001 US\$'000 audited
Current to 30 days	6,329	14,164
31 days to 60 days	2,979	4,665
61 days to 120 days	1,942	4,493
121 days to 180 days	2,603	2,562
181 days to 360 days	1,772	635
Over 360 days	1,457	2,285
	17,082	28,804

Credit terms generally range from payment in advance to 45 days credit terms.

Notes to the Accounts (Continued)

7. TRADE CREDITORS

The ageing of trade creditors as at 30 September 2002 and 31 December 2001 were as follows:

	As at	
	30 September 2002 US\$'000 unaudited	31 December 2001 US\$'000 audited
Current to 60 days	70,311	96,872
61 days to 120 days	4,236	10,378
121 days to 180 days	327	1,668
Over 180 days	547	375
	<u>75,421</u>	<u>109,293</u>

Credit terms granted to the Group generally vary from no credit to 45 days credit.

8. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

	As at	
	30 September 2002 US\$'000 unaudited	31 December 2001 US\$'000 audited
US\$521.6 million syndicated term loan	399,680	434,454
US\$626.9 million syndicated term loan	303,012	313,461
US\$600 million term loan (i)	—	450,000
US\$450 million term loan (i)	450,000	—
US\$210 million M/S Norwegian Sky Loan	182,000	182,000
US\$623 million Fleet Loan (ii)	565,200	565,200
US\$225 million M/S Norwegian Sun Post-delivery Loan	225,000	225,000
US\$45 million term loan (ii)	45,000	45,000
Total liabilities	<u>2,169,892</u>	<u>2,215,115</u>
Less: Current portion	<u>(215,181)</u>	<u>(94,551)</u>
Long-term portion	<u>1,954,711</u>	<u>2,120,564</u>

- (i) On 20 February 2002, the Group signed an agreement with a syndicate of banks to provide up to US\$450 million ("US\$450 million term loan") to refinance the US\$600 million 5-year term loan. The Group drewdown this US\$450 million term loan on 28 March 2002.

The US\$450 million term loan bears interest at rates, which vary according to London Interbank Offer Rate, and is repayable in 12 equal installments at six-monthly intervals commencing 18 months from the facility agreement date. The US\$450 million term loan is secured by first and second priority mortgages over certain ships of the Group, guarantees from certain subsidiaries, assignment of earnings and assignment of insurances granted by the subsidiaries owning the ships relating to the first and second priority mortgages. The shares of these subsidiaries owning the ships relating to the first priority mortgage are also pledged as collateral. In addition, the shares over Norwegian Cruise Line Limited are granted as security.

As a result of the extinguishment of the US\$600 million term loan, the Group recorded a non-operating expense of US\$5.9 million. Such amount represents the unamortised balance of the related loan arrangement fees.

- (ii) These two loans currently have scheduled repayment of approximately US\$168 million in the year ending 31 December 2003. It is the Group's intent to refinance the fleet loan, and in doing so will repay US\$45 million term loan by rolling it over into the fleet loan.

Notes to the Accounts *(Continued)*

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee for the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various trusts established for the benefit of Tan Sri Lim Goh Tong, and certain members of his family controls the Group.

Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Group, is a son of Tan Sri Lim Goh Tong.

Kien Huat Development Sdn Bhd ("Kien Huat") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and which is listed on the Kuala Lumpur Stock Exchange, controls Resorts World Bhd ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn controls Resorts World Limited which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange.

A description of certain material transactions between the Group and these companies is set out below:

- (a) Kien Huat, together with its related companies, is involved in constructing a terminal building and renovating a ship berth for the Group in Laem Chabang, Bangkok, Thailand. In addition, Kien Huat is also involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. Amounts charged to the Group in respect of these services were approximately US\$- and US\$0.1 million in the three months ended 30 September 2002 and 2001 and approximately US\$0.2 million and US\$0.3 million in the nine months ended 30 September 2002 and 2001 respectively.
- (b) GB and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and other support services. The Group also purchased air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled approximately US\$0.3 million and US\$0.4 million in the three months ended 30 September 2002 and 2001 and approximately US\$0.7 million and US\$1.3 million in the nine months ended 30 September 2002 and 2001 respectively.
- (c) The Group provides certain administrative support and business liaison services to GIPLC internationally and the amounts charged to GIPLC were approximately US\$0.1 million each in the three months ended 30 September 2002 and 2001 and approximately US\$0.3 million and US\$0.2 million in the nine months ended 30 September 2002 and 2001 respectively.

