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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealers, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Star Cruises Limited, you should at once hand this circular to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MAJOR TRANSACTION

CONSTRUCTION OF A VESSEL

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“Arrasas Limited”	Arrasas Limited, a company incorporated in the Isle of Man with limited liability, and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“Builder”	Jos. L. Meyer GmbH, a company organized and existing under the laws of Germany and the shipbuilder constructing the Vessel pursuant to the Shipbuilding Contract
“Buyer”	Hull 669 Limited, a company incorporated in Bermuda with limited liability, and an indirect wholly-owned subsidiary of the Company
“Buyer’s Items”	Specified supplies from time to time purchased by or at the direction of the Buyer and other costs from time to time expended by or at the direction of the Buyer in connection with the construction of the Vessel
“CLOB International”	the Central Limit Order Book International of the Singapore Exchange Securities Trading Limited
“Company”	Star Cruises Limited, a company continued into Bermuda with limited liability and having its shares listed on the Stock Exchange and traded on CLOB International
“Directors”	directors of the Company
“Euro”	the common European currency pursuant to laws and resolutions implementing the European Economic and Monetary Union and/or the lawful currency of the Federal Republic of Germany
“GB”	Genting Berhad, a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad
“GHUT”	Golden Hope Unit Trust, a private unit trust which is held directly and indirectly by GZ Trust Corporation as trustee of a discretionary trust established for the benefit of certain members of the Lim Family
“GIPLC”	Genting International PLC, a company incorporated in the Isle of Man and listed on the Luxembourg Stock Exchange and a subsidiary of GB
“Golden Hope”	Golden Hope Limited, a company incorporated in the Isle of Man with limited liability and a substantial shareholder of the Company holding 2,232,365,114 Shares (representing approximately 42.1742% of the Company’s issued share capital as at the date of the Shipbuilding Contract) in its capacity as trustee of GHUT

DEFINITIONS

“Goldsfine”	Goldsfine Investments Ltd., a company incorporated in the British Virgin Islands with limited liability and equally owned by Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Company and his spouse
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent of the Company, the directors, chief executives and substantial shareholders of the Company or its subsidiaries or an associate (as defined in the Listing Rules) of any of them
“Joondalup”	Joondalup Limited, a company incorporated in the Isle of Man with limited liability holding 414,260,835 Shares, representing approximately 7.8263% of the issued share capital of the Company as at the date of the Shipbuilding Contract and wholly-owned by Golden Hope in its capacity as trustee of GHUT
“Latest Practicable Date”	28 January 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lim Family”	Tan Sri Lim Goh Tong and members of his family. Tan Sri Lim Goh Tong is the father of Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M/S”	motor ship
“m.v.”	motor vessel
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules
“NCL Brands”	Norwegian Cruise Line and NCL America, two major brands of NCLC in the cruise industry
“NCLC”	NCL Corporation Ltd., a company incorporated in Bermuda with limited liability, a direct wholly-owned subsidiary of the Company and the immediate holding company of the Group members operating in North America and Europe under the NCL Brands and the Orient Lines brand

DEFINITIONS

“NCLH”	NCL Holding ASA, a direct wholly-owned subsidiary of Arrasas Limited incorporated under the laws of the Kingdom of Norway which is now under members’ voluntary liquidation
“NCLL”	Norwegian Cruise Line Limited, an exempted company incorporated in Bermuda with limited liability, and an indirect wholly-owned subsidiary of the Company
“NOK”	Norwegian kroner, the lawful currency of the Kingdom of Norway
“Post-listing Employee Share Option Scheme”	the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002)
“Pre-listing Employee Share Option Scheme”	the share option scheme adopted by the Company on 16 April 1997 prior to the listing of its Shares on the Stock Exchange
“RWB”	Resorts World Bhd, a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad and a subsidiary of GB
“RWL”	Resorts World Limited, a company incorporated in the Isle of Man with limited liability, and an indirect wholly-owned subsidiary of RWB
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of US\$0.10 each in the share capital of the Company
“Shipbuilding Contract”	the shipbuilding contract dated 24 December 2004 between the Buyer, NCLC (as guarantor of the obligations of the Buyer thereunder) and the Builder for the construction and delivery of the Vessel
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction in relation to the construction and delivery of the Vessel as contemplated under the Shipbuilding Contract
“Vessel”	the vessel to be constructed as a 1,188 cabin luxury passenger cruise vessel to be identified with the hull no. S.669 at the yard of the Builder which will be delivered to the Buyer pursuant to the Shipbuilding Contract

In this circular, the Hong Kong dollar amounts have been translated from Euro at the rate of Euro 1 to HK\$10.42. Such translations are for the convenience of the readers only. No representation is made that the Euro amounts have been, could have been or could be, converted into the Hong Kong dollars, or vice versa, at such rate or at any other rates on any relevant dates.

LETTER FROM THE BOARD



STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

(Stock Code: 678)

Executive Directors:

Tan Sri Lim Kok Thay
Mr Chong Chee Tut
Mr William Ng Ko Seng
Mr David Colin Sinclair Veitch

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-Executive Directors:

Mr Alan Howard Smith J.P.
Mr Tan Boon Seng
Mr Lim Lay Leng

*Corporate headquarters and principal
place of business in Hong Kong:*

Suite 1501
Ocean Centre
5 Canton Road
Tsimshatsui
Kowloon
Hong Kong

8 February 2005

To the Shareholders

Dear Sir or Madam,

Major Transaction

Construction of a Vessel

INTRODUCTION

Reference is made to the announcement of the Company dated 24 December 2004 relating to, among other things, the entering into of the Shipbuilding Contract.

Pursuant to the Shipbuilding Contract, the Buyer (an indirect wholly-owned subsidiary of the Company), NCLC (a direct wholly-owned subsidiary of the Company) as guarantor of the obligations of the Buyer thereunder entered into the Shipbuilding Contract with the Builder in relation to the construction and delivery of the Vessel at a contract price of Euro 389,000,000 (approximately HK\$4,053,380,000) including an allowance for Buyer's Items.

LETTER FROM THE BOARD

The Transaction constitutes a major transaction for the Company pursuant to the Listing Rules and is subject to approval of the Shareholders. As far as the Directors are aware, no Shareholder has any material interest in the Shipbuilding Contract and as such, no Shareholder is required to abstain from voting.

Golden Hope as trustee of GHUT and Joondalup (a company wholly owned by Golden Hope as trustee of GHUT which together with Golden Hope as such trustee constitutes a closely allied group of Shareholders), being beneficial owners of an aggregate number of Shares representing approximately 50.0005% of the issued share capital of the Company as at the date of the Shipbuilding Contract, have given written consent to the Company to approve the Shipbuilding Contract. Such written consent has therefore been accepted by the Stock Exchange pursuant to Rule 14.44 of the Listing Rules in lieu of the holding of a physical shareholders' meeting to approve the Shipbuilding Contract. As such, this circular is issued to the Shareholders to provide further details of, among other things, the Transaction.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Builder and its holding company are Independent Third Parties.

THE SHIPBUILDING CONTRACT

Date

24 December 2004

Parties

Jos. L. Meyer GmbH as the builder of the Vessel, Hull 669 Limited as the purchaser of the Vessel and NCL Corporation Ltd. as the guarantor of the purchaser's obligations.

Contract Terms

The Buyer agreed to enter into the Shipbuilding Contract with the Builder for the construction and delivery of the Vessel. The terms and conditions of the Shipbuilding Contract including the consideration payable, were determined on an arm's length basis and on normal commercial terms, and the payment terms and delivery date meet with the Buyer's and NCLC's requirements. The Board considers the terms and conditions to be fair and reasonable and in the interests of the Company based on the experience of the Group in the operation of an international cruise business.

The Shipbuilding Contract was to become effective by no later than 4 p.m. (Papenburg, Germany time) on 17 January 2005. By a letter agreement dated 27 January 2005, the parties to the Shipbuilding Contract agreed to extend the latest time by which the Shipbuilding Contract will become effective by no later than 25 February 2005 (the "Effective Date") upon satisfaction of certain conditions, including:

- (i) confirmation by the Buyer to the Builder that it has approved the form of the insurances to be arranged by the Builder in accordance with the Shipbuilding Contract;

LETTER FROM THE BOARD

- (ii) confirmation by the Buyer to the Builder that it has obtained binding written commitments (on terms reasonably satisfactory to the Buyer) for the loan financing for the construction of the Vessel;
- (iii) approval by the Shareholders for the Shipbuilding Contract in accordance with the requirements of the Listing Rules and compliance with any other applicable regulatory requirements; and
- (iv) appointment by each party of a process agent in London.

Should any of the above conditions not be satisfied by the Effective Date or otherwise waived in writing by both parties in accordance with the terms of the Shipbuilding Contract, either party may cancel the Shipbuilding Contract within 10 days after the Effective Date by written notice given to the other party whereupon the Shipbuilding Contract will become null and void without any liability whatsoever on the part of either party. In the event that the Shipbuilding Contract is cancelled, further announcement will be made as and when appropriate in accordance with the Listing Rules.

Subject to the satisfaction of the conditions specified in the Shipbuilding Contract (including those set out above), the Vessel shall be ready for delivery in the first quarter of 2007 subject to any extensions to the delivery date of the Vessel in accordance with the terms of the Shipbuilding Contract.

Consideration

The consideration payable by the Buyer to the Builder for the construction and delivery of the Vessel is Euro 389,000,000 (approximately HK\$4,053,380,000) including an allowance for Buyer's Items. The consideration was determined by reference to the prevailing market values for the construction of similar vessels, as ascertained from industry reports and recent comparable transactions in the industry, and based on arm's length negotiation with the Builder.

Finance Terms

NCLC and the Buyer are arranging for loan financing to cover approximately 80% of the contract price of the Vessel. The remaining 20% of the contract price is expected to be funded by the internal resources of NCLC and/or its subsidiaries. Payment for the Vessel is according to a schedule of timed progress payments up to the date of delivery. The aggregate amounts payable under the Shipbuilding Contract in years 2005, 2006 and 2007 are as follows:

Year 2005: Euro 54,600,000 (approximately HK\$568,932,000)

Year 2006: Euro 18,200,000 (approximately HK\$189,644,000)

Year 2007: Euro 316,200,000 (approximately HK\$3,294,804,000)

LETTER FROM THE BOARD

Guarantee

Pursuant to the Shipbuilding Contract, NCLC has guaranteed the obligations of the Buyer thereunder.

REASONS FOR ENTERING INTO THE SHIPBUILDING CONTRACT AND BENEFITS TO THE GROUP

For the further development of its cruise and cruise-related business, the Group reviews from time to time its fleet portfolio and deployment options. Construction of the Vessel is in line with the Group's long-term strategy in expanding its fleet for continuing business development. The Board believes that the Vessel, upon delivery and operation, will improve the operating efficiency and revenue potential of the Group. It is intended that the Vessel will be operated within NCLC's North American business under the NCL Brands.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise related operations. Excluding the Vessel, the Group currently owns a combined fleet of 20 vessels in service and under construction, with over 29,000 lower berths. Out of the three vessels which are under construction, two are scheduled for delivery in 2005 and one in 2006 and all to be operated under the NCL Brands.

INFORMATION ON THE BUILDER

The principal business of the Builder is ship building.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Star Cruises Limited
Tan Sri Lim Kok Thay
Chairman, President and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated profit and loss accounts of the Group for each of the three years ended 31 December 2003, 2002 and 2001 and unaudited consolidated profit and loss accounts for the nine months ended 30 September 2004 and 30 September 2003, the audited consolidated balance sheets of the Group as at 31 December 2003, 31 December 2002 and 31 December 2001 and unaudited consolidated balance sheets of the Group as at 30 September 2004 and 30 September 2003 as extracted from the Company's audited financial statements for each of the three years ended 31 December 2003, 2002 and 2001 and the unaudited interim reports for the nine months ended 30 September 2004 and 30 September 2003 respectively.

	Nine months ended		Years ended 31 December		
	30 September 2004	2003	2003	2002	2001
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>audited</i>	<i>audited</i>
Results					
Turnover	<u>1,246,332</u>	<u>1,218,176</u>	<u>1,618,208</u>	<u>1,573,588</u>	<u>1,381,566</u>
Operating profit/(loss)	115,365	88,717	(20,496)	160,842	84,541
Interest income	2,010	2,054	2,613	3,325	6,821
Financial costs	(77,720)	(70,332)	(93,804)	(99,326)	(118,492)
Other non-operating income/ (expenses), net	<u>(10,744)</u>	<u>(4,674)</u>	<u>(11,123)</u>	<u>(12,435)</u>	<u>12,846</u>
Profit/(Loss) before taxation	28,911	15,765	(122,810)	52,406	(14,284)
Taxation	<u>(670)</u>	<u>(1,261)</u>	<u>(1,663)</u>	<u>(1,475)</u>	<u>(1,759)</u>
Net profit/(loss) attributable to shareholders	<u>28,241</u>	<u>14,504</u>	<u>(124,473)</u>	<u>50,931</u>	<u>(16,043)</u>
	As at 30 September		As at 31 December		
	2004	2003	2003	2002	2001
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>audited</i>	<i>audited</i>
Asset and liabilities					
Total assets	4,818,829	4,608,163	4,795,991	4,758,697	4,218,986
Total liabilities	<u>(2,971,123)</u>	<u>(2,762,582)</u>	<u>(2,987,475)</u>	<u>(2,939,167)</u>	<u>(2,644,745)</u>
Shareholders' funds	<u>1,847,706</u>	<u>1,845,581</u>	<u>1,808,516</u>	<u>1,819,530</u>	<u>1,574,241</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated profit and loss accounts, the consolidated cash flow statements and the statements of changes in equity of the Group for each of the two years ended 31 December 2003 and 2002 and the audited consolidated balance sheets of the Group as at 31 December 2003 and 31 December 2002 together with the relevant notes thereto as extracted from the Company's audited financial statements set out in the Company's annual report for the year ended 31 December 2003. (Please note that there are references to section(s) of the annual report which are not included in this circular. Persons who wish to inspect the annual report should refer to Appendix II to this circular for information on the inspection arrangements.)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	GROUP	
		2003 US\$'000	2002 US\$'000
Turnover	2	1,618,208	1,573,588
Operating expenses (excluding depreciation, amortisation and impairment loss)		(1,098,431)	(991,260)
Selling, general and administrative expenses (excluding depreciation)		(243,379)	(245,320)
Depreciation and amortisation		(197,349)	(176,166)
Impairment loss	3	<u>(99,545)</u>	<u>—</u>
		<u>(1,638,704)</u>	<u>(1,412,746)</u>
Operating profit/(loss)	2, 4	(20,496)	160,842
Interest income		2,613	3,325
Financial costs	5	(93,804)	(99,326)
Other non-operating expenses, net	6	<u>(11,123)</u>	<u>(12,435)</u>
		<u>(102,314)</u>	<u>(108,436)</u>
Profit/(Loss) before taxation		(122,810)	52,406
Taxation	7	<u>(1,663)</u>	<u>(1,475)</u>
Net profit/(loss) for the year		<u><u>(124,473)</u></u>	<u><u>50,931</u></u>
Basic earnings/(loss) per share (US cents)	8	(2.51)	1.15
Fully diluted earnings per share (US cents)	8	N/A	1.15

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****BALANCE SHEETS**

AS AT 31 DECEMBER 2003

	Note	GROUP		COMPANY	
		2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Intangible assets	11	621,750	609,733	—	—
Fixed assets	12	3,626,873	3,558,448	—	—
Investments in subsidiaries	13	—	—	2,694,517	2,346,195
Restricted cash		150	150	—	—
Other assets	14	39,689	17,902	7,196	5,026
CURRENT ASSETS					
Consumable inventories	15	38,075	40,302	—	—
Trade receivables	16	17,423	16,424	—	—
Prepaid expenses and others		44,274	48,018	10,782	11,256
Restricted cash		30,724	50,762	—	—
Cash and cash equivalents	17	377,033	416,958	115,401	254,161
		<u>507,529</u>	<u>572,464</u>	<u>126,183</u>	<u>265,417</u>
CURRENT LIABILITIES					
Trade creditors	19	98,950	108,774	—	—
Provisions, accruals and other liabilities	20	229,824	190,962	50,829	55,979
Current portion of long-term bank loans	21	1,074,226	340,187	412,500	37,500
Amounts due to related companies	18	109	133	—	—
Advance ticket sales		196,605	196,219	—	—
		<u>1,599,714</u>	<u>836,275</u>	<u>463,329</u>	<u>93,479</u>
Net current (liabilities)/assets		<u>(1,092,185)</u>	<u>(263,811)</u>	<u>(337,146)</u>	<u>171,938</u>
Total assets less current liabilities		<u>3,196,277</u>	<u>3,922,422</u>	<u>2,364,567</u>	<u>2,523,159</u>
Financed by:					
Share capital	23	529,314	494,614	529,314	494,614
Reserves		<u>1,279,202</u>	<u>1,324,916</u>	<u>1,654,659</u>	<u>1,615,363</u>
Shareholders' funds		1,808,516	1,819,530	2,183,973	2,109,977
Long-term bank loans	21	1,199,567	2,093,838	—	412,500
Convertible bonds	22	180,000	—	180,000	—
Other long-term liabilities	24	7,992	8,876	594	682
Deferred taxation	25	202	178	—	—
		<u>3,196,277</u>	<u>3,922,422</u>	<u>2,364,567</u>	<u>2,523,159</u>

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	GROUP	
		2003 US\$'000	2002 US\$'000
OPERATING ACTIVITIES			
Cash generated from operations	(a)	266,867	365,453
Interest paid		(89,266)	(90,666)
Interest received		2,608	3,286
Income tax paid		(1,527)	(2,204)
Net cash inflow from operating activities		<u>178,682</u>	<u>275,869</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(327,673)	(420,594)
Proceeds from sale of fixed assets		250	101
Purchase of other assets		(9,686)	—
Net cash outflow from investing activities		<u>(337,109)</u>	<u>(420,493)</u>
FINANCING ACTIVITIES			
Proceeds from long-term bank loans	(b)	374,957	763,461
Principal repayments of long-term bank loans		(535,189)	(544,551)
Proceeds from issuance of ordinary shares, net of issuance cost of approximately US\$3.0 million in 2002		—	77,329
Proceeds from rights issue, net of issuance cost of approximately US\$1.3 million in 2003 and US\$1.5 million in 2002		99,004	150,313
Proceeds from issuance of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme		193	858
Proceeds from issuance of convertible bonds		180,000	—
Expenses in connection with the issue of convertible bonds		(3,723)	—
Payment of loan arrangement fees		(17,703)	(11,275)
Restricted cash, net		20,038	(48,871)
Others, net		(594)	(824)
Net cash inflow from financing activities		<u>116,983</u>	<u>386,440</u>
Effect of exchange rate changes on cash and cash equivalents		<u>1,519</u>	<u>3,567</u>
Net increase/(decrease) in cash and cash equivalents		(39,925)	245,383
Cash and cash equivalents at beginning of year		<u>416,958</u>	<u>171,575</u>
Cash and cash equivalents at end of year		<u><u>377,033</u></u>	<u><u>416,958</u></u>

Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

	GROUP	
	2003 US\$'000	2002 US\$'000
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(122,810)	52,406
Depreciation and amortisation		
- relating to operating function	186,689	163,756
- relating to selling, general and administrative function	10,660	12,410
	197,349	176,166
Interest expense, net of capitalised interest	93,804	99,326
Interest income	(2,613)	(3,325)
Impairment loss	99,545	—
Loss on extinguishment of debts	—	5,927
Others	2,485	3,054
	267,760	333,554
Decrease/(increase) in:		
Trade receivables	(2,362)	7,938
Consumable inventories	336	(7,431)
Prepaid expenses and others	4,651	(81)
Other assets	(347)	(3,445)
Increase/(decrease) in:		
Trade creditors	(7,712)	(1,057)
Provisions, accruals and other liabilities	4,179	914
Amounts due to related companies	(24)	37
Advance ticket sales	386	35,024
Cash generated from operations	<u>266,867</u>	<u>365,453</u>

(b) Analysis of changes in financing

	GROUP		
	Share capital including premium US\$'000	Long-term bank loans US\$'000	Convertible bonds US\$'000
At 1 January 2002	1,469,518	2,215,115	—
Shares issued for cash consideration	228,500	—	—
Proceeds from long-term bank loans	—	763,461	—
Repayment of long-term bank loans	—	(544,551)	—
At 31 December 2002	1,698,018	2,434,025	—
Shares issued for cash consideration	99,197	—	—
Proceeds from long-term bank loans	—	374,957	—
Repayment of long-term bank loans	—	(535,189)	—
Proceeds from issuance of convertible bonds	—	—	180,000
At 31 December 2003	<u>1,797,215</u>	<u>2,273,793</u>	<u>180,000</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

GROUP	Share capital	Share premium	Additional paid-in capital	Foreign currency translation adjustments	Unamortised share option expense	Cash flow hedge reserve	Retained earnings/ losses (accumulated)	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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	—	—	—	347	—	—	—	347
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(46,534)	—	(46,534)
- Transferred to profit and loss account	—	—	—	—	—	10,023	—	10,023
Net amounts not recognised in the profit and loss account	—	—	—	347	—	(36,511)	—	(36,164)
Net profit for the year	—	—	—	—	—	—	50,931	50,931
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	290	568	—	—	—	—	—	858
Issue of ordinary shares to an existing shareholder, net of issuance costs of approximately US\$3.0 million	18,909	58,420	—	—	—	—	—	77,329
Issue of 7 rights shares for every 50 existing shares, net of issuance cost of approximately US\$1.5 million	60,742	89,571	—	—	—	—	—	150,313
Amortisation of share option expense	—	—	—	—	2,022	—	—	2,022
Forfeiture of share option	—	—	(516)	—	516	—	—	—
At 31 December 2002	<u>494,614</u>	<u>1,203,404</u>	<u>93,436</u>	<u>(25,842)</u>	<u>(3,912)</u>	<u>(44,570)</u>	<u>102,400</u>	<u>1,819,530</u>
At 1 January 2003	494,614	1,203,404	93,436	(25,842)	(3,912)	(44,570)	102,400	1,819,530
Exchange translation differences	—	—	—	2,829	—	—	—	2,829
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(5,750)	—	(5,750)
- Transferred to profit and loss account	—	—	—	—	—	15,954	—	15,954
Net amounts not recognised in the profit and loss account	—	—	—	2,829	—	10,204	—	13,033
Net loss for the year	—	—	—	—	—	—	(124,473)	(124,473)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	72	121	—	—	—	—	—	193
Issue of 7 rights shares for every 100 existing shares, net of issuance cost of approximately US\$1.3 million	34,628	64,376	—	—	—	—	—	99,004
Amortisation of share option expense	—	—	—	—	1,229	—	—	1,229
Forfeiture of share option	—	—	(618)	—	618	—	—	—
At 31 December 2003	<u>529,314</u>	<u>1,267,901</u>	<u>92,818</u>	<u>(23,013)</u>	<u>(2,065)</u>	<u>(34,366)</u>	<u>(22,073)</u>	<u>1,808,516</u>

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

COMPANY	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <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>
At 1 January 2002	414,673	1,054,845	92,186	(5,349)	(8,059)	413,305	1,961,601
Cash flow hedge:							
- Loss on financial instruments	—	—	—	—	(46,534)	—	(46,534)
- Transferred to profit and loss account	—	—	—	—	10,023	—	10,023
Net amounts not recognised in the profit and loss account	—	—	—	—	(36,511)	—	(36,511)
Net loss for the year	—	—	—	—	—	(45,418)	(45,418)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	290	568	—	—	—	—	858
Issue of ordinary shares to an existing shareholder, net of issuance costs of approximately US\$3.0 million	18,909	58,420	—	—	—	—	77,329
Issue of 7 rights shares for every 50 existing shares, net of issuance cost of approximately US\$1.5 million	60,742	89,571	—	—	—	—	150,313
Amortisation of share option expense	—	—	—	1,805	—	—	1,805
Forfeiture of share option	—	—	(516)	516	—	—	—
At 31 December 2002	<u>494,614</u>	<u>1,203,404</u>	<u>91,670</u>	<u>(3,028)</u>	<u>(44,570)</u>	<u>367,887</u>	<u>2,109,977</u>
At 1 January 2003	494,614	1,203,404	91,670	(3,028)	(44,570)	367,887	2,109,977
Cash flow hedge:							
- Loss on financial instruments	—	—	—	—	(5,750)	—	(5,750)
- Transferred to profit and loss account	—	—	—	—	15,954	—	15,954
Net amounts not recognised in the profit and loss account	—	—	—	—	10,204	—	10,204
Net loss for the year	—	—	—	—	—	(36,518)	(36,518)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	72	121	—	—	—	—	193
Issue of 7 rights shares for every 100 existing shares, net of issuance cost of approximately US\$1.3 million	34,628	64,376	—	—	—	—	99,004
Amortisation of share option expense	—	—	—	1,113	—	—	1,113
Forfeiture of share option	—	—	(618)	618	—	—	—
At 31 December 2003	<u>529,314</u>	<u>1,267,901</u>	<u>91,052</u>	<u>(1,297)</u>	<u>(34,366)</u>	<u>331,369</u>	<u>2,183,973</u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(A) Basis of Preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 35 “Government Grants and Disclosure of Government Assistance” and SSAP 12 “Income Taxes” issued by the HKSA which are effective for accounting periods commencing on or after 1 July 2002 and 1 January 2003, respectively.

Where necessary, comparative figures have been reclassified to conform to the current year’s presentation.

*Future funding**Loan covenant breaches*

In April 2003, Ship Holding LLC, a Group subsidiary, entered into agreements with a syndicate of banks to obtain €298 million term loan (the “Term Loan”), equivalent to US\$363.5 million as at 31 December 2003, to part finance the completion of the Pride of America vessel (the “Vessel”). As at 31 December 2003, approximately US\$150 million was drawn down to pay installments to the shipyard under the construction contract. In January 2004, while in the final stages of construction, the Vessel suffered damage during a severe storm resulting in a significant delay in the expected delivery date of the Vessel to the Group and subsequently the shipyard was placed under receivership. Due to certain clauses in the Term Loan agreements, the lenders under these agreements may be entitled to accelerate the loan in which case the facility would be immediately repayable at call. Consequently the Term Loan amount drawn down as at 31 December 2003 has been classified as current in the Group’s balance sheet. Management is now in the process of seeking a waiver from the syndicate of banks and expects to obtain such a waiver.

Due to the ability of the lenders of the Term Loan to accelerate repayment of the Term Loan, one of the Group’s other loans (the “US\$450 million term loan”) could be deemed to be in default due to cross default clauses contained in this loan facility agreement whilst other loans of the Group would be deemed to be in default in the event that the lenders accelerate repayment of the Term Loan. Although the relevant lenders at the date of this report have not designated the US\$450 million term loan as being in default, nevertheless, in accordance with Hong Kong GAAP, long-term portion outstanding of US\$337.5 million in respect of the US\$450 million term loan that currently could be deemed to be in default has been classified as current in the Group’s and Company’s balance sheets. Management is confident that the potential deemed defaults will be remedied by obtaining the necessary waivers from lenders or by taking other measures necessary to satisfactorily address this matter.

Loan refinancing

NCLL has a reducing revolving credit facility with a syndicate of banks that originally provided for borrowings of up to US\$623 million (the “Facility”). The total outstanding amount under this facility as at 31 December 2003 was US\$403.2 million, which includes a scheduled and balloon payment of US\$363.8 million due on 15 December 2004.

It is the intention of the Group to refinance the Facility in the normal course of business. As such, the Facility would be refinanced prior to the due date of the balloon payment. In February 2004, the Group accepted an offer from a syndicate of banks to act as underwriters for a US\$400 million Reducing Revolving Credit Facility (the "Proposed Facility") to refinance the Facility. The offer is subject to acceptable documentation and satisfaction of certain other conditions. The offer can be withdrawn for various reasons including if facility agreements are not entered into by 31 March 2004 or if in the opinion of the syndicate there is a material adverse change that has or could affect the Group's financial condition, business or ability to meet its obligations under the Proposed Facility. Management is working with the syndicate to finalise and draw down the Proposed Facility and is confident that the refinancing will be in place prior to the due date of the balloon payment.

The Proposed Facility will be repayable in 14 equal installments payable at six-monthly intervals commencing six months from the first draw down under the facility with a balloon payment at the end of the tenure. The Proposed Facility will bear interest at LIBOR plus a margin.

Please refer to note 21 for details of the long-term bank loans of the Group.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the end of the year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(B) Principal Accounting Policies

(a) *Intangible assets*

Intangible assets consist of goodwill, trade names and trademarks. Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable assets and liabilities of subsidiaries and associated companies acquired, is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of 40 years. Negative goodwill which represents the excess, as at the date of acquisition, of the Group's interests in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition is included in the balance sheet under "intangible assets" and is recognised in the profit and loss account over 26 years, the remaining weighted average useful life of the non-monetary assets acquired.

Trade names and trademarks of Norwegian Cruise Line and Orient Lines recorded on acquisition of NCL Holding ASA ("NCL") are being amortised on a straight-line basis over their estimated useful economic lives of 40 years.

The Group is currently amortising goodwill and trade names and trademarks over useful lives of 40 years which is in excess of the rebuttable presumption in SSAP 29 “Intangible Assets” and SSAP 30 “Business Combinations” that the useful lives of such assets should not exceed 20 years.

- (i) The Group amortises goodwill on a straight-line basis over 40 years. The Group believes that 40 years is a reasonable estimate of the useful lives of this goodwill as NCL business has been in operation since the 1960s and operates in a market that is expected to grow and in which there are barriers to entry given the major capital investment required.
- (ii) Trade names and trademarks of Norwegian Cruise Line and Orient Lines recorded on the acquisition of NCL is being amortised on a straight-line basis over 40 years. The Group considers that 40 years is a reasonable estimate of the useful live of these assets as the trade names and trademarks have already been in existence for many years (since 1960s). In addition, the Group incurs and intends to continuously incur significant advertising expenditure which supports the selection of a long useful life for these assets.

As the Group amortises goodwill and intangible assets over a period exceeding twenty years, the recoverable amounts of goodwill and intangible assets are assessed annually (See note 1(B) (w)).

The Group completed the annual impairment test in December 2003 and determined that the trade names and trademarks of Orient Lines were impaired. As a result, the Group recorded an impairment loss of US\$19 million related to the Orient Lines trade names and trademarks during the year ended 31 December 2003.

(b) *Translation of foreign currencies*

Transactions in currencies other than US dollars (“foreign currencies”) are translated into US dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the balance sheet date.

All such exchange differences are reflected in the consolidated profit and loss account.

For those subsidiaries which do not have the US dollar as their reporting currency, translation of their foreign currency accounts is dealt with as follows:

- (i) assets and liabilities are translated at exchange rates at the balance sheet date; and
- (ii) income and expense items are translated at average exchange rates prevailing during the year.

The resulting translation gains and losses arising from remeasurement are included as a separate component of reserve, “Foreign currency translation adjustment”.

(c) *Revenue and expense recognition*

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the period. Where services are provided on credit, ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

Income from charter-hire is recognised evenly over the period of the charter-hire.

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

Interest income and expense is recognised on a time proportion basis, taking into account the principal amount outstanding and the interest rates applicable.

(d) *Drydocking expenses*

Drydocking costs represent major inspection and overhaul costs and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally every two to three years. The Group has included these drydocking costs as a separate component of the ship costs in accordance with revised SSAP 17 "Property, Plant and Equipment".

(e) *Advertising costs*

The Group's advertising costs are generally expensed as incurred. Costs incurred that result in tangible assets, including brochures are treated as prepaid supplies and expensed as consumed.

(f) *Start up expenses*

Start up expenses, which primarily comprise expenses of deploying a ship from the dockyard to its port of operations and repositioning a ship to develop a new market, including crew payroll and ship expenses, are expensed as incurred and included in operating expenses. Marketing expenses incurred during this period are included in selling, general and administrative expenses.

(g) *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against the temporary differences can be utilised.

In prior years deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 did not have any material effect on the results and financial position of the Group.

(h) *Cash and cash equivalents*

Cash and cash equivalents include investments with original maturities of three months or less that are readily convertible to known amounts of cash with no significant risk of changes in value and are stated at cost which approximates market value.

(i) *Restricted cash*

Restricted cash consists of cash collateral in respect of certain loan agreements, letters of credit and other obligations including requirements imposed by the Group's bank card processor.

(j) *Loan arrangement fees*

Costs incurred in connection with the arranging of loan financing have been deferred and amortised on a straight-line basis over the life of the loan agreement. The unamortised amount, which is to be amortised within one year is included in prepaid expenses and others. The remaining amount is included in other assets.

(k) *Convertible bonds*

Convertible bonds are regarded as liabilities unless conversion actually occurs. The finance cost recognised in the profit and loss account in respect of convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date. If any of the bonds are redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to profit and loss account.

(l) *Consumable inventories*

Consumable inventories mainly consist of provisions, supplies and engine and ship spare parts and are carried at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) *Software development costs*

Deferred software development costs consist principally of salaries and fringe benefits of certain programmers and system analysts and outside consultant fees incurred in connection with the enhancement of significant internal data processing systems. These costs are recognised as an asset and amortised when the software is available for use using the straight-line method over their estimated useful lives, not exceeding ten years.

(n) *Provisions, contingent liabilities and contingent assets*

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

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

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

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

(o) *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(p) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation except for land, leasehold land, jetties, terminal buildings and improvements which are stated at valuation less accumulated depreciation. Significant cruise ship refurbishing costs are capitalised as additions to the cruise ship while costs of repairs and maintenance are expensed as incurred.

Cruise ships, catamaran and passenger ferry are depreciated to their estimated residual value on a straight-line basis over periods ranging from 13 to 30 years. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land	30 – 99 years
Jetties and terminal buildings	28 – 99 years
Equipment and motor vehicles	3 – 20 years

No depreciation is provided on fixed assets which are under construction. The Group capitalises interest on cruise ships, catamaran and other capital projects during the period required to get such assets ready for their intended use. Interest capitalisation ceases when the asset is substantially complete.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account. Any revaluation reserve balance attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(q) *Financial instruments*

The Group enters into derivative instruments, primarily forward contracts and interest rate swaps to limit its exposures to fluctuations in foreign currency exchange rates, and to modify its exposure to interest rate movements and to manage its interest costs.

The Group uses forward contracts to manage foreign currency exchange rate risk related to certain projected cash flows and foreign currency firm commitments. These instruments are carried at fair value on the balance sheet. Changes in the fair value of forward contracts are recognised in the profit and loss account. Changes in the market value of forward contracts that hedge foreign currency commitments to complete the construction of a cruise ship are deferred and included in the cost of the ship when the commitment is paid.

Interest rate swaps allow the Group to convert long-term borrowings from floating rates and swap them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount. The differential in interest rates to be paid or received under interest rate swaps is

recognised during the financial year in the consolidated profit and loss account as part of interest expense. These instruments are carried at fair value on the balance sheet. Changes in the fair value of the interest rate swaps are deferred, included as a separate component of reserves, and recognised in the profit and loss account as the underlying hedged items are recognised.

(r) *Share option expense*

The Group accounts for compensation expense in respect of the award of share options to employees based on the excess, if any, of the quoted market price of the share at the date of the grant over the exercise price of the option. The excess has been treated as additional paid in capital and is recognised as an expense over the option periods. The unamortised amount is included as a separate component of reserves.

(s) *Earnings per share*

Basic earnings per share is computed by dividing net profit by the weighted average number of ordinary shares outstanding during each year. Fully diluted earnings per share is computed by dividing net profit by the weighted average number of ordinary shares, potential ordinary shares and other potentially dilutive securities outstanding during each period.

(t) *Retirement benefit costs*

Contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave employment before being fully vested. The amount of forfeiture depends on how much the employee is vested at the time of departure. The assets of these schemes are held separately from those of the Group.

Expenses in respect of a retirement scheme providing benefits based on final pay are charged to the profit and loss account in the period to which they relate. The pension obligations, which are wholly unfunded, are determined based on the estimates of the effects of future events on the actuarially determined net present value of accrued pension obligations and are determined by a qualified actuary on a regular basis. Actuarial gains and losses are recognised as an expense over the average remaining service lives of employees.

(u) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employee. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(v) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(w) *Recoverability of assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets, goodwill and other intangible assets, trade names and trademarks are impaired. If any indication of impairment of an asset exists, and annually for goodwill and other intangible assets (as such assets are being amortised over 40 years (see note 1(B) (a)), the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The Group measures the amount of the impairment by comparing the carrying amount of an asset to its recoverable amount which is the higher of an asset's net selling price or its value in use. The Group estimates recoverable amount based on the best information available making whatever estimates, judgements and projections considered necessary. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties less costs of disposal. The estimation of value in use is measured using various financial modeling techniques such as discounting future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life at discount rates which commensurate with the risk involved.

(x) *Segment reporting*

The Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, intangible assets other than goodwill, inventories, receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets and intangible assets other than goodwill including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, turnover is based on the country in which the customer is located.

2. **TURNOVER, OPERATING PROFIT/(LOSS) AND SEGMENT INFORMATION**

The turnover consists of revenues earned from cruise and cruise related activities and charter hire.