Amounts outstanding at the end of each fiscal period in respect of the above transactions are included in the balance sheets within amounts due from / (to) related companies.

10. FINANCIAL INSTRUMENTS

- (i) The Group entered into an additional amortising interest rate swap with a notional amount of US\$15 million to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation in the three months ended 30 September 2002. The Group has effectively converted the interest rate of aggregate US\$430.4 million of these term loans to a fixed rate obligation and the notional amount will be reduced six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 30 September 2002, the estimated fair market value of the interest rate swaps was approximately US\$39.7 million, which was unfavourable to the Group. The changes in the fair value of the interest rate swaps were included as a separate component of reserves and recognised in the profit and loss account as the underlying hedged items were recognised.
- (ii) The Group entered into various Singapore dollars forward contracts and the notional amount of these contracts was US\$206.7 million. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 30 September 2002, the estimated fair market value of these forward contracts was approximately US\$13.5 million, which was favourable to the Group. The changes in the fair value of these forward contracts were recognised as other income in the profit and loss account.
- (iii) In November 2002, the Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. These forward contracts amounted to approximately US\$60.7 million and will mature within 3 years from December 2002.

Notes to the Accounts (Continued)

11. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 30 September 2002 and 31 December 2001:

	30 September 2002 US\$'000 <i>unaudited</i>	As at 31 December 2001 US\$'000 <i>audited</i>
Contracted but not provided for		
- Cruise ship under construction	356,797	330,697
- Cruise terminal under construction	—	3,060
- Others	—	1,094
	<u>356,797</u>	<u>334,851</u>

(ii) Material Litigation

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2001 and the interim reports for the three months ended 31 March 2002 and the three months and six months ended 30 June 2002.

12. SIGNIFICANT SUBSEQUENT EVENT

On 15 October 2002, the Company announced a rights issue proposal of not less than 607,398,615 right shares of US\$0.10 each in the proportion of 7 rights shares for every 50 shares held on 6 November 2002 at HK\$1.95 (US\$0.25) per rights share payable in full on acceptance. The net proceeds of approximately US\$150 million will be used for the acquisition or construction of vessel(s) and as general working capital. The details of the rights issue and certain financial and other information of the Group is set out in a prospectus to shareholders dated 14 November 2002.

Interim Dividend

The Directors do not recommend the declaration of any interim dividend in respect of the nine months ended 30 September 2002.

Management's Discussion and Analysis

Three months ended 30 September 2002 as compared with three months ended 30 September 2001

Turnover

The Group's revenue for the three months ended 30 September 2002 was US\$447.4 million, up 17.8% from US\$379.8 million for the three months ended 30 September 2001. During this quarter, capacity increase with higher occupancy drove the revenue growth. Net yield in the third quarter increased marginally by less than 1% despite the generally downward trend in net revenues in the industry since 11 September 2001. Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs.

Star Cruises Asia Pacific operated with 9.7% less capacity days in the three months ended 30 September 2002 compared to the three months ended 30 September 2001. The decline in capacity days was primarily due to the return of chartered ships, SuperStar Taurus and Norwegian Star 1 this year. This was partially offset by the introduction of Wasa Queen in September 2001 and the rejoining of SuperStar Capricorn into the fleet in January this year. SuperStar Capricorn was previously chartered to a third party. A 6.8% higher net yield was achieved in third quarter this year as compared with third quarter last year.

NCL Group (which consists of Norwegian Cruise Line and Orient Lines brands) recorded an increase in capacity days of 28.6% for the three months ended 30 September 2002 as compared to the three months ended 30 September 2001. The increase in capacity days was primarily due to the introduction into service of the purpose built "Freestyle Cruising" ships M/S Norwegian Sun and m.v. Norwegian Star in second half of last year. Net yield was lower by 2.0%.