The Group is principally engaged in the operation of passenger cruise ships. Cruise and cruise related revenues comprise 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.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

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

	Cruise and cruise related activities	Charter hire	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
2003			
Turnover	<u>1,615,724</u>	<u>2,484</u>	<u>1,618,208</u>
Operating profit/(loss) before impairment loss	79,222	(173)	79,049
Impairment loss	<u>(81,852)</u>	<u>(17,693)</u>	<u>(99,545)</u>
Operating loss after impairment loss	<u>(2,630)</u>	<u>(17,866)</u>	(20,496)
Interest income			2,613
Financial costs			(93,804)
Other non-operating expenses, net			<u>(11,123)</u>
Loss before taxation			(122,810)
Taxation			<u>(1,663)</u>
Net loss for the year			<u>(124,473)</u>
Segment assets	<u>4,288,630</u>	<u>15,066</u>	4,303,696
Goodwill	<u>377,095</u>		377,095
Other unallocated assets			<u>115,200</u>
Total assets			<u>4,795,991</u>
Segment liabilities	<u>531,456</u>	<u>605</u>	532,061
Tax liabilities			1,621
Convertible bonds			180,000
Long-term bank loans			<u>2,273,793</u>
Total liabilities			<u>2,987,475</u>
Capital expenditure	325,469	92	325,561
Depreciation and amortisation	195,164	2,185	197,349

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	Cruise and cruise related activities <i>US\$'000</i>	Charter hire <i>US\$'000</i>	Total <i>US\$'000</i>
2002			
Turnover	<u>1,570,507</u>	<u>3,081</u>	<u>1,573,588</u>
Operating profit	<u>160,510</u>	<u>332</u>	160,842
Interest income			3,325
Financial costs			(99,326)
Other non-operating expenses, net			<u>(12,435)</u>
Profit before taxation			52,406
Taxation			<u>(1,475)</u>
Net profit for the year			<u>50,931</u>
Segment assets	<u>4,133,351</u>	<u>32,627</u>	4,165,978
Goodwill	<u>338,788</u>		338,788
Other unallocated assets			<u>253,931</u>
Total assets			<u>4,758,697</u>
Segment liabilities	<u>503,453</u>	<u>228</u>	503,681
Tax liabilities			1,461
Long-term bank loans			<u>2,434,025</u>
Total liabilities			<u>2,939,167</u>
Capital expenditure	420,648	11	420,659
Depreciation and amortisation	173,866	2,300	176,166

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The Group's turnover, operating profit/(loss) and assets in its principal markets of Asia Pacific and North America are analysed as follows:

	Turnover	Operating	Total assets	Capital
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
2003				
Asia Pacific	409,963	(44,882)*	1,081,389	36,120
North America (note)	1,099,686	26,109*	3,222,307	289,441
Others	<u>108,559</u>	<u>6,685</u>	<u>—</u>	<u>—</u>
	<u>1,618,208</u>	(12,088)	4,303,696	<u>325,561</u>
Goodwill		(8,408)	377,095	
Other unallocated assets		<u>—</u>	<u>115,200</u>	
		<u>(20,496)</u>	<u>4,795,991</u>	

* Included in the operating profit/(loss) of Asia Pacific and North America segments were impairment losses of US\$77.3 million and US\$22.2 million respectively.

	Turnover	Operating	Total assets	Capital
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
2002				
Asia Pacific	466,696	93,868	1,201,591	29,850
North America (note)	1,015,474	69,738	2,964,387	390,809
Others	<u>91,418</u>	<u>6,351</u>	<u>—</u>	<u>—</u>
	<u>1,573,588</u>	169,957	4,165,978	<u>420,659</u>
Goodwill		(9,115)	338,788	
Other unallocated assets		<u>—</u>	<u>253,931</u>	
		<u>160,842</u>	<u>4,758,697</u>	

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

3. IMPAIRMENT LOSS

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Impairment loss:		
Ships and onboard equipment	76,758	—
Spare parts and other assets	3,787	—
Trade names and trademarks	<u>19,000</u>	<u>—</u>
	<u>99,545</u>	<u>—</u>

On 23 December 2003, the Group entered into an agreement to dispose of m.v. SuperStar Capricorn for a cash consideration of US\$20 million. m.v. SuperStar Capricorn was delivered to her new owner in February 2004. On 9 February 2004, the Group entered into an agreement to dispose of m.v. SuperStar Aries for a cash consideration of US\$44 million. m.v. SuperStar Aries will be delivered to her new owner in early April 2004. At 31 December 2003, an impairment loss of US\$59.7 million was recognised in respect of the ships and onboard equipment and other assets related to m.v. SuperStar Capricorn and m.v. SuperStar Aries. The impairment loss represented the amount by which the carrying amount of these assets exceeded their fair values of US\$64 million.

The Group completed a review of its trade names, trademarks and various ships for impairment purposes in December 2003 and determined that Orient Lines trade names and trademarks and certain of its cruise ships were impaired. For the year ended 31 December 2003, the Group wrote down the carrying value of certain ships and their related assets in the amount of US\$20.8 million and the carrying value of Orient Lines' trade names and trademarks in the amount of US\$19 million. The recoverable amount of these assets was determined by reference to the estimated value in use.

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	GROUP	
	2003 US\$'000	2002 US\$'000
Charging:		
Net foreign currency translation losses	—	466
Amortisation of goodwill	8,408	9,115
Depreciation of fixed assets	180,970	158,698
Amortisation of software development costs	681	1,063
Amortisation of trade names and trademarks	7,290	7,290
Total depreciation and amortisation	197,349	176,166
- relating to operating function	186,689	163,756
- relating to selling, general and administrative function	10,660	12,410
Staff costs (<i>see note 9</i>)	321,017	261,658
Operating leases - land and buildings	7,637	6,895
- charter hire	—	664
Auditors' remuneration	856	912
Advertising expenses	84,158	84,497
Impairment loss (<i>see note 3</i>)	99,545	—
Proceeds from the loss-of-hire insurance coverage, net of expenses	(5,254)	—
Provision for legal and settlement expenses	15,000	—
Write back of expenses on early termination of ship charters	—	(2,566)
Other expenses, net	—	6,147
Total (see note below)	<u>9,746</u>	<u>3,581</u>

Note:

The Group recorded other expenses of approximately US\$9.7 million for the year ended 31 December 2003, being legal settlement and related expenses in the amount of US\$15 million, offset by the proceeds of US\$5.3 million from the loss-of-hire coverage net of related expenses arising from s/s Norway boiler accident.

For the year ended 31 December 2002, the Group recorded other expenses of approximately US\$3.6 million, consisting principally of an additional liability of US\$6.1 million primarily in relation to the arbitration settlement award for damages relating to the return of M/S Leeward to her owner, including additional legal and lease expenses and the write back of approximately US\$2.5 million in over-provision relating to early termination of the M/S Norwegian Star 1 lease.

5. FINANCIAL COSTS

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Amortisation of issue costs of convertible bonds	149	—
Interest on:		
- bank loans	93,880	99,326
- convertible bonds	<u>2,008</u>	<u>—</u>
Total borrowing costs incurred	96,037	99,326
Less: interest capitalised in fixed assets	<u>(2,233)</u>	<u>—</u>
Total financial costs	<u><u>93,804</u></u>	<u><u>99,326</u></u>

The capitalisation rate applied to funds borrowed and used for the completion of Pride of America in 2003 was between 1.9% and 3.0% per annum.

6. OTHER NON-OPERATING EXPENSES, NET

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
(Gain)/Loss on disposal of fixed assets	(3)	41
Loss on foreign exchange	742	4,452
Loss on extinguishment of debts	—	5,927
Litigation and related costs	3,484	1,843
Other non-operating expenses, net	<u>6,900</u>	<u>172</u>
	<u><u>11,123</u></u>	<u><u>12,435</u></u>

7. TAXATION

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Overseas taxation		
- Current taxation	1,645	1,475
- Deferred taxation	<u>18</u>	<u>—</u>
	<u><u>1,663</u></u>	<u><u>1,475</u></u>
Deferred taxation has been charged in respect of temporary differences	<u><u>18</u></u>	<u><u>—</u></u>

The Company, which domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions. However, the Group has incurred a tax charge, as illustrated in the table above, based on the income which is subject to local tax in certain of the respective jurisdictions where it operates. The appropriate local tax rate has been applied, in such circumstances, to determine the applicable tax charge.

The Company's subsidiaries, NCLL, which is incorporated in Bermuda, and Norwegian Star Limited and Norwegian Dawn Limited, which are both incorporated in the Isle of Man, all of which operate in the United States, are not subject to United States federal income taxes due to the provisions of Section 883 of the Internal Revenue Code of 1986 (the "Code") which provide these subsidiaries with an exemption from income taxation by the United States with respect to its United States source income derived from the international operation of the ships ("Shipping Income"). Section 883 provides that a foreign corporation will qualify for the exemption if (i) the foreign country in which the foreign corporation is organised grants an equivalent exemption for Shipping Income of sufficiently broad scope to a United States corporation ("Equivalent Exemption") and (ii) more than 50% in value of its shares is directly or indirectly owned by individuals who are resident of one or more foreign countries which grant an Equivalent Exemption ("Look-Through Test"). The Group believes that it satisfies the requirements of the Look-Through Test since more than 50% in value of its shares is directly or indirectly owned by individuals in residence in foreign countries granting an Equivalent Exemption. Management believes that these subsidiaries' Shipping Income, which is substantially all of their income, is exempt from the United States federal income taxes. If these subsidiaries were found not to be exempt from United States federal income taxes, as described above, then their Shipping Income, as well as any other income, could be taxed at higher than normal United States corporate federal income tax rates.

8. EARNINGS/(LOSS) PER SHARE

Earnings/(Loss) per share has been calculated as follows:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
BASIC		
Net profit/(loss)	<u>(124,473)</u>	<u>50,931</u>
Weighted average outstanding ordinary shares in thousands	<u>4,967,186</u>	<u>4,433,371</u>
Basic earnings/(loss) per share in US cents	<u>(2.51)</u>	<u>1.15</u>
FULLY DILUTED		
Net profit/(loss)	<u>(124,473)</u>	<u>50,931</u>
Weighted average outstanding ordinary shares in thousands	4,967,186	4,433,371
Effect of dilutive ordinary shares in thousands	<u>88,539</u>	<u>11,626</u>
Weighted average outstanding ordinary shares after assuming dilution in thousands	<u>5,055,725</u>	<u>4,444,997</u>
Fully diluted earnings per share in US cents	<u>N/A*</u>	<u>1.15</u>

* Diluted loss per share for the year ended 31 December 2003 is not shown, as the diluted loss per share is less than the basic loss per share.

9. STAFF COSTS

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

	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Wages and salaries	306,769	249,577
Unutilised annual leave	207	892
Termination benefits	1,852	303
Social security costs	5,724	5,522
Non-cash share option expenses	575	948
Pension costs - defined contribution plans (Note 30(a))	<u>5,890</u>	<u>4,416</u>
	<u><u>321,017</u></u>	<u><u>261,658</u></u>

10. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of emoluments of the Directors of the Company during the years are as follows:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Fees, of which US\$144,000 (2002: US\$180,000) were to independent non-executive directors	192	228
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	4,041	3,363
Contribution to provident fund	20	23
Accrued unfunded pension liability (see note below)	2,179	1,255
Non-cash share option expenses	<u>654</u>	<u>1,074</u>
	<u><u>7,086</u></u>	<u><u>5,943</u></u>

The emoluments of the Directors of the Company fall within the following bands:

	Number of Directors	
	2003	2002
HK\$nil - HK\$500,000	3	3
HK\$2,500,001 - HK\$3,000,000	—	1
HK\$3,000,001 - HK\$3,500,000	1	—
HK\$3,500,001 - HK\$4,000,000	—	1
HK\$4,500,001 - HK\$5,000,000	1	—
HK\$13,000,001 - HK\$13,500,000	1	—
HK\$14,500,001 - HK\$15,000,000	—	1
HK\$23,500,001 - HK\$24,000,000	—	1
HK\$32,500,001 - HK\$33,000,000	1	—

Note: The Group had recorded an expense in the year ended 31 December 2002 of approximately US\$3.9 million in respect of an unfunded pension liability in respect of prior years.

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

	GROUP	
	2003 US\$'000	2002 US\$'000
Fees	36	36
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	4,851	3,920
Contributions to provident fund	18	27
Accrued unfunded pension liability (see note above)	2,289	1,255
Non-cash share option expenses	615	1,093
	<u>7,809</u>	<u>6,331</u>
Number of Directors included in the five highest paid individual	<u>3</u>	<u>3</u>

The emoluments of the 5 individuals fall within the following bands:

	Number of individuals	
	2003	2002
HK\$3,000,001 - HK\$3,500,000	—	1
HK\$3,500,001 - HK\$4,000,000	—	2
HK\$4,000,001 - HK\$4,500,000	1	—
HK\$4,500,001 - HK\$5,000,000	1	—
HK\$5,500,001 - HK\$6,000,000	1	—
HK\$13,000,001 - HK\$13,500,000	1	—
HK\$14,500,001 - HK\$15,000,000	—	1
HK\$23,500,001 - HK\$24,000,000	—	1
HK\$32,500,001 - HK\$33,000,000	1	—

11. INTANGIBLE ASSETS

Intangible assets consist of the following items arising from the acquisition of NCL Holding ASA (“NCL”):

	GROUP	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Trade names and trademarks	<u>244,655</u>	<u>270,945</u>
Goodwill on consolidation	418,743	382,314
Negative goodwill	<u>(41,648)</u>	<u>(43,526)</u>
Net goodwill	<u>377,095</u>	<u>338,788</u>
	<u>621,750</u>	<u>609,733</u>

Trade names and trademarks

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Cost		
At 1 January and year end	<u>291,600</u>	<u>291,600</u>
Accumulated amortisation and impairment		
At 1 January	(20,655)	(13,365)
Amortisation	(7,290)	(7,290)
Impairment loss	<u>(19,000)</u>	<u>—</u>
At year end	<u>(46,945)</u>	<u>(20,655)</u>
Net book value at year end	<u><u>244,655</u></u>	<u><u>270,945</u></u>

Goodwill arising on acquisition of 84.5% of NCL

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Cost		
At 1 January	409,909	409,909
Additions (see below)	<u>46,715</u>	<u>—</u>
At year end	<u>456,624</u>	<u>409,909</u>
Accumulated amortisation		
At 1 January	(27,595)	(17,309)
Amortisation	<u>(10,286)</u>	<u>(10,286)</u>
At year end	<u>(37,881)</u>	<u>(27,595)</u>
Net book value at year end	<u><u>418,743</u></u>	<u><u>382,314</u></u>

Negative goodwill arising on acquisition of remaining 15.5% of NCL

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Cost		
At 1 January and year end	<u>(45,868)</u>	<u>(45,868)</u>
Accumulated amortisation		
At 1 January	2,342	1,171
Amortisation	<u>1,878</u>	<u>1,171</u>
At year end	<u>4,220</u>	<u>2,342</u>
Net book value at year end	<u><u>(41,648)</u></u>	<u><u>(43,526)</u></u>

In December 1999, the Group through a subsidiary, Arrasas Limited ("Arrasas"), acquired an interest of approximately 38.6% of the then outstanding shares of NCL as at 31 December 1999, a company incorporated under the laws of the Kingdom of Norway.

In February 2000, subsequent to mandatory offers made by Arrasas, the Group had acquired an aggregate interest of about 84.5% of the outstanding shares in NCL. Following the purchase by Arrasas of an additional 10.9% of the shares of NCL from related companies (at Norwegian Kroner ("NOK") 15 per share) on 29 November 2000, Arrasas owned 95.4% of the shares in NCL.

In accordance with Norwegian law, Arrasas on 30 November 2000 compulsorily acquired the remaining shares in NCL held by the minority shareholders, at an offer price of NOK13 per share. As a result of this acquisition, Arrasas became the sole owner of all outstanding shares of NCL. Persons formerly holding in aggregate 1,831,848 shares rejected the offer price ("minority shareholders"). As such, pursuant to applicable Norwegian law, Arrasas submitted a valuation petition on 26 October 2001 to the Oslo City Court to request the valuation court to determine the fair value of the offer price held by the minority shareholders.

The valuation proceedings were heard between 1 September 2003 and 12 September 2003, and on 5 December 2003, the Oslo City Court fixed the redemption price for the minority shareholders at NOK25 per share. Pursuant to this decision, Arrasas is required to pay the minority shareholders who rejected the offer NOK25 per share. Pursuant to the terms of the respective stock purchase agreements to purchase the 10.9% shareholding in NCL from the related companies at NOK15 per share, Arrasas is required to pay the related companies an additional NOK10 per share (representing the amount in excess of NOK15 per share).

In accordance with SSAP 28, as at 31 December 2003, the Group provided an aggregate amount of approximately US\$46.7 million, representing the aggregate amount of the additional NOK10 per share to related companies and the amount in excess of the offer price of NOK13 per share to the minority shareholders in the compulsory acquisition in November 2000. These adjustments to the purchase consideration result in a revision to goodwill previously recognised in the amount of US\$46.7 million.

The 5 December 2003 decision was appealed by Arrasas on 8 January 2004. The appeal court's hearing includes full new valuation proceedings to determine the redemption price again in respect of the 1,831,848 shares. It is likely that the outcome of the appeal will be known sometime in the first half of 2005.

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

In addition, the Group is also involved in other legal actions in connection with the acquisition of NCL. As these legal actions are still at the pre-trial stage, the Group cannot predict the ultimate outcome of these legal actions. However, the Group is vigorously defending these legal actions.

12. FIXED ASSETS

Fixed assets consist of the following:

GROUP

Year ended	Cruise ships	Land, leasehold land, jetties, terminal buildings and improvements	Equipment and motor vehicles	Cruise ships under construction	Equipment and other construction in progress	Total
31 December 2003	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost and valuation						
At 1 January 2003	3,751,320	83,715	213,683	—	36,787	4,085,505
Exchange differences	—	1,157	359	—	—	1,516
Reclassification of fixed assets	100	378	4,138	29,931	(34,547)	—
Additions	46,528	805	33,603	223,493	21,132	325,561
Assets written off	—	—	(3,514)	—	—	(3,514)
Disposals	—	(51)	(1,027)	—	—	(1,078)
	<u>3,797,948</u>	<u>86,004</u>	<u>247,242</u>	<u>253,424</u>	<u>23,372</u>	<u>4,407,990</u>
Accumulated depreciation and impairment						
At 1 January 2003	(447,390)	(10,822)	(68,845)	—	—	(527,057)
Exchange differences	—	(115)	(302)	—	—	(417)
Charge for the year	(158,698)	(5,095)	(17,177)	—	—	(180,970)
Impairment loss	(71,244)	—	(5,514)	—	—	(76,758)
Assets written off	—	—	3,254	—	—	3,254
Disposals	—	14	817	—	—	831
	<u>(677,332)</u>	<u>(16,018)</u>	<u>(87,767)</u>	<u>—</u>	<u>—</u>	<u>(781,117)</u>
Net book value						
At 31 December 2003	<u>3,120,616</u>	<u>69,986</u>	<u>159,475</u>	<u>253,424</u>	<u>23,372</u>	<u>3,626,873</u>
At 31 December 2002	<u>3,303,930</u>	<u>72,893</u>	<u>144,838</u>	<u>—</u>	<u>36,787</u>	<u>3,558,448</u>

Year ended	Cruise ships	Land, leasehold land, jetties, terminal buildings and improvements	Equipment and motor vehicles	Cruise ships under construction	Equipment and other construction in progress	Total
31 December 2003	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost/valuation						
At 31 December 2003						
At cost	3,797,948	32,643	247,242	253,424	23,372	4,354,629
At 2000 valuation	—	53,361	—	—	—	53,361
At 31 December 2002						
At cost	3,751,320	35,931	213,683	—	31,210	4,032,144
At 2000 valuation	—	47,784	—	—	5,577	53,361
Fixed assets under charter hire are as follows:						
Cost	37,524	—	454	—	—	37,978
Less: accumulated depreciation and impairment	(24,167)	—	(221)	—	—	(24,388)
Net book value at 31 December 2003	13,357	—	233	—	—	13,590
Net book value at 31 December 2002	32,114	—	180	—	—	32,294

In conjunction with the listing of the Company's entire share capital on the Stock Exchange, certain of the Group's properties were revalued at 30 September 2000 by the Directors on the basis of an open market valuation by Jones Lang LaSalle Limited, an independent property valuer. As at 31 December 2003 and 2002, the carrying amount of these certain properties would have been US\$61.6 million and US\$62.3 million respectively had they been stated at cost less accumulated depreciation.