Management's Discussion and Analysis *(Continued)*

Cost and expenses

Total costs and expenses before interest and non-operating items for the three months ended 30 September 2002 amounted to US\$370.8 million as compared with US\$319.0 million for the three months ended 30 September 2001.

Excluding fuel cost, ship operating expenses (excluding costs such as commissions, air tickets and other direct costs as they are already factored into the net yield) was 2.8% lower on a per capacity day basis for the three months ended 30 September 2002 as compared with the same period in 2001. The ship operating expenses on a per capacity day basis dropped mainly attributable to the savings from cost control initiatives implemented in 2001, and the rationalisation of its cruise operations in November 2001 following the 11 September events.

Selling, general and administrative (SG&A) expenses also reduced on a per capacity day basis for the three months ended 30 September 2002 as compared with the same period in 2001. Included in SG&A expenses was a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan. The Group continued to enjoy the benefits from the economies of scale as a result of increased capacity with the introduction of Norwegian Sun and Norwegian Star in the second half of 2001. Furthermore, the Group merged the shoreside operations of Orient Lines and NCL during the last quarter of 2001 which together with cost control measures drove the SG&A costs down by 7.8% on a per capacity day basis in this quarter from the same quarter a year ago.

Depreciation and amortisation expenses increased US\$5.5 million from US\$38.4 million for the three months ended 30 September 2001 to US\$43.9 million for the three months ended 30 September 2002. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment expenditure during the period.

Operating profit

With a 14.4% higher capacity and a higher occupancy at 104%, as well as a lower cost structure during the quarter, operating profit increased 25.9% from US\$60.8 million for the three months ended 30 September 2001 to US\$76.6 million for the three months ended 30 September 2002.

Non-operating income/(expense)

Non-operating expenses lowered by 12.1% at US\$20.4 million for the three months ended 30 September 2002 compared with US\$23.2 million for the three months ended 30 September 2001. During the three months ended 30 September 2002, the Group has a non-cash gain on foreign exchange amounting to US\$4.8 million as compared to a non-cash gain on foreign exchange of US\$1.6 million in the third quarter of 2001. The non-cash gain resulted primarily from the softening of the Singapore dollar against the US dollar during the quarter. Net interest expenses for the three months ended 30 September 2002 reduced compared with the same period last year as the Group benefited from the lower interest rates.

Profit before taxation

Profit before taxation for the three months ended 30 September 2002 was US\$56.2 million, as compared to US\$37.6 million for the three months ended 30 September 2001.

Taxation

The Group incurred taxation expenses of US\$0.6 million for the three months ended 30 September 2002 as compared with US\$0.3 million for the same period in 2001.

Net profit attributable to shareholders

As a result, the Group recorded a net profit attributable to shareholders of US\$55.6 million for the three months ended 30 September 2002.

Liquidity and capital resources

Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. For the three months ended 30 September 2002, cash and cash equivalents increased to US\$355.1 million from US\$334.2 million as at 30 June 2002. The Group's business provided US\$66.3 million of net cash from operations for the three months ended 30 September 2002 as compared to US\$29.1 million for the three months ended 30 September 2001.

During the three months ended 30 September 2002, the Group's capital expenditure was approximately US\$26.1 million. A substantial portion of capital expenditure was for vessel refurbishments and onboard assets.

The Group made scheduled principal repayments of US\$17.4 million in relation to its long-term bank loans during the three months ended 30 September 2002.

Management's Discussion and Analysis *(Continued)*

Nine months ended 30 September 2002 as compared with nine months ended 30 September 2001

Turnover

The Group's revenue for the nine months ended 30 September 2002 was US\$1,205.2 million, up 15.6% from US\$1,042.4 million for the nine months ended 30 September 2001. During the first nine months, capacity increased 15.3% with the addition of two new ships in Norwegian Cruise Line. Net yield deterioration for the nine months ended 30 September 2002 following the 11 September incident was at 1.9% compared with same period last year.

Star Cruises Asia Pacific operated with 12.1% less capacity days in the nine months ended 30 September 2002 compared to the nine months ended 30 September 2001. The decline in capacity days was primarily due to the return of chartered ships, SuperStar Taurus and Norwegian Star 1 this year. In addition, the reduction in capacity days was also due partly to the disposal of Star Aquarius, MegaStar Sagittarius and MegaStar Capricorn in the first quarter last year. This was partially offset by the introduction of Wasa Queen in September 2001 and the rejoining of SuperStar Capricorn into the fleet in January this year. Net yield increased 1.6% as compared with the same period a year ago.