At 31 December 2003 and 2002, the net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to US\$3.4 billion and US\$3.1 billion respectively.

Net book value of land, leasehold land, jetties, terminal buildings and improvements comprises:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Hong Kong:	<u>—</u>	<u>—</u>
Outside Hong Kong:		
Freehold	6,508	6,508
Long leasehold (not less than 50 years)	47,150	50,519
Medium leasehold (less than 50 years but not less than 10 years)	<u>16,328</u>	<u>15,866</u>
	<u>69,986</u>	<u>72,893</u>

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Investments at cost:		
Unlisted shares	1,283,673	205,465
Amounts due from subsidiaries	1,412,771	2,147,340
Amounts due to subsidiaries	<u>(1,927)</u>	<u>(6,610)</u>
	<u>2,694,517</u>	<u>2,346,195</u>

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

A list of principal subsidiaries is included in note 31 to the accounts.

14. OTHER ASSETS

	GROUP		COMPANY	
	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Loan and convertible bonds issuance costs	25,704	13,135	7,196	5,026
Software development costs, net	13,164	4,159	—	—
Others	<u>821</u>	<u>608</u>	<u>—</u>	<u>—</u>
	<u>39,689</u>	<u>17,902</u>	<u>7,196</u>	<u>5,026</u>

15. CONSUMABLE INVENTORIES

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Food and beverages	9,962	10,890
Supplies, spares and consumables	<u>28,113</u>	<u>29,412</u>
	<u><u>38,075</u></u>	<u><u>40,302</u></u>

16. TRADE RECEIVABLES

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	22,501	20,156
Less: Provisions	<u>(5,078)</u>	<u>(3,732)</u>
	<u><u>17,423</u></u>	<u><u>16,424</u></u>

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

At 31 December 2003 and 2002, the ageing analysis of the trade receivables were as follows:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Current to 30 days	11,231	8,950
31 days to 60 days	4,420	2,287
61 days to 120 days	2,413	2,935
121 days to 180 days	1,434	1,922
181 days to 360 days	1,820	1,762
Over 360 days	<u>1,183</u>	<u>2,300</u>
	<u><u>22,501</u></u>	<u><u>20,156</u></u>

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits with banks — maturing within 3 months	124,455	261,476	115,200	253,931
Cash and bank balances	<u>252,578</u>	<u>155,482</u>	<u>201</u>	<u>230</u>
	<u>377,033</u>	<u>416,958</u>	<u>115,401</u>	<u>254,161</u>

18. RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various discretionary trusts established for the benefit of certain members of Tan Sri Lim Goh Tong's family, is a substantial shareholder of the Company.

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 ("KHD") 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 Malaysia Securities Exchange Berhad ("MSEB"), controls Resorts World Bhd ("RWB"), a company also listed on MSEB which in turn indirectly controls Resorts World Limited ("RWL") which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange.

Significant related party transactions entered into or subsisting between the Group and these companies during the year ended 31 December 2003 are set out below:

- (a) KHD, together with its related companies, was 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\$41,000 and US\$217,000 in the years ended 31 December 2003 and 2002 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 purchases air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services were approximately US\$0.9 million and US\$1.2 million in the years ended 31 December 2003 and 2002 respectively.
- (c) The Group provides certain administrative support services to GIPLC internationally and the amounts charged to GIPLC were approximately US\$0.1 million and US\$0.3 million in the years ended 31 December 2003 and 2002 respectively.

Amounts outstanding at the end of each fiscal year in respect of the above transactions were included in the balance sheets within amounts due to related companies.

- (d) On 24 November 2000, Arrasas Limited entered into separate Stock Purchase Agreements with RWL, Genting Overseas Holdings Limited (a wholly own subsidiary of GB) and Palomino Limited (an indirect subsidiary of GB) to acquire an aggregate of 29,110,200 ordinary shares representing approximately 10.9% of the issued share capital of NCL for a total cash consideration of approximately NOK436.7 million (US\$45.7 million) or NOK15 (US\$1.572) per share. The transaction was completed on 29 November 2000. The agreements require that in the event Arrasas Limited pays more than NOK15 (US\$1.572) per share in any subsequent transaction, Arrasas Limited will be required to pay to these related companies the difference between such higher price per share and NOK15 per share (US\$1.572) (see note 11).

Transactions with Directors

- (e) Certain Directors of the Company and the Group were granted call options entitling them to subscribe for ordinary shares in the share capital of the Company under both the Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme. Call options granted are exercisable at the price of US\$0.2686 and US\$0.4206 per share (as adjusted) under the Pre-listing Employee Share Option Scheme and HK\$2.9944 (US\$0.38) per share (as adjusted) under the Post-listing Employee Share Option Scheme. Details of the movement of the call options during the year ended 31 December 2003 and the outstanding call options as at 31 December 2003 are set out in the section headed "Share Options" in the Report of the Directors.

19. TRADE CREDITORS

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Trade creditors	<u>98,950</u>	<u>108,774</u>

The ageing of trade creditors as at 31 December 2003 and 2002 is as follows:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Current to 60 days	91,085	98,351
61 days to 120 days	7,289	9,551
121 days to 180 days	155	638
Over 180 days	<u>421</u>	<u>234</u>
	<u>98,950</u>	<u>108,774</u>

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

20. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consists of the following:

	GROUP		COMPANY	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Payroll, taxes and related benefits	20,676	24,402	—	—
Interest	20,694	22,477	11,616	8,852
Forward currency contracts and interest rate swaps	35,396	45,171	35,396	45,171
Provisions (see below)	61,715	685	—	—
Others	91,343	98,227	3,817	1,956
	<u>229,824</u>	<u>190,962</u>	<u>50,829</u>	<u>55,979</u>

The movements of the provisions are as follows:

	GROUP			
	Provision for additional purchase consideration for NCL acquisition	Severance and environmental provisions	Provision for legal and settlement costs	Total
	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2003	—	685	—	685
Add: additional provision	46,715	—	15,000	61,715
Less: amounts paid	—	(685)	—	(685)
As at 31 December 2003	<u>46,715</u>	<u>—</u>	<u>15,000</u>	<u>61,715</u>

21. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

		GROUP		COMPANY	
		2003	2002	2003	2002
		US\$'000	US\$'000	US\$'000	US\$'000
US\$521.6 million syndicated term loan	(i)	364,906	399,680	—	—
US\$626.9 million syndicated term loan	(ii)	564,230	606,025	—	—
US\$450 million term loan	(iii)	412,500	450,000	412,500	450,000
US\$210 million M/S Norwegian Sky Loan	(iv)	154,000	182,000	—	—
US\$623 million fleet loan	(v)	403,200	526,320	—	—
US\$225 million M/S Norwegian Sun Post-delivery Loan	(vi)	—	225,000	—	—
US\$225 million term loan	(vi)	225,000	—	—	—
US\$45 million term loan	(vi)	—	45,000	—	—
€298 million secured term loan	(vii)	149,957	—	—	—
Total liabilities		2,273,793	2,434,025	412,500	450,000
Less: Current portion		(1,074,226)	(340,187)	(412,500)	(37,500)
Long-term portion		<u>1,199,567</u>	<u>2,093,838</u>	<u>—</u>	<u>412,500</u>

The following is a schedule of principal repayments of the long-term debts in respect of the loans outstanding as at 31 December 2003 and 2002. As more fully explained in note 1(A) under sub-heading "Future funding", bank loans (iii) and (vii) have been classified as current in the balance sheets.

	GROUP		COMPANY	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	1,074,226	340,187	412,500	37,500
In the second year	108,567	583,768	—	75,000
In the third to fifth years	325,701	541,704	—	225,000
After the fifth year	<u>765,299</u>	<u>968,366</u>	<u>—</u>	<u>112,500</u>
	<u>2,273,793</u>	<u>2,434,025</u>	<u>412,500</u>	<u>450,000</u>

(i) US\$521.6 million syndicated term loan

On 22 January 1998, a syndicated term loan for an amount up to US\$521.6 million was obtained by two subsidiaries, Superstar Leo Limited and Superstar Virgo Limited, as joint and several borrowers to part finance the construction of m.v. SuperStar Leo and m.v. SuperStar Virgo. This syndicated term loan was fully drawdown in September 1999.

(ii) US\$626.9 million syndicated term loan

On 26 June 1999, a syndicated term loan for an amount up to US\$604.8 million was obtained by two other subsidiaries, Norwegian Star Limited and Norwegian Dawn Limited, as joint and several borrowers to part finance the construction of m.v. Norwegian Star and m.v. Norwegian Dawn, respectively. In October 2001, this syndicated term loan agreement was amended to provide for borrowings of up to US\$626.9 million. This syndicated term loan was fully drawdown in December 2002.

These two syndicated term loans bear interest at rates which vary according to the London Interbank Offer Rate (“LIBOR”) and are repayable in 24 equal half yearly installments commencing 6 months from the relevant ship delivery dates, with maturity date payments to be paid on the relevant maturity dates. These facilities are secured by ship mortgages over the assets with a carrying value of US\$1.4 billion as at 31 December 2003 and guarantees from the Company, Superstar Leo Limited, and a subsidiary, Star Cruise Services Limited. In addition, the earnings and insurances are assigned to lenders as security. The shares of the borrowers are also pledged as collateral. The loan contains restrictive covenants which require compliance with certain financial ratios.

(iii) US\$450 million term loan

On 20 February 2002, the Group signed an agreement with a syndicate of banks to provide up to US\$450 million in loans (“US\$450 million term loan”) to refinance the outstanding balance of an existing term loan. The US\$450 million term loan bears interest at rates, which vary according to LIBOR, is repayable in 12 equal installments payable 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 NCLL are granted as security. The loan contains restrictive covenants which require compliance with certain financial ratios.

(iv) US\$210 million M/S Norwegian Sky Loan

NCLL entered into a non-cancelable loan agreement with a syndicate of banks (“Loan Agreement”) to finance repayment of an existing loan and payments in connection with the construction of M/S Norwegian Sky. In July 1999, NCLL borrowed US\$210 million under this Loan Agreement. This term loan which bears interest at a rate which varies according to LIBOR is repayable in 20 equal half-yearly instalments with a balloon payment due in July 2009.

(v) US\$623 million fleet loan

In December 1999, NCLL obtained a US\$510 million reducing revolving credit facility with a syndicate of banks (the “Facility”) to refinance certain debt facilities of NCLL. In November 2000, the Group amended the Facility to provide for borrowings of up to US\$623 million. The additional proceeds were used to repay other debt outstanding at such time. The Facility matures in December 2004 with interest at LIBOR plus a margin based on the ratio of NCLL’s funded debt to consolidated Earnings Before Interest, Taxation, Depreciation and Amortisation, as defined, for the latest 12-month period.

In February 2004, the Group accepted an offer from a syndicate of banks to act as underwriters for a US\$400 million Reducing Revolving Credit Facility to refinance the Facility. The details of the offer have been disclosed in note 1(A) under the sub-heading “Loan refinancing”.

(vi) **US\$225 million M/S Norwegian Sun Post-delivery Loan, US\$45 million term loan and US\$225 million term loan**

In May 2000, NCLL obtained a permanent financing commitment (“M/S Norwegian Sun Post-Delivery Loan Agreement”) from a syndicate of banks to provide up to US\$225 million in loans to finance the construction costs of the M/S Norwegian Sun. In August 2001, the Group borrowed US\$225 million under the M/S Norwegian Sun Post-Delivery Loan Agreement and an additional US\$45 million term loan.

On 9 July 2003, Norwegian Sun Limited (“NSL”), an indirect wholly-owned subsidiary of the Company, as borrower signed an agreement with a syndicate of banks to provide up to US\$225 million (“US\$225 million term loan”) to refinance the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan. On 16 July 2003, the Group drewdown US\$225 million and fully repaid the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan and the balance of US\$9.4 million was paid to the Group. The US\$225 million term loan bears interest at rate which varies according to LIBOR, and is repayable in 16 equal half yearly installments with a balloon payment due in July 2011.

This US\$225 million term loan is secured by primarily a first priority mortgage over M/S Norwegian Sun, a debenture granted by NSL, a charge over shares of NSL and a guarantee from the Company. The guarantee contains certain undertakings requiring compliance with certain financial ratios.

On 16 July 2003, the Group also fully repaid the outstanding balance of US\$45 million term loan.

(vii) **€298 million secured term loan**

On 4 April 2003, Ship Holding LLC, an indirect wholly-owned subsidiary of the Company, as borrower entered into agreements with a bank syndicate to provide secured term loans of the equivalent amount in United States Dollars of up to €298 million (equivalent to approximately US\$363.5 million based on the exchange rate of US\$1.2569 to €1 as at 31 December 2003 on the undrawn amount) to part finance the completion of the Pride of America vessel (the “Vessel”) acquired in 2002. As at 31 December 2003, the Group drewdown €128.1 million (equivalent to approximately US\$150.0 million) to pay installments to the shipyard under the construction contract.

The €298 million secured term loan bears interest at a rate, which varies according to LIBOR, is repayable in 24 equal half yearly installments in US dollars commencing 6 months from the earlier of the redelivery date or 29 October 2004.

This facility is secured by primarily a guarantee given by the Company, mortgages over the Vessel, assignments of interests over building contract, the earnings and insurances of the Vessel and certain other assignments of interests in relation to the management of the Vessel. Part of this facility is also secured by a guarantee given by the Federal Republic of Germany acting through Hermes Kreditversicherungs-AG for up to €245 million and interest thereunder. The guarantee by the Company contains certain financial undertakings requiring compliance with certain financial ratios. (see note 1(A))

(viii) On 25 September 2003, the Company entered into two letters of credit facilities in an aggregate amount not exceeding US\$100 million (the “L/C Facilities”) to secure the risk in processing NCL Group credit card sales transactions. The letters of credit pursuant to the L/C Facilities were issued on 26 September 2003. There was no outstanding amount as at 31 December 2003.

The L/C Facilities contain provisions that affect the liquidity and capital resources of the Company including compliance with financial covenants.

- (ix) On 15 September 2003, Arrasas Limited and Ship Ventures Inc., both wholly-owned subsidiaries of the Company, entered into shipbuilding contracts respectively with Jos. L. Meyer GmbH in Germany for the construction of two cruise vessels. The estimated total cost for these two vessels (the “Vessels”) is approximately US\$790.3 million.

On 14 October 2003, the Group accepted a Syndicated Term Loan Facility offer from a syndicate of banks to provide up to 80% of the contract price of the Vessels in loans. The facility bears interest at rates, which vary according to the LIBOR and European Interbank Offer Rate, and is repayable in 24 equal half yearly installments payable at six-monthly intervals commencing 6 months from the relevant vessel delivery dates. This facility is secured prior to delivery by first mortgages over the Vessels under construction, assignments of interests over building contracts, assignments of ship insurances and supervision agreements and post delivery by first mortgages over the Vessels, assignments of ship insurances, Mortgagee Interest Insurances, assignment of earnings, revenue accounts and management agreements with respect to the Vessels.

NCLL’s bank loans (iv) and (v) above

NCLL’s ships and its other property are pledged as collateral for NCLL’s long-term bank loans as at 31 December 2003. Various debt agreements of NCLL contain restrictive covenants, which have been modified from time to time, and among other things, limit the payment of dividends and capital expenditures, and require compliance with certain financial ratios.

22. CONVERTIBLE BONDS

In October 2003, the Company issued US\$180 million 2% Convertible Bonds (the “Bonds”) due in 2008. The Bonds are listed on the Luxembourg Stock Exchange. The issue price of the Bonds was 100% of their principal amount and the Bonds carried interest at the rate of 2% per annum payable semi-annually in arrears. Subject to certain conditions, the Bonds carried a right of conversion into fully-paid ordinary shares of the Company at an initial conversion price of HK\$3.180 (rounded to three decimal places) (US\$0.41 based on a fixed rate of exchange applicable on conversion of the Bonds of HK\$7.743 = US\$1.00) per share, subject to reset and adjustments.

On or at any time after 20 October 2005, the Company may, subject to satisfaction of certain conditions, redeem all or a portion of the Bonds at their Early Redemption Amount (as defined in the Terms and Conditions of the Bonds) which represents a gross yield of 5.55% on a semi-annual basis for the Bondholder plus any accrued interest provided that the closing price of the Company’s ordinary shares for a defined duration of time is at least 125% of the conversion price in effect on the relevant trading day. In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of US\$180 million, the Company shall have the option to redeem such outstanding Bonds in whole but not in part at the Early Redemption Amount plus any accrued interest.

Upon exercise of the right of conversion of the Bonds, the Company may choose to deliver ordinary shares, cash or a combination of cash and ordinary shares with a total value equal to the value of the ordinary shares otherwise deliverable.

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

Unless previously converted, redeemed or purchased and cancelled as set out in the Terms and Conditions of the Bonds, the Bonds will be redeemed on 20 October 2008 at 120.136% of the outstanding principal amount thereof, plus any accrued but unpaid interest.

Detailed terms and conditions of the Bonds are constituted by the trust deed dated 20 October 2003 entered into between the Company and the trustee.

During the year ended 31 December 2003, none of the Bonds were redeemed or purchased by the Company or converted into ordinary shares of the Company.

The net proceeds of approximately US\$176.3 million from the issuance of the Bonds will be used for the acquisition or construction of vessels in line with the Group's strategy to upgrade its fleet, as general working capital and/or for the reduction of outstanding liabilities under certain bank loans of the Group. As at 31 December 2003, the net proceeds of approximately US\$176.3 million was on deposit with banks.

23. SHARE CAPITAL

	GROUP/COMPANY			
	Authorised share capital			
	Preference shares of US\$0.10 each		Ordinary shares of US\$0.10 each	
	<i>No of shares</i>	<i>US\$'000</i>	<i>No of shares</i>	<i>US\$'000</i>
At 31 December 2002 and 2003	<u>10,000</u>	<u>1</u>	<u>9,999,990,000</u>	<u>999,999</u>

	GROUP/ COMPANY	
	Issued and fully paid	
	Ordinary shares of US\$0.10 each	
	<i>No of Shares</i>	<i>US\$'000</i>
At 1 January 2002	4,146,731,537	414,673
Issuance of shares pursuant to the Pre-listing Employee Share Option Scheme	2,895,000	290
Issuance of ordinary shares to an existing shareholder, net of issuance costs of approximately US\$3.0 million	189,091,000	18,909
Issuance of 7 ordinary shares for every 50 existing shares pursuant to a rights issue, net of issuance costs of approximately US\$1.5 million	<u>607,420,455</u>	<u>60,742</u>
At 31 December 2002	<u>4,946,137,992</u>	<u>494,614</u>
At 1 January 2003	4,946,137,992	494,614
Issuance of shares pursuant to the Pre-listing Employee Share Option Scheme	717,510	72
Issuance of 7 ordinary shares for every 100 existing shares pursuant to a rights issue, net of issuance costs of approximately US\$1.3 million	<u>346,279,885</u>	<u>34,628</u>
At 31 December 2003	<u>5,293,135,387</u>	<u>529,314</u>

- (i) In June 2002, the Company issued 189,091,000 new ordinary shares of US\$0.10 each at the subscription price of HK\$3.30 (US\$0.42) per share, with an aggregate price, net of issuance costs, of approximately US\$77.3 million to an existing shareholder in a top-up share placement. The closing price per share on 28 May 2002, the trading date immediate before the Placing, Underwriting and Subscription Agreement was entered into, was HK\$3.60 (US\$0.46) on the Stock Exchange.
- (ii) In December 2002, the Company issued 607,420,455 ordinary shares of US\$0.10 each in the proportion of 7 new ordinary shares for every 50 existing shares held pursuant to a rights issue at the subscription price of HK\$1.95 (US\$0.25), with an aggregate price, net of issuance costs, of approximately US\$150.3 million. The closing price per share on 11 October 2002, the trading date immediate before the Underwriting Agreement was entered into, was HK\$2.70 (US\$0.35) on the Stock Exchange.