NCL Group recorded an increase in capacity days of 33.1% for the nine months ended 30 September 2002 as compared to the nine months ended 30 September 2001. The increase in capacity days was primarily due to the introduction into service of M/S Norwegian Sun and m.v. Norwegian Star in second half of last year. Net yield was down by 1.9%.

Cost and expenses

Total costs and expenses before interest and non-operating items for the nine months ended 30 September 2002 amounted to US\$1,046.5 million as compared with US\$926.0 million for the nine months ended 30 September 2001.

Excluding fuel cost, ship operating expenses was 5.7% lower on a per capacity day basis for the nine months ended 30 September 2002 as compared with the same period in 2001. The ship operating expenses on a per capacity day basis dropped mainly attributable to the savings accrue from cost control initiatives implemented in 2001, and the rationalisation of its cruise operations in November 2001 following the 11 September events.

Included in the SG&A expenses for the nine months ended 30 September 2002 was a net other expense of US\$2.9 million. This amount was primarily consisted of an additional liability of US\$5.4 million mainly in relation to the arbitration settlement award for damages relating to the re-delivery of M/S Leeward and the write back of US\$2.5 million in over-provision relating to the early re-delivery of M/S Norwegian Star 1. In addition, a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan was made.

The SG&A expenses also reduced on a per capacity day basis for the nine months ended 30 September 2002 as compared with the same period of 2001. The Group continued to enjoy the benefits from the economies of scale from the increased capacity. Furthermore, the Group merged the shoreside operations of Orient Lines and NCL during the last quarter of 2001 which together with cost control measures drove the selling, general and administrative costs down by 13.1% on a per capacity day basis in this first nine months of 2002 against the same period a year ago.

Depreciation and amortisation expenses increased US\$17.9 million from US\$112.3 million for the nine months ended 30 September 2001 to US\$130.2 million for the nine months ended 30 September 2002. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment expenditure during the period.

Operating profit

Operating profit increased 36.3% from US\$116.4 million for the nine months ended 30 September 2001 to US\$158.7 million for the nine months ended 30 September 2002. The results for the nine months were achieved on the back of a 15.3% higher capacity despite a reduction of 1.9% in net yield. In addition, operating, selling, general and administrative expenses (excluding the net other expenses) per capacity day was 6.8% lower through greater economies of scale from the increased capacity and as cost savings accrue from stringent cost control measures taken in 2001.

Non-operating income/(expense)

Non-operating expenses was marginally higher by 1.7% to US\$79.0 million for the nine months ended 30 September 2002 from US\$77.7 million for the nine months ended 30 September 2001. During the nine months ended 30 September 2002, the Group has a non-cash gain on foreign exchange amounted to US\$1.5 million as compared to a non-cash gain on foreign exchange of US\$9.0 million in the same period last year. These non-cash gains were primarily due to the weakening of the Singapore dollar against the US dollar. The Group also recorded losses on extinguishment of debts of approximately US\$5.9 million in the nine months ended 30 September 2002. Net interest expenses for the nine months ended 30 September 2002 reduced compared with same period last year as the Group benefited from the lower interest rates.

Management's Discussion and Analysis *(Continued)*

Profit before taxation

Profit before taxation for the nine months ended 30 September 2002 was US\$79.7 million, as compared to US\$38.7 million for the nine months ended 30 September 2001.

Taxation

The Group incurred taxation expenses of US\$1.1 million for the nine months ended 30 September 2002, as compared to US\$0.8 million in the same period in 2001.

Net profit attributable to shareholders

As a result of the changes in revenues and expenses, the Group recorded a net profit attributable to shareholders of US\$78.6 million for the nine months ended 30 September 2002.

Liquidity and capital resources

Sources and uses of funds

For the nine months ended 30 September 2002, cash and cash equivalents increased to US\$355.1 million from US\$171.6 million as at 31 December 2001. The Group's business provided US\$222.0 million of net cash from operations for the nine months ended 30 September 2002 as compared to US\$136.5 million for the nine months ended 30 September 2001.

During the nine months ended 30 September 2002, the Group's capital expenditure was approximately US\$58.2 million. A substantial portion of capital expenditure was for vessel refurbishments and onboard assets.

In June 2002, the Group issued approximately 189 million new ordinary shares at the price of HK\$3.30 (US\$0.42) per share to an existing shareholder in a top-up share placement. The net proceeds will be used as general working capital and for the acquisition or construction of vessel(s).

The Group made scheduled principal repayments of US\$45.2 million in relation to its long-term bank loans during the nine months ended 30 September 2002. In March 2002, the Group refinanced the outstanding balance of the 5-year syndicated term loan through a drawdown of US\$450 million under the US\$450 million syndicated term loan agreement signed in February 2002.

Prospects

The new Norwegian Dawn will be delivered on 3 December 2002, slightly ahead of schedule. She will enter service on 7 December 2002 with approximately 2,000 fare paying passengers on a transatlantic voyage from Southampton to New York. On 16 December 2002, she will be christened before a two-night travel agent and press showcase cruise. She will spend the winter based in Miami before moving up to New York in April 2003 to take up a long summer deployment running south to the Bahamas and Florida and back. Forward bookings show good per diems and strong volumes.

Purchase of the Project America assets was completed at the end of October and the hull is now being towed to Germany for completion with a targeted delivery date of April/May 2004. The materials and equipment to complete the ship, together with materials and equipment for the second ship, have largely been removed from the yard and are also en route to Germany.

In Asia Pacific, with the heightened security concerns in the region following the 12 October 2002 Bali bombing, Star Cruises thankfully experienced few cancellations. Nevertheless, the Group has stepped up security measures to an even higher level.

Star Cruises had a highly successful SuperStar Leo exploratory Hong Kong to Shanghai cruise with more than 2,000 passengers onboard in August this year. Encouraged by this, SuperStar Leo re-embarked on a similar Hong Kong / Shanghai cruise with a stop over in Xiamen in November this year.

For the Group as a whole, in the absence of any unforeseen circumstances, the Group expects that its performance to be satisfactory in the fourth quarter of this year.

Other than as disclosed above and elsewhere in this interim report, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its result and financial position published in the annual report for the year ended 31 December 2001 and in the interim reports for the three months ended 31 March 2002 and the three months and six months ended 30 June 2002.

Directors' Interests in Equity Securities

As at 30 September 2002, the interests of the Directors and the Chief Executive Officer in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance, Hong Kong ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary shares of US\$0.10 each in the Company

	Number of ordinary shares				Total
	Personal interests	Family Interests	Corporate interests	Other Interests	
Tan Sri Lim Kok Thay	6,115,000	23,247,990 ¹	23,247,990 ¹	3,641,763,812 ²	3,671,126,802
Mr. Chong Chee Tut	252,000	—	—	—	252,000
Mr. William Ng Ko Seng	137,500	—	—	—	137,500
Mr. David Colin Sinclair Veitch	275,000	—	—	—	275,000

Notes:

- Deemed interest under family interest and corporate interest refers to the same block of 23,247,990 ordinary shares held by Goldsfine Investments Ltd. ("Goldsfine"). Each of Tan Sri Lim Kok Thay and his wife, Puan Sri Wong Hon Yee holds 50% of the issued share capital of Goldsfine. This same block of 23,247,990 ordinary shares held by Goldsfine has not been duplicated in arriving at the total interest of Tan Sri Lim.
- Deemed interests through Resorts World Limited, Golden Hope Limited and Joondalup Limited.

Certain Directors held qualifying shares in certain subsidiaries of the Company in trust for the Company and other subsidiaries.

Share Options are granted to the Directors under Share Option Schemes of the Company adopted on 16 April 1997 before listing of the Company's shares on the Stock Exchange (the "Pre-listing Scheme") and 23 August 2000 (as 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 Scheme"), details of which are set out in the section headed "Share Options" below.