- (iii) In December 2003, the Company issued 346,279,885 ordinary shares of US\$0.10 each in the proportion of 7 new ordinary shares for every 100 existing shares held pursuant to a rights issue at the subscription price of HK\$2.25 (US\$0.29), with an aggregate price, net of issuance costs, of approximately US\$99.0 million. The closing price per share on 15 October 2003, the trading date immediate before the Underwriting Agreement was entered into, was HK\$2.50 (US\$0.32) on the Stock Exchange.

The net proceeds of US\$227.6 million from the issuances of ordinary shares in 2002 are being used for the acquisition or construction of vessel(s) and as general working capital. The net proceeds of approximately US\$99.0 million from the issuance of ordinary shares in 2003 will be used for the acquisition or construction of vessels in line with the Group's strategy to upgrade its fleet, as general working capital and/or for the reduction of outstanding liabilities under certain bank loans of the Group.

During the years ended 31 December 2003 and 31 December 2002, the net proceeds from the issuances of ordinary shares in 2002 have been applied as follows:

	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Funding of newbuilding programme	106,974	30,626
Used as general working capital	<u>68,560</u>	<u>15,019</u>
	<u><u>175,534</u></u>	<u><u>45,645</u></u>

As at 31 December 2003, the balance of unapplied proceeds of approximately US\$6.5 million from the issuances of ordinary shares in 2002 together with the net proceeds from the rights issue in 2003 of approximately US\$99.0 million were on deposit with banks.

24. OTHER LONG-TERM LIABILITIES

	GROUP		COMPANY	
	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Deferred gains on derivative instruments	1,959	2,249	594	682
Deferred lease liability	1,181	1,468	—	—
Pension plan	1,254	1,407	—	—
Others	<u>3,598</u>	<u>3,752</u>	<u>—</u>	<u>—</u>
	<u><u>7,992</u></u>	<u><u>8,876</u></u>	<u><u>594</u></u>	<u><u>682</u></u>

25. DEFERRED TAXATION

	GROUP	
	Excess of capital allowances over depreciation	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
The movement on the deferred tax liability account is as follows:		
At 1 January	178	178
Exchange difference	6	—
Deferred taxation charged to profit and loss account	18	—
	<u>202</u>	<u>178</u>
At 31 December	<u>202</u>	<u>178</u>
Deferred tax liabilities to be settled after more than 12 months	<u>202</u>	<u>178</u>

26. FINANCIAL INSTRUMENTS

The fair values of financial instruments including derivatives are based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the balance sheet date or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. The following are the fair values and methods used to estimate the fair values of the Group's financial instruments.

(a) **Certain short-term financial instruments**

The carrying amounts of cash, cash equivalents, trade receivables, trade creditors and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

(b) **Long-term bank loans**

As at 31 December 2003, the fair value of the long-term bank loans, including the current portion, was approximately US\$2,286.5 million, which was approximately US\$12.7 million more than the carrying values. The difference between the fair value and carrying value of the long-term bank loan is due to variable rate debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of long-term bank loans is estimated based on rates currently available for the same or similar terms and remaining maturities.

(c) **Interest rate swaps and foreign exchange forward contracts**

- (i) The Group entered into various Singapore dollars forward contracts and the notional amount of these contracts was approximately 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 31 December 2003 and 2002, the estimated fair market value of these forward contracts were approximately US\$8.3 million and US\$10.0 million, respectively, which were 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.

- (ii) The Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. The notional amount of these forward contracts was approximately US\$60.7 million and will be reduced monthly in fixed amounts maturing within 3 years from December 2002. As at 31 December 2003 and 2002, the estimated market value of these contracts were approximately US\$0.8 million and US\$0.6 million, respectively, which were unfavourable to the Group. The changes in the fair value of these forward contracts were recognised as other expense in the profit and loss account.
- (iii) As at 31 December 2003, the Group has forward contracts maturing every two months up to April 2004 with a total notional amount of US\$160.7 million to hedge against the Euro denominated currency shipbuilding commitments on the completion of the Pride of America vessel.
- (iv) The Group has several interest rate swaps to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. The Group has effectively converted the interest rate of approximately US\$430.4 million of term loans to a fixed rate obligation. 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 31 December 2003 and 2002, the estimated fair market value of the interest rate swaps were approximately US\$34.3 million and US\$44.6 million, respectively, which were 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.

For the year ended 31 December 2003, the Group entered into a series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of approximately US\$140.8 million to limit its exposure to fluctuations in interest rate movements if rate moves beyond the cap level of 5.5%. The notional amount for each interest period will be reduced six-monthly in varying amounts over 5 years from August 2003. As at 31 December 2003, the estimated fair market value of these interest rate swaps was approximately US\$0.1 million, which was unfavourable to the Group. The changes in the fair value of these interest rate swaps are also included as a separate component of reserves and are recognised in the profit and loss account as the underlying hedged items are recognised.

The fair values of these instruments have been estimated using public market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 31 December 2003 other than deposits of cash with reputable financial institutions.

27. COMMITMENTS

(i) Capital expenditure

The Group had the following commitments as at 31 December 2003 and 2002:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Contracted but not provided for		
- Cruise ships and other related costs	<u>995,955</u>	<u>—</u>

(ii) Operating leases

Rent expense under non-cancellable operating lease commitments was US\$7.2 million and US\$6.4 million for the years ended 31 December 2003 and 2002.

At 31 December 2003 and 2002, future minimum lease payments payable under non-cancellable operating leases were as follows:

	GROUP	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	5,437	5,099
In the second to fifth year inclusive	15,767	12,566
After the fifth year	<u>15,181</u>	<u>16,636</u>
	<u>36,385</u>	<u>34,301</u>

The rent expense under non-cancellable operating lease commitments mainly relates to rental of offices occupied by the Group and leasehold land in Thailand.

(iii) Charter hire revenue

Charter hire revenue receivable under non-cancellable operating lease commitments in respect of catamaran and onboard equipment was US\$2.5 million and US\$3.1 million in the years ended 31 December 2003 and 2002.

At 31 December 2003 and 2002, minimum annual rentals receivable for leases with initial or remaining terms in excess of one year were US\$2.5 million each for the year ending 31 December 2004 and 2003, respectively.

The details of assets being leased out are set out in note 12 to the accounts.

28. CONTINGENT LIABILITIES**(i) Contingencies**

As required by the United States Federal Maritime Commission ("FMC"), NCLL maintains a US\$15 million performance guarantee with respect to liabilities for non-performance of transportation and other obligations to passengers. The FMC has proposed rules which, if adopted, would eliminate the US\$15 million ceiling on the performance guarantee requirements and replace it with a sliding scale. If the proposed rules were to be implemented, NCLL's performance guarantee would increase to approximately US\$100 million. The Group cannot predict if or when such rules might be adopted or the final form of any such rules.

(ii) Material litigation

- (1) A proposed class action suit was filed in 1995 against NCLL and other unrelated cruise lines and land based casinos alleging misrepresentations relating to the use of electronic gaming devices. The Court denied class certification and the Plaintiffs have appealed. Oral argument on the Court's order denying class certification was heard by the U.S. Ninth Circuit Court of Appeals on 15 January 2004. To date, an opinion has not been issued.

- (2) In April 1996 a proposed class action was brought in Florida against NCLL alleging violation of Florida's Unfair and Deceptive Trade Practices Act and fraudulent practice by including an element of profit in port charges collected from passengers. The trial court denied plaintiffs motion for class certification. Subsequently, the Third District Court of Appeal reversed the Court's denial of class certification and remanded the case to the trial court with instructions to certify the class. A hearing on NCLL's motion for summary judgement to dismiss the case is set for 10 March 2004. The parties are engaged in settlement negotiations. Settlement agreements entered into by other cruise lines that have settled similar claims have involved the cruise lines issuing cruise credit certificates to the class plaintiffs, paying attorneys' fees to the class plaintiffs counsel and covering administrative expenses of the class settlement.
- (3) In March 2001, NCLL was served with a class action complaint in the United States District Court, Southern District of New York. The complaint alleged that during the period 1 January 1998 through the present, NCLL failed to pay plaintiffs overtime wages in accordance with their contracts of employment. The proposed class consists of all unlicensed seafarers who worked on NCLL vessels during that period of time and seeks recovery of overtime wages plus statutory penalty wages. The Court entered an order certifying the class. A motion for summary judgement is being prepared that will seek to dismiss the claims or restrict the time periods during which plaintiffs may recover damages. No dates have been set for filing or hearing the motions for summary judgement or for trial.
- (4) In May 2003, the *S/S Norway* experienced a severe accident, which resulted in crew casualties and physical property damage to the vessel. Management is of the opinion that the repairs relating to the physical property damage will be covered by the vessel's hull and machinery insurance policy. Numerous personal injury claims have been filed against NCLL seeking compensatory and punitive damages. NCLL has been defending these claims in coordination with its indemnity and insurance arrangements. Many claims have been settled. NCLL has successfully invoked the arbitration provision of the Philippines Overseas Employment Agreement in the District Court, and has initiated arbitration in the Philippines for those cases involving Filipino crewmen, which is the subject of an appeal currently pending in the U.S. Eleventh Circuit Court of Appeals.
- (5) The Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. In the opinion of management, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

29. SHARE OPTION SCHEMES

(i) Pre-listing Employee Share Option Scheme

Prior to the de-merger from GIPLC in December 1997 the employees of the Group were offered share options in GIPLC under the "Genting International Employees' Share Option Scheme for Executives". Subsequently, a share option scheme known as "The Star Cruises Employees' Share Option Scheme for Executives" ("the Pre-listing Employee Share Option Scheme") was implemented for the benefit of the employees of the Group. The employees of the Group were offered options under the Pre-listing Employee Share Option Scheme in exchange for the unexpired share options previously granted by GIPLC.

On 23 August 2000, the share option agreement was modified to reflect a four for one share bonus and to accelerate the original vesting period to comply with the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With effect from 30 November 2000, the date of listing of the Company's shares on the Stock Exchange (the "Listing"), no further options can be granted under the Pre-listing Employee Share Option Scheme.

A summary of the Pre-listing Employee Share Option Scheme is given below:

Purpose

To grant options to selected employees of the Group and Star Cruises Investments Limited, acting as a trustee company for the employees under the said scheme.

Participants

Employees of the Group who are executives of any company comprised in the Group.

Total number of shares available for issue

Prior to the Listing, the allocation of the total amount of options under the Pre-listing Employee Share Option Scheme could not exceed 5% of the issued ordinary shares of the Company at any time during the existence of the Pre-listing Employee Share Option Scheme. No further options can be granted under the Pre-listing Employee Share Option Scheme following the Listing.

Maximum entitlement of each employee

Prior to the Listing, the Board of Directors might in its absolute discretion at any time and from time to time as it deemed fit made an offer to any employee whom the Board of Directors might in its absolute discretion select to subscribe for ordinary shares of the Company in accordance with the terms of the Pre-listing Employee Share Option Scheme provided always that any such offer by the Board in the case of any one employee should not exceed three million shares of the Company or zero point two per centum (0.2%) of the issued ordinary shares of the Company per offer, whichever was the higher amount.

Period within which the shares must be taken up under an option

Prior to the Listing, options would expire until the retirement age of the employees, which is 55 years old, and if the retirement period was less than 10 years from the date of an offer, the option period for the remaining tranches would expire on the tenth year from the grant date or at any age to be determined by the Board. Following the Listing, the options will expire in the tenth year from their original grant date.

Minimum period for which an option must be held before it can be exercised

Under the Pre-listing Employee Share Option Scheme, the Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised. Prior to the Listing, the options generally became exercisable as to 50% of the amount granted 4 years after the grant date and the remaining can be exercised annually in tranches subject to a minimum amount per tranche per year at various dates in the future until the retirement age of the employees.

Following the Listing, options vest over a period of 10 years from their respective original dates of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date, with the remaining options exercisable annually in equal tranches over the remaining option period.

Amount payable on acceptance of the option and period within which payments must be made

Prior to the Listing, an offer of options under the Pre-listing Employee Share Option Scheme should be open for acceptance within three months from the date of such offer or such period as the Board of Directors may at its sole discretion determine. An option price of US\$1 was payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

Prior to the Listing, options were generally granted at an exercise price per share equal to the average of the middle market quotation of the share as quoted and shown in the daily official list issued by the Luxembourg Stock Exchange or any approved stock exchange as the Directors deemed relevant for the five market days preceding the date of the offer in writing to the employee.

Remaining life of the Pre-listing Employee Share Option Scheme

No further options may be granted under the Pre-listing Employee Share Option Scheme following the Listing. The options remaining outstanding thereunder (as modified) remain exercisable under the Pre-listing Employee Share Option Scheme on the terms and conditions subject to the respective grants.

Details of the movement during the year for options outstanding are set out in section headed "Share Options" in the Report of the Directors.

A summary of the share options outstanding as at 31 December 2003 after adjusting for the effects of rights issue is as follows:

Exercise price	Options outstanding		Options exercisable
	Number outstanding <i>(in thousands)</i>	Weighted average remaining life <i>(years)</i>	Number <i>(in thousands)</i>
US\$0.2686	40,357	2.5	19,410
US\$0.4206	<u>25,894</u>	<u>2.6</u>	<u>11,463</u>
	<u>66,251</u>	<u>2.5</u>	<u>30,873</u>

(ii) Post-listing Employee Share Option Scheme

The Company adopted a share option scheme on 23 August 2000 which was effected on 30 November 2000 upon listing of the Company's shares on the Stock Exchange and amended on 22 May 2002 (the "Post-listing Employee Share Option Scheme") to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange effective 1 September 2001. A summary of the Post-listing Employee Share Option Scheme is given below:

Purpose

The main purpose of the Post-listing Employee Share Option Scheme is to motivate the employees of the Group including any executive directors of any company in the Group.

Participants

The participants are the employees of the Group including any executive director of any company in the Group.

Total number of shares available for issue

The maximum number of shares available for issue under the Post-listing Employee Share Option Scheme and options to be granted under any other schemes of the Company is 132,733,953, representing approximately 3.2% of the issued share capital of the Company as of 22 May 2002 (the date of adoption of the Post-listing Employee Share Option Scheme (as amended) and approximately 2.5% of the issued share capital as at the date of this Report.

Maximum entitlement of each employee

The total number of shares issued and to be issued upon exercise of the options granted to any one employee (including the exercised, cancelled and outstanding options) in any 12-month period up to and including the proposed date of the latest grant shall not exceed 1 per cent. of shares in issue, provided that the Company may grant further options in excess of this 1 per cent. limit subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

Granting options to Directors, Chief Executive or Substantial Shareholders

Any grant of options to a Director, the Chief Executive or a Substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is a grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder (as defined in the Listing Rules) or any Independent Non-executive Director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the shares in issue; and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the shares as quoted in the Stock Exchange's daily quotation sheet at the offer date of such option

Such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which the connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

Period within which the shares must be taken up under an option

The period during which the options may be exercised will be determined by the Board of Directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted.

Minimum period for which an option must be held before it can be exercised

The Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised.

Amount payable on acceptance of the option and period within which payments must be made

An offer of options shall be open for acceptance for a period of ninety days after the date of offer or such period as the Board of Directors may at its sole discretion determine. An option price of US\$1 shall be payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

The exercise price shall be determined by the Board of Directors of the Company, save that such price will not be less than the highest of (a) the closing price of the shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

Remaining life of the Post-listing Employee Share Option Scheme

The Post-listing Employee Share Option Scheme will remain in force until 29 November 2010.

On 8 September 2003, the Share Option Committee of the Board of Directors approved an offer of options to an employee of the Group entitling him to subscribe for an aggregate of 741,000 shares under the Post-listing Employee Share Option Scheme.

Further details of the offer and the movement during the year for options outstanding are stated in the section headed "Share Options" in the Report of the Directors.

The options vest in seven tranches over a period of ten years from their respective dates of offer and become exercisable as to 30% and 20% of the amount granted commencing in 2 years and 3 years respectively after the dates of offer, with the remaining options exercisable annually in equal tranches of 10% commencing each of the following years, subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

A summary of the share options outstanding as at 31 December 2003 after adjusting for the effects of rights issue is as follows:

Exercise price	Options outstanding		Options exercisable
	Number outstanding <i>(in thousands)</i>	Weighted average remaining life <i>(years)</i>	Number <i>(in thousands)</i>
HK\$2.9944	<u>99,649</u>	<u>8.6</u>	<u>Nil</u>

30. PENSIONS AND OTHER POST RETIREMENT OBLIGATIONS**(a) Defined Contribution Plans**

NCLL has a defined contribution plan (the “Plan”) for its shoreside employees. Effective 1 January 2002, NCLL amended the Plan to cease employer contributions. The Plan is subject to the provisions of the U.S. Employment Retirement Income Security Act of 1974.

In addition, NCLL maintains a 401(k) Plan (the “401(k) Plan”). The 401(k) Plan covers substantially all its shoreside employees. Participants may contribute up to 100% of eligible compensation each pay period, subject to certain limitation. NCLL makes matching contributions equal to 100% of the first 3% and 50% of the next 7% of the participant’s contribution and shall not exceed 6.5% of each participant’s compensation. NCLL’s matching contributions are vested according to a five-year schedule.

NCLL maintains a Supplemental Executive Retirement Plan (“SERP Plan”), a defined contribution plan, for certain of its key employees whose benefits are limited under the Plan and the 401(k) Plan. NCLL records an expense for amounts due to the SERP Plan on behalf of each participant that would have been contributed without regard to any limitations imposed by the U.S. Internal Revenue Code. No amounts are required to be or were contributed under the SERP Plan by NCLL as at 31 December 2003 and 2002 as the SERP Plan is unfunded.

NCLL recorded expenses related to the above described defined contribution plans of approximately US\$2.4 million and US\$2.1 million for the years ended 31 December 2003 and 2002, respectively.

NCLL’s contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Approximately US\$0.01 million of the forfeited contribution was utilised in each of the years ended 31 December 2003 and 2002. As at 31 December 2003 and 2002, approximately US\$0.01 million and US\$0.1 million respectively were available to reduce future contributions.

In addition to the above plans, the Group also contributes to other statutory defined contribution plans, including provident fund scheme of various countries in which it operates.

(b) Defined Benefit Plan

The Group maintains a Supplemental Senior Executive Retirement Plan (“SSERP Plan”), a defined benefit plan, for selected senior executives. The Group has recorded within payroll, taxes and related benefits accrual at 31 December 2003 and 2002 of approximately US\$7.0 million and US\$5.0 million respectively with respect to the SSERP Plan in the accompanying balance sheet. The Group records an expense related to the SSERP Plan for such amounts based on the following actuarial assumptions: 5% discount rate and 5% annual increase in compensation.