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

- at no time during the period, the Directors and the Chief Executive Officer of the Company (including their spouse and children under 18 years of age) had any interest in, or exercised, any rights to subscribe for shares of the Company and its associated corporations within the meaning of the SDI Ordinance; and
- at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors and the Chief Executive Officer of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Share Options

Details of the Company's Pre-listing Scheme and Post-listing Scheme are set out in the published annual report of the Company for the year ended 31 December 2001 and the circular issued by the Company on 27 April 2002 in relation to, inter alia, proposed amendments to the Post-listing Scheme which became effective on 22 May 2002. Share Options are granted to Directors of the Company and employees of the Group under the said schemes.

(A) Pre-listing Scheme

Details of the share options granted under the Pre-listing Scheme and outstanding as at 30 September 2002 are as follows:

	Number of options outstanding at 1/7/2002	Number of shares acquired and exercise of options during the interim period	Number of options lapsed during the interim period	Number of options outstanding at 30/9/2002	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	2,500,000	(500,000) ¹	—	2,000,000	25/5/1998	US\$0.2712	21/8/1999 - 20/8/2005
	3,625,000	—	—	3,625,000	24/3/1999	US\$0.2712	24/3/2002 - 23/3/2009
	1,375,000	—	—	1,375,000	24/3/1999	US\$0.4550	24/3/2002 - 23/3/2009
	1,000,000	—	—	1,000,000	23/10/2000	US\$0.2712	23/10/2003 - 22/8/2010
	3,625,000	—	—	3,625,000	16/11/2000	US\$0.2712	24/3/2002 - 23/3/2009
	1,375,000	—	—	1,375,000	16/11/2000	US\$0.4550	24/3/2002 - 23/3/2009
	250,000	—	—	250,000	16/11/2000	US\$0.2712	23/10/2003 - 22/8/2010
	13,750,000	(500,000)	—	13,250,000			

Share Options (Continued)

(A) Pre-listing Scheme (continued)

	Number of options outstanding at 1/7/2002	Number of shares acquired and exercise of options during the interim period	Number of options lapsed during the interim period	Number of options outstanding at 30/9/2002	Date granted	Exercise price per share	Exercisable Period
Mr. Chong Chee Tut (Director)	148,000	—	—	148,000	25/5/1998	US\$0.2712	20/12/2000 - 19/12/2005
	100,000	—	—	100,000	25/5/1998	US\$0.4550	23/6/2000 - 22/6/2007
	425,000	—	—	425,000	24/3/1999	US\$0.2712	24/3/2002 - 23/3/2009
	75,000	—	—	75,000	24/3/1999	US\$0.4550	24/3/2002 - 23/3/2009
	480,000	—	—	480,000	23/10/2000	US\$0.2712	23/10/2003 - 22/8/2010
	20,000	—	—	20,000	23/10/2000	US\$0.4550	23/10/2003 - 22/8/2010
	1,248,000	—	—	1,248,000			
Mr. William Ng Ko Seng (Director)	137,500	—	—	137,500	25/5/1998	US\$0.2712	21/8/2000 - 20/8/2005
	25,000	—	—	25,000	24/3/1999	US\$0.2712	24/3/2002 - 23/3/2009
	100,000	—	—	100,000	24/3/1999	US\$0.4550	24/3/2002 - 23/3/2009
	380,000	—	—	380,000	23/10/2000	US\$0.2712	23/10/2003 - 22/8/2010
	20,000	—	—	20,000	23/10/2000	US\$0.4550	23/10/2003 - 22/8/2010
	662,500	—	—	662,500			
Mr. David Colin Sinclair Veitch (Director)	1,000,000	—	—	1,000,000	7/1/2000	US\$0.4550	7/1/2003 - 6/1/2010
All other employees	4,330,000	(630,000) ²	(7,500)	3,692,500	25/5/1998	US\$0.2712	21/8/1999 - 20/8/2005
	75,000	—	—	75,000	25/5/1998	US\$0.2712	20/12/2000 - 19/12/2005
	200,000	—	—	200,000	25/5/1998	US\$0.2712	11/3/2000 - 10/3/2007
	187,500	—	—	187,500	25/5/1998	US\$0.2712	6/1/2000 - 5/1/2007
	690,000	—	—	690,000	25/5/1998	US\$0.4550	23/6/2000 - 22/6/2007
	5,362,500	—	(130,000)	5,232,500	25/5/1998	US\$0.4550	6/1/2000 - 5/1/2007
	17,036,725	(96,500) ³	(420,900)	16,519,325	24/3/1999	US\$0.2712	24/3/2002 - 23/3/2009
	9,687,775	—	(296,850)	9,390,925	24/3/1999	US\$0.4550	24/3/2002 - 23/3/2009
	7,500	—	—	7,500	24/3/1999	US\$0.4550	24/3/2003 - 23/3/2005
	195,500	—	—	195,500	24/3/1999	US\$0.4550	24/3/2003 - 23/3/2004
	1,276,150	(12,500) ⁴	(15,700)	1,247,950	30/6/1999	US\$0.2712	30/6/2002 - 29/6/2009
	2,612,100	—	(36,800)	2,575,300	30/6/1999	US\$0.4550	30/6/2002 - 29/6/2009
	15,000	—	—	15,000	30/6/1999	US\$0.4550	30/6/2003 - 29/6/2004
	2,350,900	—	—	2,350,900	23/10/2000	US\$0.2712	23/10/2003 - 22/8/2010
	3,245,850	—	(63,000)	3,182,850	23/10/2000	US\$0.4550	23/10/2003 - 22/8/2010
	47,272,500	(739,000)	(970,750)	45,562,750			
Grand Total	63,933,000	(1,239,000)	(970,750)	61,723,250			

Notes:

- Exercise date was 9 August 2002. At the date before the options were exercised, the market closing value per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.800.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.887.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.159.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.140.

HK\$: Hong Kong dollars, the lawful currency of Hong Kong

Share Options (Continued)

(B) Post-listing Scheme

On 19 August 2002, the Share Option Committee of the Board of Directors approved an offer of options to Directors of the Company and employees of the Group entitling them to subscribe for an aggregate of 100,269,000 shares under the Post-listing Scheme, details of the offer are given below:-

	Exercise price Per share	Exercisable Period	Number of options offered
Tan Sri Lim Kok Thay (Director)	HK\$3.20	20/8/2004 - 19/8/2012	3,250,000
Mr. Chong Chee Tut (Director)	HK\$3.20	20/8/2004 - 19/8/2012	500,000
Mr. William Ng Ko Seng (Director)	HK\$3.20	20/8/2004 - 19/8/2012	600,000
Mr. David Colin Sinclair Veitch (Director)	HK\$3.20	20/8/2004 - 19/8/2012	2,000,000
All other employees	HK\$3.20	20/8/2004 - 19/8/2012	93,919,000
		Total	<u>100,269,000</u>

Notes:

1. The closing price per share quoted on the Stock Exchange on 16 August 2002, the trading day immediately before the date on which the options were granted was HK\$3.05.
2. The offer of the share options mentioned above is valid for acceptance within periods of 5 months and 3 months from 19 August 2002 for employees of NCL Group and other employees respectively.

The Group accounts for non-cash compensation expense in respect of share options issued to directors and employees based on the excess, if any, of the quoted market price of the share at the date of grant over the exercise price of the option. The excess, if any, is treated as additional paid-in-capital and is recognised as an expense over the option periods. No compensation expense was recorded for these options as the exercise price of these options was equal to the quoted market price of the Company's shares on the grant date.

The Group used the extended binomial options pricing model to estimate the fair value of these options. The binomial pricing model, which is one of the commonly used models in estimating fair value of an option, requires input that are highly subjective assumptions. Such subjective assumptions include the volatility of the share price, expected dividend per share, risk-free interest rate and expected option life and accordingly, any change in the variables so adopted may materially affect the estimation of the fair value of an option. The extended binomial options pricing model, therefore, does not necessarily provide a reliable measure of the fair value of the share options.