No amounts are required to be or were contributed under the SSERP Plan by the Group as at 31 December 2003 and 2002 as the SSERP Plan is unfunded. The Group recorded expenses related to the above described defined benefit plan of approximately US\$2.0 million and US\$5.0 million within selling, general and administrative expenses for the years ended 31 December 2003 and 2002, respectively.

31. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiary companies as at 31 December 2003:

Name of Company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital (in thousands)	Effective equity interest in percentage	Principal activities
<i>Subsidiaries held directly:</i>					
Star Cruise Management Limited	Note (1)	Isle of Man	US\$2,000	100.00	Investment holding, ship management and marketing services
Cruise Properties Limited	Isle of Man	Isle of Man	RM197,600	100.00	Investment holding
Inter-Ocean Limited	Isle of Man	Isle of Man	US\$52,000	100.00	Investment holding
Star Cruise Services Limited	Isle of Man	Isle of Man	US\$52,000	100.00	Investment holding and cruise services
Cruise Ferries Holding Limited	Bermuda	Bermuda	US\$12	100.00	Investment holding and cruise ferry services
Arrasas Limited	Isle of Man	Isle of Man	US\$997,218	100.00	Investment holding
<i>Subsidiaries held indirectly:</i>					
Superstar Leo Limited	Note (2)	Isle of Man	US\$30,000	100.00	Bareboat chartering
Superstar Virgo Limited	Note (2)	Isle of Man	US\$25,000	100.00	Bareboat chartering
Norwegian Star Limited	Note (2)	Isle of Man	US\$0.002	100.00	Cruise services
Norwegian Dawn Limited	Note (2)	Isle of Man	US\$0.002	100.00	Cruise services
Norwegian Sun Limited	Note (2)	Bermuda	US\$12	100.00	Cruise services
Star Cruises Ship Management Sdn. Bhd.	Malaysia	Malaysia	RM150	100.00	Operator of ship simulator for training purposes and marine and technical administrative services
Norwegian Cruise Line Limited	Note (2)	Bermuda	US\$317,326	100.00	Cruise services

RM: Malaysian Ringgit

(1) This company provides ship management and marketing services to cruise ships operating substantially in international waters.

(2) These companies provide cruise services substantially in international waters.

32. SIGNIFICANT SUBSEQUENT EVENTS

(i) On 14 January 2004, the newbuild, Pride of America was grounded and took on water up to deck three during a heavy storm while under completion at the Lloyd Werft shipyard in Germany. The ship has been refloated and is being inspected in dry dock to determine the extent of damage and to estimate what is likely to be a substantial delay in delivery while a program of repair and replacement is being developed.

(ii) On 9 February 2004, the Group contracted for the sale of m.v. SuperStar Aries for delivery in early April 2004.

3. UNAUDITED INTERIM RESULTS

The following is an extract from the unaudited interim report to shareholders of the Group for the nine months ended 30 September 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Nine months ended	
		30 September	
		2004	2003
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>unaudited</i>	<i>unaudited</i>
Turnover	2	1,246,332	1,218,176
Operating expenses (excluding depreciation and amortisation)		(801,997)	(799,233)
Selling, general and administrative expenses (excluding depreciation)		(190,908)	(182,949)
Depreciation and amortisation		<u>(138,062)</u>	<u>(147,277)</u>
		<u>(1,130,967)</u>	<u>(1,129,459)</u>
Operating profit	2,3	115,365	88,717
Interest income		2,010	2,054
Financial costs	4	(77,720)	(70,332)
Other non-operating expenses, net	5	<u>(10,744)</u>	<u>(4,674)</u>
		<u>(86,454)</u>	<u>(72,952)</u>
Profit before taxation		28,911	15,765
Taxation	6	<u>(670)</u>	<u>(1,261)</u>
Net profit for the period		<u>28,241</u>	<u>14,504</u>
Basic earnings per share (US cents)	7	0.53	0.29
Fully diluted earnings per share (US cents)	7	0.49	0.29
Operating data			
Passenger Cruise Days		6,317,867	6,358,900
Capacity Days		6,093,773	6,643,851
Occupancy as a percentage of total capacity days		104%	96%

CONSOLIDATED BALANCE SHEET

	Note	As at	
		30 September 2004 US\$'000 unaudited	31 December 2003 US\$'000 audited
Intangible assets		609,402	621,750
Deferred tax asset		383	—
Fixed assets		3,755,393	3,626,873
Restricted cash		150	150
Other assets	8	72,735	39,689
CURRENT ASSETS			
Consumable inventories		44,637	38,075
Trade receivables	9	14,821	17,423
Prepaid expenses and others		44,342	44,274
Amounts due from related companies	13	155	—
Restricted cash		29,397	30,724
Cash and cash equivalents		247,414	377,033
		<u>380,766</u>	<u>507,529</u>
CURRENT LIABILITIES			
Trade creditors	10	49,479	98,950
Provisions, accruals and other liabilities		248,191	229,824
Current portion of long-term borrowings	11	140,358	1,074,226
Amounts due to related companies	13	—	109
Advance ticket sales		234,053	196,605
		<u>672,081</u>	<u>1,599,714</u>
Net current liabilities		<u>(291,315)</u>	<u>(1,092,185)</u>
Total assets less current liabilities		<u>4,146,748</u>	<u>3,196,277</u>
Financed by:			
Share capital		529,320	529,314
Reserves		1,318,386	1,279,202
Shareholders' funds		1,847,706	1,808,516
Long-term borrowings	11	2,113,328	1,199,567
Convertible bonds	12	180,000	180,000
Other long-term liabilities		5,171	7,992
Deferred tax liabilities		543	202
		<u>4,146,748</u>	<u>3,196,277</u>

CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended	
	30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
OPERATING ACTIVITIES		
Cash generated from operations	273,076	182,112
Interest paid	(65,295)	(75,174)
Interest received	1,978	2,046
Income tax paid	<u>(1,635)</u>	<u>(1,227)</u>
Net cash inflow from operating activities	<u>208,124</u>	<u>107,757</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(330,639)	(183,159)
Proceeds from sale of fixed assets	60,377	188
Others	<u>(4,287)</u>	<u>—</u>
Net cash outflow from investing activities	<u>(274,549)</u>	<u>(182,971)</u>
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,327,080	303,664
Principal repayments of long-term borrowings	(1,347,187)	(419,552)
Proceeds from issuance of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	18	189
Restricted cash, net	1,327	(43,872)
Payment of loan arrangement fees	(43,458)	(17,090)
Others, net	<u>(862)</u>	<u>(442)</u>
Net cash outflow from financing activities	<u>(63,082)</u>	<u>(177,103)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(112)</u>	<u>900</u>
Net decrease in cash and cash equivalents	(129,619)	(251,417)
Cash and cash equivalents at the beginning of the period	<u>377,033</u>	<u>416,958</u>
Cash and cash equivalents at the end of the period	<u><u>247,414</u></u>	<u><u>165,541</u></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/ (Accumulated losses) <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended								
30 September 2004								
<i>unaudited</i>								
At 1 January 2004	529,314	1,267,901	92,818	(23,013)	(2,065)	(34,366)	(22,073)	1,808,516
Exchange translation differences	—	—	—	(1,695)	—	—	—	(1,695)
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(3,937)	—	(3,937)
- Transferred to profit and loss account	—	—	—	—	—	15,901	—	15,901
Net amounts not recognised in the profit and loss account	—	—	—	(1,695)	—	11,964	—	10,269
Net profit for the period	—	—	—	—	—	—	28,241	28,241
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	6	12	—	—	—	—	—	18
Amortisation of share option expense	—	—	—	—	662	—	—	662
At 30 September 2004	<u>529,320</u>	<u>1,267,913</u>	<u>92,818</u>	<u>(24,708)</u>	<u>(1,403)</u>	<u>(22,402)</u>	<u>6,168</u>	<u>1,847,706</u>

During the nine months ended 30 September 2004, the remaining net proceeds from the rights issue in 2002 of approximately US\$6.5 million and the net proceeds from the rights issue in 2003 of approximately US\$99 million have been used to fund the newbuilding programme. As at 30 September 2004, there were no unapplied proceeds from the issuance of ordinary shares in 2002 and 2003.

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 2003								
<i>unaudited</i>								
At 1 January 2003	494,614	1,203,404	93,436	(25,842)	(3,912)	(44,570)	102,400	1,819,530
Exchange translation differences	—	—	—	2,250	—	—	—	2,250
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(7,339)	—	(7,339)
- Transferred to profit and loss account	—	—	—	—	—	15,347	—	15,347
Net amounts not recognised in the profit and loss account	—	—	—	2,250	—	8,008	—	10,258
Net profit for the period	—	—	—	—	—	—	14,504	14,504
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	70	119	—	—	—	—	—	189
Amortisation of share option expense	—	—	—	—	1,100	—	—	1,100
At 30 September 2003	<u>494,684</u>	<u>1,203,523</u>	<u>93,436</u>	<u>(23,592)</u>	<u>(2,812)</u>	<u>(36,562)</u>	<u>116,904</u>	<u>1,845,581</u>

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”) in force prior to 31 March 2004 which remains applicable to interim reports in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements. 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 2003.

This interim report should be read in conjunction with the annual accounts of the Group for the year ended 31 December 2003.

On 1 January 2004, the Group revised the estimated useful life of the catamaran from 30 years to 20 years to more realistically reflect its remaining estimated useful life. The change in the useful life of the catamaran did not have any material effect on the results and financial position of the Group for the nine months ended 30 September 2004.

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

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 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	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Nine months ended 30 September						
<i>unaudited</i>						
Turnover	<u>1,243,759</u>	<u>1,215,692</u>	<u>2,573</u>	<u>2,484</u>	<u>1,246,332</u>	<u>1,218,176</u>
Operating profit	<u>115,032</u>	<u>88,153</u>	<u>333</u>	<u>564</u>	115,365	88,717
Interest income					2,010	2,054
Financial costs					(77,720)	(70,332)
Other non-operating expenses, net					<u>(10,744)</u>	<u>(4,674)</u>
Profit before taxation					28,911	15,765
Taxation					<u>(670)</u>	<u>(1,261)</u>
Net profit for the period					<u>28,241</u>	<u>14,504</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

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

	TURNOVER	
	Nine months ended	
	30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
Asia Pacific	298,746	306,069
North America (<i>note</i>)	859,907	826,796
Others	<u>87,679</u>	<u>85,311</u>
	<u>1,246,332</u>	<u>1,218,176</u>
	OPERATING PROFIT	
	Nine months ended	
	30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
Asia Pacific	71,154	18,117
North America (<i>note</i>)	46,198	69,294
Others	<u>5,287</u>	<u>7,612</u>
Amortisation of goodwill	122,639	95,023
	<u>(7,274)</u>	<u>(6,306)</u>
	<u>115,365</u>	<u>88,717</u>

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

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Nine months ended 30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
Depreciation of fixed assets	124,198	135,179
Amortisation of software development costs	1,517	324
Amortisation of goodwill	7,274	6,306
Amortisation of trade names and trademarks	5,073	5,468
Total depreciation and amortisation	138,062	147,277
- relating to operating function	130,874	138,951
- relating to selling, general and administrative function	7,188	8,326
Proceeds from the loss-of-hire insurance coverage, net of expenses	—	(5,297)
Custom fines on itinerary modifications resulting from the Azipod problem on a ship	4,333	—
	<u>4,333</u>	<u>—</u>

4. FINANCIAL COSTS

	Nine months ended 30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
Amortisation of:		
- bank loans arrangement fees	4,421	2,499
- issue costs of convertible bonds and US\$250 million Senior Notes	767	—
Interests on:		
- bank loans	61,574	67,535
- convertible bonds and US\$250 million Senior Notes	13,156	—
Loans arrangement fees written off	4,086	1,422
Total borrowing cost incurred	84,004	71,456
Less: interest capitalised in fixed assets	(6,284)	(1,124)
Total financial costs	<u>77,720</u>	<u>70,332</u>

The capitalisation rates applied to funds borrowed and used for the construction of the cruise ships for the nine months ended 30 September 2004 were between 1.9% and 3.0% per annum.

5. OTHER NON-OPERATING EXPENSES, NET

	Nine months ended 30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
(Gain)/Loss on disposal of fixed assets	165	(24)
Loss on foreign exchange	1,209	905
(Gain)/Loss on financial instruments	7,458	(1,871)
Other non-operating expenses, net	<u>1,912</u>	<u>5,664</u>
	<u>10,744</u>	<u>4,674</u>

6. TAXATION

	Nine months ended 30 September	
	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
Overseas taxation		
- Current taxation	1,225	1,243
- Deferred taxation	<u>(166)</u>	<u>18</u>
	1,059	1,261
(Over)/Under provision in respect of prior years		
- Current taxation	(541)	—
- Deferred taxation	<u>152</u>	<u>—</u>
	<u>670</u>	<u>1,261</u>

The Company, which is domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions. However, the Group has incurred a tax charge, as illustrated in the table above, based on the income which is subject to local tax in certain of the jurisdictions where it operates. The appropriate local tax rate has been applied, in such circumstances, to determine the applicable tax charge.

7. EARNINGS PER SHARE

Earnings per share has been calculated as follows:

	Nine months ended 30 September	
	2004 <i>US\$'000</i> <i>unaudited</i>	2003 <i>US\$'000</i> <i>unaudited</i>
BASIC		
Net profit	<u>28,241</u>	<u>14,504</u>
Weighted average outstanding ordinary shares in thousands	<u>5,293,181</u>	<u>4,946,279</u>
Basic earnings per share in US cents	<u>0.53</u>	<u>0.29</u>
FULLY DILUTED		
Net profit	<u>28,241</u>	<u>14,504</u>
Weighted average outstanding ordinary shares in thousands	5,293,181	4,946,279
Effect of dilutive ordinary shares in thousands	<u>438,614</u>	<u>198</u>
Weighted average outstanding ordinary shares after assuming dilution in thousands	<u>5,731,795</u>	<u>4,946,477</u>
Fully diluted earnings per share in US cents	<u>0.49</u>	<u>0.29</u>

8. OTHER ASSETS

	As at	
	30 September 2004 <i>US\$'000</i> <i>unaudited</i>	31 December 2003 <i>US\$'000</i> <i>audited</i>
Loans, convertible bonds and US\$250 million Senior Notes issuance costs	56,022	25,704
Software development costs, net	15,434	13,164
Others	<u>1,279</u>	<u>821</u>
	<u>72,735</u>	<u>39,689</u>

9. TRADE RECEIVABLES

	As at	
	30 September 2004	31 December 2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Trade receivables	18,652	22,501
Less: Provisions	<u>(3,831)</u>	<u>(5,078)</u>
	<u>14,821</u>	<u>17,423</u>

At 30 September 2004 and 31 December 2003, the ageing analysis of the trade receivables was as follows:

	As at	
	30 September 2004	31 December 2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Current to 30 days	5,693	11,231
31 days to 60 days	2,264	4,420
61 days to 120 days	2,237	2,413
121 days to 180 days	2,159	1,434
181 days to 360 days	4,983	1,820
Over 360 days	<u>1,316</u>	<u>1,183</u>
	<u>18,652</u>	<u>22,501</u>

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

10. TRADE CREDITORS

The ageing of trade creditors as at 30 September 2004 and 31 December 2003 were as follows:

	As at	
	30 September 2004	31 December 2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Current to 60 days	40,463	91,085
61 days to 120 days	4,912	7,289
121 days to 180 days	2,523	155
Over 180 days	1,581	421
	<u>49,479</u>	<u>98,950</u>

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

11. LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

		As at	
		30 September 2004	31 December 2003
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>unaudited</i>	<i>audited</i>
US\$521.6 million syndicated term loan	(i)	171,734	364,906
US\$626.9 million syndicated term loan	(i)	282,115	564,230
US\$450 million term loan	(i)	182,300	412,500
US\$210 million Pride of Aloha Loan	(i)	—	154,000
US\$623 million Fleet Loan	(iii)	—	403,200
US\$225 million term loan		207,000	225,000
€298 million secured term loan		234,378	149,957
US\$400 million Reducing Revolving Credit Facility	(iii)	373,500	—
US\$334.1 million Norwegian Jewel Loan	(ii)	112,659	—
US\$800 million Loan Facility	(i)	440,000	—
US\$250 million Senior Notes	(i), (iv)	250,000	—
		<u>2,253,686</u>	<u>2,273,793</u>
Total liabilities		2,253,686	2,273,793
Less: Current portion		<u>(140,358)</u>	<u>(1,074,226)</u>
		<u>2,113,328</u>	<u>1,199,567</u>
Long-term portion		<u>2,113,328</u>	<u>1,199,567</u>

All the above long-term borrowings are denominated in U.S. dollars except €27 million of €298 million secured term loan which is denominated in Euro.

- (i) On 7 July 2004, NCL Corporation Ltd. (“NCLC”), a direct wholly-owned subsidiary of the Company, as borrower signed an agreement for a Secured Credit Facility with a syndicate of banks to provide up to US\$800 million, comprising a term loan facility of US\$300 million and a revolving credit facility of US\$500 million (the “US\$800 million Loan Facility”). The US\$800 million Loan Facility bears interest at rates which varies according to London Interbank Offer Rate (“LIBOR”) and will mature on the sixth anniversary of the signing of the loan documentation. The US\$500 million Revolving Credit Facility entered into on 23 April 2004 intended for the re-financing of Norwegian Star, part acquisition of Norwegian Spirit and for general corporate purposes has not been drawn down and has been cancelled in conjunction with the creation of the US\$800 million Loan Facility.

During the three months ended 30 September 2004, the Group drewdown US\$480 million under the US\$800 million Loan Facility and together with the net proceeds from the Senior Notes issue (see note 11 (iv)), repaid the outstanding amount of the Pride of Aloha Loan and loans related to Norwegian Spirit and Norwegian Star as well as partially repaid the US\$450 million term loan. The Group repaid US\$40 million of the US\$800 million Loan Facility during the three months ended 30 September 2004.

The US\$800 million Loan Facility is secured by ship mortgages over Norwegian Spirit, Pride of Aloha and Norwegian Star and guaranteed by the subsidiaries which own these vessels. The facility contains restrictive covenants which require compliance with certain financial ratios.

- (ii) On 20 April 2004, Hull 667 Limited, an indirect wholly-owned subsidiary of the Company, as borrower, secured a term loan of up to US\$334.1 million (the “US\$334.1 million Norwegian Jewel Loan”) from a syndicate of banks to part finance the construction of Norwegian Jewel. On the same date, an indirect wholly-owned subsidiary of the Company, Ship Ventures Inc., as borrower, secured a term loan of up to €308.1 million (equivalent to approximately US\$379.5 million based on the exchange rate of US\$1.2319 to €1 as at 30 September 2004, the “€308.1 million Pride of Hawaii Loan”) from a syndicate of banks to part finance the construction of Pride of Hawaii.

During the three months ended 30 September 2004, the Group drewdown US\$73.0 million of the US\$334.1 million Norwegian Jewel Loan to pay the shipyard. No amount was drawdown from the €308.1 million Pride of Hawaii Loan during the three months ended 30 September 2004.

The facility under the US\$334.1 million Norwegian Jewel Loan bears interest at a rate, which varies according to LIBOR, is repayable in 24 equal half yearly installments commencing 6 months from the earlier of the delivery date of the Norwegian Jewel or 31 January 2006.

The facility under the €308.1 million Pride of Hawaii Loan bears interest at a rate, which varies according to European Interbank Offer Rate or LIBOR depending on whether amounts under the facility are drawdown in Euro or US dollars. This facility is repayable in 24 equal half yearly installments commencing 6 months from the earlier of the delivery date of the Pride of Hawaii or 10 October 2006.

These facilities are secured by guarantees from NCLC, a charge over the shares of the borrowers and a debenture over the assets of Hull 667 Limited (in relation to the US\$334.1 million Norwegian Jewel Loan only). Prior to delivery, the facilities are secured by first mortgages over Norwegian Jewel and Pride of Hawaii under construction, assignments of the building contracts, assignments of ship insurances and supervision agreements.

- (iii) On 20 April 2004, the Company as borrower signed an agreement for a Reducing Revolving Credit Facility with a syndicate of banks to provide up to US\$400 million (“US\$400 million facility”) to refinance the outstanding balance of the US\$623 million Fleet Loan (“Fleet Loan”). On 23 April 2004, the Group drewdown US\$400 million under the US\$400 million facility and together with US\$3.2 million of internally generated funds, repaid the outstanding amount of the Fleet Loan. The US\$400 million facility bears interest at a rate which varies according to LIBOR, and is repayable in 14 equal half yearly installments with a balloon payment due in April 2011.

The US\$400 million facility is secured primarily by a first priority mortgage over and other security relating to certain of the Group’s ships and a guarantee given by various wholly-owned subsidiaries of the Company. The guarantee contains undertakings requiring compliance with certain financial ratios.

- (iv) In July 2004, NCLC completed the issue of US\$250 million 10-year Senior Notes (“Senior Notes”) due in 2014. The Senior Notes carries interest at a rate of 10.625% per annum payable semi-annually in arrears. On or after 15 July 2009, NCLC may redeem all or a portion of the Senior Notes. NCLC may also redeem up to 35% of the notes using the cash proceeds of certain equity offerings completed before 15 July 2007.

12. CONVERTIBLE BONDS

During the nine months ended 30 September 2004, none of the Convertible Bonds (the “Bonds”) were redeemed or purchased by the Company or converted into ordinary shares of the Company.

The net proceeds of approximately US\$176.3 million from the issuance of the Bonds is being used for the acquisition or construction of vessels in line with the Group’s strategy to upgrade its fleet, as general working capital and / or for the reduction of outstanding liabilities under certain bank loans of the Group. During the nine months ended 30 September 2004, the Group used approximately US\$58.9 million of the net proceeds to fund the newbuilding programme and for general working capital purposes. As at 30 September 2004, the balance of unapplied proceeds of approximately US\$117.4 million was on deposit with banks.

13. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various discretionary trusts established for the benefit of certain members of Tan Sri Lim Goh Tong’s family, is a substantial shareholder of the Company.

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 (“KHD”) 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 Bursa Malaysia Securities Berhad (“Bursa Malaysia”), controls Resorts World Bhd (“RWB”), a company also listed on Bursa Malaysia which in turn indirectly 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.

WorldCard International Limited (“WCIL”) is a company in which a subsidiary of each of the Group and GIPLC has a 50% interest.

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

- (a) KHD, together with its related companies, was 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 for the nine months ended 30 September 2004 and 2003 were approximately US\$12,000 and US\$- 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 purchases air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled approximately US\$455,000 and US\$540,000 for the nine months ended 30 September 2004 and 2003 respectively.
- (c) The Group provides certain administrative support services to GIPLC internationally and the amounts charged to GIPLC were approximately US\$51,000 and US\$72,000 for the nine months ended 30 September 2004 and 2003 respectively.
- (d) On 19 January 2004, the Group subscribed for 500,000 shares of US\$1 each at par in WCIL and participated as a merchant in the customer loyalty programme known as "WorldCard". WCIL together with its related companies operates and administers the WorldCard programme on an international basis (save as Malaysia). In October 2004, the Group entered into a supplementary agreement whereby the Group was allowed to participate in the WorldCard programme in Malaysia.

In addition, certain agreements were entered into among certain subsidiaries of the Group and RWB and a subsidiary of the GB Group in relation to the implementation of joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

During the nine months ended 30 September 2004, the following transactions took place:

	<i>US\$'000</i>
	<i>unaudited</i>
Share of losses from WCIL	(177)
Amount charged from GB Group to the Group	(294)
Amount charged to the GB Group by the Group	<u>438</u>

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.

14. FINANCIAL INSTRUMENTS

- (i) The Group has several interest rate swaps to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. The Group has effectively converted the interest rate of an aggregate US\$430.4 million of 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 2004, the estimated fair market value of the interest rate swaps was approximately US\$23.8 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.

The Group has a series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of approximately US\$140.8 million to limit its exposure to fluctuations in interest rate movements if rate moves beyond the cap level of 5.5%. The notional amount for each interest period will be reduced six-monthly in varying

amounts over 5 years from August 2003. As at 30 September 2004, the estimated fair market value of these interest rate swaps was approximately US\$0.4 million, which was unfavourable to the Group. The changes in the fair value of these interest rate swaps are also included as a separate component of reserves and are recognised in the profit and loss account as the underlying hedged items are recognised.

- (ii) The Group entered into various Singapore dollars forward contracts and the notional amount of these contracts was approximately 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 2004, the estimated fair market value of these forward contracts was approximately US\$5.0 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) The Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. The notional amount of these forward contracts was approximately US\$60.7 million and will be reduced monthly in fixed amounts maturing within 3 years from December 2002. As at 30 September 2004, the estimated fair market value of these contracts was approximately US\$0.3 million, which was unfavourable to the Group. The changes in the fair value of these forward contracts were recognised as other expense in the profit and loss account.
- (iv) The Group had forward contracts maturing every two months up to April 2004 with a total notional amount of US\$160.7 million which were originally designated as a hedge against the Euro denominated currency shipbuilding commitments on the construction of the Pride of America vessel. As a result of the Pride of America incident, where the vessel took on excessive amounts of water and partially sank during a severe storm while under construction at the Lloyd Werft Bremerhaven shipyard in Germany causing a delay in the completion of the ship, the hedge became ineffective as at 14 January 2004. These forward contracts matured in April 2004 and the Group recognised a loss of US\$1.5 million in the nine months ended 30 September 2004.

The Group then entered into two forward contracts maturing in July 2004 for total notional amounts of US\$92.1 million and €78.2 million. These forward contracts matured in July 2004 and the Group recognised a loss of US\$2.1 million in the nine months ended 30 September 2004.

The fair values of these instruments have been estimated using public market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 30 September 2004 other than deposits of cash with reputable financial institutions.

15. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) **Capital expenditure**

The Group had the following commitments as at 30 September 2004 and 31 December 2003:

	As at	
	30 September 2004	31 December 2003
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Contracted but not provided for		
- Cruise ships and other related costs	<u>734,165</u>	<u>995,955</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 2003 and the interim reports for the three months ended 31 March 2004 and the three months and six months ended 30 June 2004.

(iii) **Other Commitments**

In June 2004, NCLC entered into a contract with the City of New York pursuant to which NCLC will receive preferential berths on specific piers in New York City's cruise terminals. In return, NCLC has committed to bring a specified volume of passenger throughput to New York City between 2005 and 2018. New York City has also committed to modernise and renovate its cruise terminal facilities.

This commitment together with commitments over various time periods in certain other ports, results in the following total contractual obligations for usage of port facilities:

	As at 30 September 2004
	<i>US\$'000</i>
	<i>unaudited</i>
Within one year	13,610
In the second and fifth year inclusive	47,304
After the fifth year	<u>69,016</u>
	<u><u>129,930</u></u>

4. INDEBTEDNESS

As at the close of business on 31 December 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an aggregate outstanding borrowings (including accrued interest) of approximately US\$2.64 billion which comprised secured bank loans of approximately US\$2.19 billion; convertible bonds of approximately US\$0.19 billion and unsecured senior notes of approximately US\$0.26 billion. The secured bank loans were secured by legal charges over properties including vessels.

As at the close of business on 31 December 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had bank and cash balances of approximately US\$0.34 billion. After taking these bank and cash balances into account, the net borrowings of the Group amounted to approximately US\$2.30 billion.

As at 31 December 2004, the Group's total available credit facilities were approximately US\$4.25 billion, of which approximately US\$1.07 billion remained undrawn. As at 31 December 2004, approximately US\$2.19 billion of the drawn down amount remained outstanding. These facilities were secured by legal charges over vessels including fixed and floating charges over assets of the Group and guarantees given by the Group.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities, as at the close of business on 31 December 2004, the Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Amounts referred to in this indebtedness statement denominated in currencies other than US dollars have been translated into US dollars at the relevant rates of exchange prevailing at the close of business on 31 December 2004.

No material change

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 December 2004.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds and available unutilised credit facilities, the Group has sufficient working capital for its present requirements in the absence of any unforeseen circumstances.

6. FINANCIAL EFFECTS OF THE TRANSACTION

As the construction of the Vessel will be financed by internal resources together with bank borrowings, there will be no impact on the Group's net asset value. The Vessel will be included in the Company's consolidated balance sheet as a fixed asset. The resulting increase in fixed assets will be offset by a decrease in current assets by the amount of cash payments made for the construction of the Vessel and an increase in liabilities by the amount of bank loan obtained for financing the construction of the Vessel.

Subject to the satisfaction of the conditions specified in the Shipbuilding Contract, the Vessel shall be ready for delivery in the first quarter of 2007 subject to any extensions to the delivery date of the Vessel in accordance with the terms of the Shipbuilding Contract. The Directors believe that the Vessel, upon delivery and operation, will improve the operating efficiency and revenue potential of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the Group's financial or trading position or prospects since 31 December 2003, being the date to which the Group's latest published audited accounts were made up.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be entered into the register pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

2.1 Interests in the Shares

Name of Director	Number of Shares (Notes)				Total	Percentage of issued Shares
	Personal interests	Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	8,068,977	4,599,245,708	1,952,619,759	4,570,887,811	4,607,314,685	87.042
		(1)	(2)	(3 and 4)	(5)	
Mr. Chong Chee Tut	456,205	—	—	—	456,205	0.009
Mr. William Ng Ko Seng	228,229	—	—	—	228,229	0.004
Mr. David Colin Sinclair Veitch	335,445	—	—	—	335,445	0.006

Notes:

1. Tan Sri Lim Kok Thay ("Tan Sri KT Lim") has a family interest in 4,599,245,708 Shares (comprising (i) the same block of 1,908,561,862 Shares directly held by RWL, the same block of 15,700,000 Shares directly held by Genting Overseas Holdings Limited ("GOHL") and the same block of 2,646,625,949 Shares directly or indirectly held by Golden Hope as trustee of GHUT in which his child has deemed interests and (ii) the same block of 28,357,897 Shares directly held by Goldsfine in which his wife, Puan Sri Wong Hon Yee ("Puan Sri Wong") has a corporate interest).
2. Tan Sri KT Lim is also deemed to have a corporate interest in 1,952,619,759 Shares (comprising (i) the same block of 1,908,561,862 Shares directly held by RWL and the same block of 15,700,000 Shares directly held by GOHL by virtue of his interests in a chain of corporations holding RWL and GOHL (details of the percentage interests in such corporations are set out in the section headed "Substantial Shareholders") and (ii) the same block of 28,357,897 Shares directly held by Goldsfine in which each of Tan Sri KT Lim and Puan Sri Wong holds 50% of its issued share capital).

3. Tan Sri KT Lim as founder and a beneficiary of two discretionary trusts, has a deemed interest in 4,570,887,811 Shares (comprising the same block of 1,908,561,862 Shares directly held by RWL, the same block of 15,700,000 Shares directly held by GOHL and the same block of 2,646,625,949 Shares directly or indirectly held by Golden Hope as trustee of GHUT).
4. Out of the same block of 2,646,625,949 Shares directly or indirectly held by Golden Hope as trustee of GHUT, 299,600,000 Shares are pledged shares.
5. There is no duplication in arriving at the total interest.
6. All the above interests represent long positions in the Shares and exclude those in the underlying Shares through Share options or equity derivatives. Interests of the respective Directors set out in this subsection 2.1 need to be aggregated with their interests in the underlying Shares through share options or equity derivatives of the Company set out in subsection 2.2 below in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2.2 Interests in the underlying Shares through share options or equity derivatives

As at the Latest Practicable Date, the Directors had personal interests in the following underlying Shares held through share options granted under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme:

Name of Director	Number of underlying Shares	Percentage of issued Shares
Tan Sri Lim Kok Thay	16,467,300	0.311
Mr. Chong Chee Tut	1,858,975	0.035
Mr. William Ng Ko Seng	1,433,265	0.027
Mr. David Colin Sinclair Veitch	3,415,440	0.065

Further details of the share options granted to the Directors under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme are set out in subsection 2.3 below.

These interests in share options represent long positions in the underlying Shares in respect of physically settled derivatives of the Company. Interests of the respective Directors set out in this subsection 2.2 need to be aggregated with their interests in the Shares set out in subsection 2.1 above in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2.3 Share options

As at the Latest Practicable Date, details of the outstanding share options granted to the Directors under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme were as follows:

(a) *Pre-listing Employee Share Option Scheme*

Name of Director	Date granted	Exercise price per Share	Exercisable period	Number of share options outstanding
Tan Sri Lim Kok Thay	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005	1,219,800
	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009	3,537,420
	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009	1,341,780
	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010	1,219,800
	16/11/2000	US\$0.2686	24/3/2002 - 23/3/2009	3,537,420
	16/11/2000	US\$0.4206	24/3/2002 - 23/3/2009	1,341,780
	16/11/2000	US\$0.2686	23/10/2003 - 22/8/2010	<u>304,950</u>
				<u>12,502,950</u>
Mr. Chong Chee Tut	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005	90,265
	25/5/1998	US\$0.4206	23/6/2000 - 22/6/2007	60,990
	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009	414,732
	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009	73,188
	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010	585,504
	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010	<u>24,396</u>
				<u>1,249,075</u>
Mr. William Ng Ko Seng	25/5/1998	US\$0.2686	21/8/2000 - 20/8/2005	91,485
	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009	24,396
	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009	97,584
	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010	463,524
	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010	<u>24,396</u>
				<u>701,385</u>
Mr. David Colin Sinclair Veitch	7/1/2000	US\$0.4206	7/1/2003 - 6/1/2010	<u>975,840</u>
Grand Total				<u>15,429,250</u>

The outstanding share options under the Pre-listing Employee Share Option Scheme vest over a period of 10 years following their respective original dates of grant and generally become exercisable as to 20% and 30% of the amount granted three years and four years after the grant date, with the remaining options exercisable annually in equal tranches of 10% over the remaining option period, subject to further terms and conditions set out in the relevant offer letters and provisions of the Pre-listing Employee Share Option Scheme.

(b) *Post-listing Employee Share Option Scheme*

Name of Director	Date granted	Exercise price per Share	Exercisable period	Number of share options outstanding
Tan Sri Lim Kok Thay	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012	3,369,697
	23/8/2004	HK\$1.7240	24/8/2006 - 23/8/2014	<u>594,653</u>
				<u>3,964,350</u>
Mr. Chong Chee Tut	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012	518,415
	23/8/2004	HK\$1.7240	24/8/2006 - 23/8/2014	<u>91,485</u>
				<u>609,900</u>
Mr. William Ng Ko Seng	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012	622,098
	23/8/2004	HK\$1.7240	24/8/2006 - 23/8/2014	<u>109,782</u>
				<u>731,880</u>
Mr. David Colin Sinclair Veitch	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012	2,073,660
	23/8/2004	HK\$1.7240	24/8/2006 - 23/8/2014	<u>365,940</u>
				<u>2,439,600</u>
Grand Total				<u>7,745,730</u>

Other than the share options granted on 23 August 2004 under the Post-listing Employee Share Option Scheme which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer, the outstanding share options under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from their respective dates of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the dates of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years. All the outstanding share options under the Post-listing Employee Share Option Scheme are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

2.4 Interests in the shares of WorldCard International Limited, an associated corporation of the Company

Name of Director	Personal interests	Number of ordinary shares (<i>Notes</i>)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	—	1,000,000 (1)	1,000,000 (2)	1,000,000 (3)	1,000,000 (4)	100

Notes:

1. Tan Sri KT Lim has a family interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by Star Cruise (C) Limited (“SCC”) and (ii) the same block of 500,000 ordinary shares directly held by Calidone Limited (“Calidone”), in both of which his child has deemed interests). As at the Latest Practicable Date, SCC was a wholly-owned subsidiary of the Company which in turn was directly held by RWL as to 36.06% while Calidone was a wholly-owned subsidiary of GIPLC which in turn was a 64.3% owned subsidiary of GB through its wholly-owned subsidiary, namely GOHL.
2. Tan Sri KT Lim is also deemed to have a corporate interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by SCC by virtue of his interest in a chain of corporations holding SCC (details of the percentage interests in such corporations are set out in Note (1) above and the section headed “Substantial Shareholders”) and (ii) the same block of 500,000 ordinary shares directly held by Calidone by virtue of his interest in a chain of corporations holding Calidone (details of the percentage interests in such corporations are set out in Note (1) above and the section headed “Substantial Shareholders”).
3. Tan Sri KT Lim as founder and a beneficiary of two discretionary trusts, has a deemed interest in 1,000,000 ordinary shares (comprising the same block of 500,000 ordinary shares directly held by SCC and the same block of 500,000 ordinary shares directly held by Calidone).
4. There is no duplication in arriving at the total interest.
5. All the above interests represent long positions in the shares of WorldCard International Limited.

2.5 Interests in subsidiaries of the Company

As at the Latest Practicable Date, certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which would be required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware or could ascertain after reasonable enquiry, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital:

3.1 Interests in the Shares

Name of shareholder (Notes)	Number of Shares (Notes)					Percentage of issued Shares
	Direct/ Personal interests	Family interests	Corporate interests	Other interests	Total	
Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1)	—	—	1,924,261,862 (10)	1,924,261,862 (12)	1,924,261,862 (21)	36.35
Kien Huat Realty Sdn Bhd (2)	—	—	1,924,261,862 (10)	—	1,924,261,862	36.35
GB (3)	—	—	1,924,261,862 (10)	—	1,924,261,862	36.35
RWB (4)	—	—	1,908,561,862 (11)	—	1,908,561,862	36.06
Sierra Springs Sdn Bhd (5)	—	—	1,908,561,862 (11)	—	1,908,561,862	36.06
RWL (5)	1,908,561,862	—	—	—	1,908,561,862	36.06

Name of shareholder (Notes)	Number of Shares (Notes)				Total	Percentage of issued Shares
	Direct/ Personal interests	Family interests	Corporate interests	Other interests		
GZ Trust Corporation (as trustee of a discretionary trust) (6)	—	—	2,646,625,949 (13)	2,646,625,949 (15,17 and 20)	2,646,625,949 (21)	50.00
Cove Investments Limited (7)	—	—	—	2,646,625,949 (18 and 20)	2,646,625,949 (21)	50.00
Golden Hope (as trustee of GHUT) (8)	—	—	414,260,835 (14)	2,646,625,949 (16 and 20)	2,646,625,949 (21)	50.00
Joondalup (9)	414,260,835	—	—	—	414,260,835	7.83
Puan Sri Wong Hon Yee	—	4,607,314,685 (19(a))	28,357,897 (19(b))	299,600,000 (20)	4,607,314,685 (21)	87.04

Notes:

- Parkview Management Sdn Bhd (“Parkview”) is a trustee of a discretionary trust (the “Discretionary Trust 1”), the beneficiaries of which include certain members of the Lim Family. As at the Latest Practicable Date, Tan Sri KT Lim controlled 33.33% of the equity interest in Parkview.
- Kien Huat Realty Sdn Bhd (“KHR”) is a private company of which the Discretionary Trust 1, through Aranda Tin Mines Sdn Bhd, Infomark (Malaysia) Sdn Bhd, Inforex Sdn Bhd, Dataline Sdn Bhd and Info-Text Sdn Bhd (all of which were 100% held by Parkview as trustee of the Discretionary Trust 1) controlled an aggregate of 100% of its equity interest as at the Latest Practicable Date.
- GB, a company listed on Bursa Malaysia Securities Berhad (“Bursa Malaysia”) of which KHR controlled 41.56% of its equity interest as at the Latest Practicable Date.
- RWB, a company listed on Bursa Malaysia of which GB controlled 56.79% of its equity interest as at the Latest Practicable Date.
- RWL is a wholly-owned subsidiary of Sierra Springs Sdn Bhd (“Sierra Springs”) which is in turn a wholly-owned subsidiary of RWB.
- GZ Trust Corporation (“GZ”) is the trustee of a discretionary trust (the “Discretionary Trust 2”) established for the benefit of certain members of the Lim Family. GZ as trustee of the Discretionary Trust 2 holds 99.99% of the units in GHUT, a private unit trust directly and 0.01% of the units in GHUT indirectly through Cove (as defined below).
- Cove Investments Limited (“Cove”) is wholly-owned by GZ as trustee of the Discretionary Trust 2.
- Golden Hope is the trustee of GHUT.
- Joondalup is wholly-owned by Golden Hope as trustee of GHUT.