Using the extended binomial option pricing model with the following assumptions, the estimated fair value of the options granted on 19 August 2002 was US\$0.29 per share:

Risk-free interest rate	4.72%
Expected option life (in years)	10
Expected volatility	57.8%
Expected dividend per share	Nil

Adjustments to outstanding share options upon Rights Issue becoming unconditional

Reference is made to the rights issue proposal (the "Rights Issue") set out in the Company's announcement dated 15 October 2002 and the prospectus dated 14 November 2002 (the "Prospectus"). Upon the Rights Issue being unconditional (which is expected to be 12 December 2002), the exercise price and the number of shares to be issued upon exercise of the share options will be adjusted in the manner as set out in the Prospectus.

Substantial Shareholders

As at 30 September 2002, in addition to the interests disclosed above in respect of the Directors and Chief Executive Officer of the Company, the following companies and person were interested in 10% or more of the issued share capital of the Company according to the register kept under section 16(1) of the SDI Ordinance and information received by the Company:

Name of shareholder (Notes)	Number of ordinary shares	Percentage of shareholding
Parkview Management Sdn Bhd (1 and 8)	1,486,926,993	34.3
Kien Huat Realty Sdn Bhd (2 and 8)	1,486,926,993	34.3
Genting Berhad (3 and 8)	1,486,926,993	34.3
Resorts World Bhd (4 and 8)	1,486,926,993	34.3
Sierra Springs Sdn Bhd (5 and 8)	1,486,926,993	34.3
Resorts World Limited (5 and 8)	1,486,926,993	34.3
GZ Trust Corporation (6 and 9)	2,154,836,819	49.7
Golden Hope Limited (as trustee of the Golden Hope Unit Trust) (7 and 9)	2,154,836,819	49.7
Puan Sri Wong Hon Yee (10)	3,671,126,802	84.6

Notes:

- Parkview Management Sdn Bhd is a trustee of a discretionary trust ("Discretionary Trust"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family ("Lim Family").
- Kien Huat Realty Sdn Bhd ("KHR") is a private company of which the Discretionary Trust, through Info-Text Sdn Bhd and Dataline Sdn Bhd controls more than one third of the voting power.
- Genting Berhad is a company listed on the Kuala Lumpur Stock Exchange ("KLSE") in Malaysia of which KHR controls more than one third of the voting power.
- Resorts World Bhd is a company listed on KLSE and is a subsidiary of Genting Berhad.
- Sierra Springs Sdn Bhd and Resorts World Limited are companies which are wholly-owned subsidiaries of Resorts World Bhd.
- GZ Trust Corporation is the trustee of various discretionary trusts established for the benefit of certain members of the Lim Family. These discretionary trusts are unit-holders of Golden Hope Unit Trust ("GHUT"), a private unit trust.
- Golden Hope Limited is the trustee of GHUT.
- The interests of persons named in Notes 1 to 5 in 1,486,926,993 ordinary shares relates to the same block of shares.
- The interests of the persons named in Notes 6 and 7 in 2,154,836,819 ordinary shares relates to the same block of shares.
- Puan Sri Wong Hon Yee as the wife of Tan Sri Lim Kok Thay, has a family interest in the same block of 3,671,126,802 ordinary shares in which Tan Sri Lim has a deemed interest. Puan Sri Wong also has a corporate interest in 23,247,990 ordinary shares held by Goldsfine by holding 50% of the issued share capital of Goldsfine.

Practice note 19 to the Listing Rules

The Company is a party to three loan agreements for an aggregate amount of approximately US\$1.6 billion with terms ranging from seven to sixteen years from the dates of these agreements. These agreements require the Lim Family to retain a direct or indirect ownership interest of 51% or more in the Company during the terms of these loans.

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 nine months ended 30 September 2002, save for the issuance of 189,091,000 new ordinary shares of US\$0.10 each at an aggregate price, net of issuance costs, of US\$77,328,617 to an existing shareholder in a top-up placement, and the issue of 2,221,000 new ordinary shares of US\$0.10 each at an aggregate price of US\$674,844 pursuant to the exercise of options granted under the Pre-listing Scheme.

Corporate Governance

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external and internal audit and of internal controls and risk evaluation. 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. This interim report has been reviewed by the Audit Committee.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the nine months ended 30 September 2002, in compliance with the Code of Best Practice, 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 provisions of the Bye-laws of the Company.

On behalf of the Board

Tan Sri Lim Kok Thay

Chairman, President and Chief Executive Officer

Hong Kong, 18 November 2002