10. Each of Parkview as trustee of the Discretionary Trust 1, KHR and GB has a corporate interest in 1,924,261,862 Shares (comprising the same block of 1,908,561,862 Shares held directly by RWL and the same block of 15,700,000 Shares held directly by GOHL, a wholly-owned subsidiary of GB).
11. Each of RWB and Sierra Springs has a corporate interest in the same block of 1,908,561,862 Shares held directly by RWL.
12. The interest in 1,924,261,862 Shares is held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprises the same block of 1,908,561,862 Shares held directly by RWL and the same block of 15,700,000 Shares held directly by GOHL.
13. GZ as trustee of the Discretionary Trust 2 has a corporate interest in the same block of 2,646,625,949 Shares held by Golden Hope as trustee of GHUT (out of which 2,232,365,114 Shares are directly held by Golden Hope as trustee of GHUT and 414,260,835 Shares are held indirectly through Joondalup).
14. Golden Hope as trustee of GHUT has a corporate interest in the same block of 414,260,835 Shares held directly by Joondalup.
15. GZ in its capacity as trustee of the Discretionary Trust 2 has a deemed interest in the same block of 2,646,625,949 Shares held by Golden Hope as trustee of GHUT (out of which 2,232,365,114 Shares are directly held by Golden Hope as trustee of GHUT and 414,260,835 Shares are held indirectly through Joondalup).
16. The interest in 2,646,625,949 Shares is held by Golden Hope in its capacity as trustee of GHUT (out of which 2,232,365,114 Shares are directly held by Golden Hope as trustee of GHUT and 414,260,835 Shares are held indirectly through Joondalup).
17. GZ as trustee of the Discretionary Trust 2 is deemed to have interest in the same block of 2,646,625,949 Shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
18. Cove which holds 0.01% of the units in GHUT is deemed to have interest in the same block of 2,646,625,949 Shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
19.
 - (a) Puan Sri Wong as the spouse of Tan Sri KT Lim, has a family interest in the same block of 4,607,314,685 Shares in which Tan Sri KT Lim has a deemed interest. These interests do not include the deemed interests of Puan Sri Wong in the underlying Shares through share options held personally by Tan Sri KT Lim and need to be aggregated with such interests set out in subsection 3.2 below to give the total interests of Puan Sri Wong pursuant to the SFO.
 - (b) Puan Sri Wong also has a corporate interest in 28,357,897 Shares held directly by Goldsfine by holding 50% of its equity interest as at the Latest Practicable Date.
20. Out of the same block of 2,646,625,949 Shares held directly or indirectly by Golden Hope as trustee of GHUT, 299,600,000 Shares are pledged shares.
21. There is no duplication in arriving at the total interest.
22. All these interests represent long positions in the Shares and exclude those in the underlying Shares through share options or equity derivatives.

3.2 Interests in the underlying Shares through share options or equity derivatives

Name of shareholder	Number of underlying Shares	Percentage of issued Shares
Puan Sri Wong Hon Yee	16,467,300 (<i>Note</i>)	0.311

Note:

Puan Sri Wong as the spouse of Tan Sri KT Lim, is deemed to have a family interest in 16,467,300 underlying Shares by virtue of the share options granted to Tan Sri KT Lim under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme. These interests represent long positions in the underlying Shares in respect of physically settled derivatives of the Company and need to be aggregated with her interests set out in subsection 3.1 above to give her total interests pursuant to the SFO.

Save as disclosed in this circular and so far as the Directors or chief executive of the Company were aware, as at the Latest Practicable Date, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital.

4. SERVICE CONTRACTS

The only Director who has entered into a service contract with the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation) is Mr. David Colin Sinclair Veitch. The particulars of his service contract are as follows:

- (a) a three year “evergreen” service contract which commenced from 24 January 2000, to be perpetually renewed until terminated by either party in accordance with paragraph (d) below;
- (b) the salary of Mr. Veitch is payable bi-monthly and subject to review on 1st January of each year. For the year ended 31 December 2004, his annual salary was US\$1,135,680;
- (c) Mr. Veitch is eligible for an assured bonus equivalent to two months’ salary and a further discretionary bonus of up to an additional four months’ salary for the financial year ended 31 December 2003 and thereafter;
- (d) in the event of a voluntary termination by Mr. Veitch of his employment, he is entitled to receive an amount equivalent to 1.5 times the aggregate of his annual salary and assured bonus at that time, provided that he will not be entitled to receive such amount if he voluntarily terminates his own employment after 7 January 2010. In the event that Mr. Veitch’s employment is terminated by the Company for reasons other than fraud, embezzlement, misappropriation or gross dishonesty, he is entitled to receive an amount

equivalent to three times the aggregate of his annual salary and assured bonus at that time. In the event of a merger or change of control of the Company (as defined in the service contract), Mr. Veitch's employment will be deemed to have been terminated by the Company without cause and he will be entitled to receive the amount as described in the preceding sentence; and

- (e) Mr. Veitch is also entitled to receive certain other benefits including life insurance and accidental death and dismemberment insurance coverage, medical benefits, participation in a supplemental senior executive retirement plan, and housing and travel allowances.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Since 31 December 2003, the date to which the latest published audited accounts of the Company have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of, by or leased to, or which are proposed to be acquired, disposed of, by or leased to, any member of the Group.

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 258,000,000 pre- and post-redelivery finance of vessel bearing working title "*Project America*" dated 4 April 2003, by and among Ship Holding LLC as borrower, Commerzbank Aktiengesellschaft ("Commerzbank AG"), Hamburg Branch and HSBC Bank PLC as arrangers, HSBC Bank PLC as agent and trustee and Commerzbank AG, Frankfurt as Hermes agent, Commerzbank AG, Bremen Branch, HSBC Bank PLC and Kreditanstalt Für Wiederaufbau ("KfW"), Frankfurt as lenders;
- (b) Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 40,000,000 pre- and post-redelivery finance of vessel bearing working title "*Project America*" dated 4 April 2003, by and among Ship Holding LLC as borrower, Commerzbank AG, Hamburg Branch and HSBC Bank PLC as arrangers, Commerzbank AG, Bremen Branch, HSBC Bank PLC and KfW, Frankfurt as lenders, HSBC Bank PLC as agent and trustee and Commerzbank AG as Hermes agent and others;

- (c) Loan Agreement in relation to a loan of up to US\$225,000,000 dated 9 July 2003, by and among, inter alios, Norwegian Sun Limited as borrower, Den norske Bank ASA, Singapore Branch as paying agent and The Hongkong and Shanghai Banking Corporation Limited as security agent and others;
- (d) two letters of credit facilities arranged by The Hongkong and Shanghai Banking Corporation Limited and Den norske Bank ASA respectively on 25 September 2003 in respect of letter of credit facilities in an aggregate amount of not exceeding US\$100,000,000;
- (e) the subscription agreement dated 15 October 2003 entered into between the Company as issuer, J.P. Morgan Securities Ltd. as lead manager, DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited, Labuan Branch as managers in connection with the issue of the Convertible Bonds by the Company on 20 October 2003;
- (f) the underwriting agreement dated 16 October 2003 entered into between the Company and J.P. Morgan Securities Ltd. as underwriter in relation to the rights issue of the Company announced in October 2003;
- (g) the trust deed dated 20 October 2003 between the Company and J.P. Morgan Corporate Trustee Services Limited in respect of the issue of convertible bonds by the Company on 20 October 2003 for an annual fee of US\$3,000;
- (h) the paying and conversion agency agreement dated 20 October 2003 among the Company, JPMorgan Chase Bank, J.P. Morgan Corporate Trustee Services Limited and J.P. Morgan Bank Luxembourg S.A. in respect of the issue of the Convertible Bonds by the Company on 20 October 2003 for an annual fee of US\$2,000 as paying agent, registrar, transfer agent and common depository, a fee of US\$150 per conversion as conversion agent and a fee of US\$2,500 as Luxembourg listing agent;
- (i) Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 308,130,000 pre- and post-delivery finance of the vessel to be named m.v. "*Pride of Hawaii*" dated 20 April 2004, by and among, inter alios, Ship Ventures Inc. as borrower, HSBC Bank PLC as agent and trustee, Commerzbank Aktiengesellschaft as Hermes agent and others;
- (j) Guarantee dated 20 April 2004 granted by NCLC in favour of HSBC Bank PLC in relation to the secured loan agreement for the equivalent amount in US dollars of up to Euro 308,130,000 pre- and post-delivery finance of the vessel to be named m.v. "*Pride of Hawaii*";
- (k) Secured Loan Agreement for up to US\$334,050,000 pre- and post-delivery finance of the vessel to be named m.v. "*Norwegian Jewel*" dated 20 April 2004, by and among, inter alios, Norwegian Jewel Limited (formerly known as Hull 667 Limited) as borrower, HSBC Bank PLC as agent and trustee, Commerzbank Aktiengesellschaft as Hermes agent and others;

- (l) Guarantee dated 20 April 2004 granted by NCLC in favour of HSBC Bank PLC in relation to the secured loan agreement for up to US\$334,050,000 pre- and post-delivery finance of the vessel to be named m.v. “*Norwegian Jewel*”;
- (m) Facility Agreement for a US\$400,000,000 Reducing Revolving Credit Facility dated 20 April 2004, by and among, inter alios, the Company as borrower, DnB NOR Bank ASA and The Hongkong and Shanghai Banking Corporation Limited as co-ordinating arrangers, DnB NOR Bank ASA as agent and others;
- (n) Guarantee dated 20 April 2004 granted by certain subsidiaries of the Company in favour of DnB NOR Bank ASA in relation to the Facility Agreement for a US\$400,000,000 Reducing Revolving Credit Facility;
- (o) First Supplement dated 20 April 2004 to the Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 258,000,000 pre- and post-redelivery finance of the vessel to be named m.v. “*Pride of America*” dated 4 April 2003, by and among Ship Holding LLC as borrower, Commerzbank AG, Hamburg Branch and HSBC Bank PLC as arrangers, HSBC Bank PLC as agent and trustee and Commerzbank AG, Frankfurt as Hermes agent, Commerzbank AG, Bremen Branch, HSBC Bank PLC and KfW as lenders;
- (p) First Supplement dated 20 April 2004 to the Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 40,000,000 pre- and post-redelivery finance of the vessel to be named m.v. “*Pride of America*” dated 4 April 2003, by and among Ship Holding LLC as borrower, Commerzbank AG, Hamburg Branch and HSBC Bank PLC as arrangers, Commerzbank AG, Bremen Branch, HSBC Bank PLC and KfW as lenders, HSBC Bank PLC as agent and trustee, Commerzbank AG as Hermes agent and others;
- (q) First Supplement dated 20 April 2004 to the Loan Agreement in relation to a loan of up to US\$225,000,000 dated 9 July 2003, by and among, inter alios, Norwegian Sun Limited as borrower, DnB NOR Bank ASA, Singapore Branch as paying agent and The Hongkong and Shanghai Banking Corporation Limited as security agent and others;
- (r) Fourth Supplement dated 20 April 2004 to the Secured Loan Agreement dated 26 June 1999 (as amended) by and among, inter alios, Norwegian Dawn Limited and Norwegian Star Limited as borrowers, Commerzbank Aktiengesellschaft, Emden Branch, Norddeutsche Landesbank Girozentrale and KfW as arrangers and underwriters, Commerzbank Aktiengesellschaft, Hamburg Branch as co-ordinator, Commerzbank International S.A. as agent and others in relation to the loan of up to US\$626,922,000 post-delivery finance of the vessels named m.v. “*Norwegian Dawn*” and m.v. “*Norwegian Star*”;
- (s) First Supplement dated 20 April 2004 to two letters of credit facilities arranged by The Hongkong and Shanghai Banking Corporation Limited and DnB NOR Bank ASA respectively on 25 September 2003 in respect of letter of credit facilities in an aggregate amount not exceeding US\$100,000,000;

- (t) Fifth Supplement dated 20 April 2004 to the Secured Loan Agreement dated 22 January 1998 (as amended) by and among, inter alios, Superstar Leo Limited and Superstar Virgo Limited as borrowers, Commerzbank Aktiengesellschaft, Singapore Branch, Norddeutsche Landesbank Girozentrale and KfW as arrangers and underwriters, Commerzbank Aktiengesellschaft, Hamburg Branch as co-ordinator, Commerzbank Aktiengesellschaft, Singapore Branch as agent and others in relation to the loan of up to US\$521,600,000 pre- and post-delivery finance of the vessels named m.v. “*Superstar Leo*” and m.v. “*Superstar Virgo*”;
- (u) Fourth Supplement dated 20 April 2004 to the Guarantee dated 22 January 1998 (as amended) granted by the Company in favour of Commerzbank Aktiengesellschaft, Singapore Branch in relation to the loan of up to US\$521,600,000 pre- and post-delivery finance of the vessels named m.v. “*Superstar Leo*” and m.v. “*Superstar Virgo*”;
- (v) Amendment Agreement dated 20 April 2004 by and among, inter alios, the Company as borrower, The Hongkong and Shanghai Banking Corporation Limited as agent and others relating to a US\$450,000,000 Term Facility Agreement dated 20 February 2002;
- (w) Guarantee dated 23 April 2004 granted by NCLC in favour of HSBC Bank PLC as Hermes loan trustee and Commercial loan trustee in relation to the Euro 258,000,000 and Euro 40,000,000 loans for the pre- and post-redelivery finance of the vessel to be named m.v. “*Pride of America*”;
- (x) Guarantee dated 23 April 2004 granted by NCLC in favour of The Hongkong and Shanghai Banking Corporation Limited in relation to the loan of up to US\$225,000,000 to finance the purchase of m.v. “*Norwegian Sun*”;
- (y) Guarantee dated 23 April 2004 granted by NCLC in favour of Commerzbank International S.A. in relation to the loan of up to US\$626,922,000 post-delivery finance of the vessels named m.v. “*Norwegian Dawn*” and m.v. “*Norwegian Star*”;
- (z) Second Supplement dated 1 July 2004 to the Secured Loan Agreement for the equivalent amount in US dollars of up to Euro 258,000,000 pre- and post-redelivery finance of the vessel to be named m.v. “*Pride of America*” dated 4 April 2003 (as amended), by and among Ship Holding LLC as borrower, Commerzbank AG, Hamburg Branch and HSBC Bank PLC as arrangers, HSBC Bank PLC as agent and trustee and Commerzbank AG, Frankfurt as Hermes agent, Commerzbank AG, Bremen Branch, HSBC Bank PLC and KfW, Frankfurt as lenders;
- (aa) Secured Loan Agreement for up to US\$800,000,000 dated 7 July 2004, by and among, inter alios, NCLC as borrower, DnB NOR Bank ASA and Nordea Bank Norge ASA, DnB NOR Bank ASA as agent and others;
- (bb) Indenture dated 15 July 2004 between NCLC and JPMorgan Chase Bank as Trustee relating to the US\$250 million 10.625% Senior Notes due 2014 of NCLC;

- (cc) Registration Rights Agreement dated 15 July 2004 among NCLC, J.P. Morgan Securities Inc. and DnB NOR Markets, Inc. relating to the US\$250 million 10.625% Senior Notes due 2014 of NCLC;
- (dd) Guarantee dated 16 July 2004 granted by Norwegian Spirit, Ltd. in favour of DnB NOR Bank ASA in relation to the Secured Loan Agreement for up to US\$800,000,000;
- (ee) Guarantee dated 16 July 2004 granted by Norwegian Star Limited in favour of DnB NOR Bank ASA in relation to the Secured Loan Agreement for up to US\$800,000,000;
- (ff) Guarantee dated 16 July 2004 granted by Pride of Aloha, Inc. in favour of DnB NOR Bank ASA in relation to the Secured Loan Agreement for up to US\$800,000,000;
- (gg) Second Supplement dated 17 September 2004 to the letter of credit facility dated 25 September 2003 (as amended) arranged by The Hongkong and Shanghai Banking Corporation Limited in respect of a standby letter of credit facility in an aggregate amount not exceeding US\$80,000,000;
- (hh) First Addendum dated 25 October 2004 by and among Ship Ventures Inc. as borrower, NCLC as guarantor and HSBC Bank PLC as trustee in relation to the secured loan agreement for the equivalent amount in US dollars of up to Euro 308,130,000 pre- and post-delivery finance of the vessel to be named m.v. "*Pride of Hawaii*";
- (ii) Amendment Agreement No. 2 dated 9 December 2004 by and among, inter alios, the Company as borrower, The Hongkong and Shanghai Banking Corporation Limited as agent and others relating to a US\$450,000,000 Term Facility Agreement dated 20 February 2002 (as amended);
- (jj) Sixth Supplement dated 30 December 2004 to the Secured Loan Agreement dated 22 January 1998 (as amended) by and among, inter alios, Superstar Leo Limited and Superstar Virgo Limited as borrowers, Commerzbank Aktiengesellschaft, Singapore Branch, Norddeutsche Landesbank Girozentrale and KfW as arrangers and underwriters, Commerzbank Aktiengesellschaft, Hamburg Branch as co-ordinator, Commerzbank Aktiengesellschaft, Singapore Branch as agent and others in relation to the loan of up to US\$521,600,000 pre- and post-delivery finance of the vessels named m.v. "*Superstar Leo*" and m.v. "*Superstar Virgo*";
- (kk) Fifth Supplement dated 30 December 2004 to the Guarantee dated 22 January 1998 (as amended) granted by the Company in favour of Commerzbank Aktiengesellschaft, Singapore Branch in relation to the loan of up to US\$521,600,000 pre- and post-delivery finance of the vessels named m.v. "*Superstar Leo*" and m.v. "*Superstar Virgo*"; and
- (ll) First Supplement dated 31 January 2005 to the Facility Agreement for a US\$400,000,000 Reducing Revolving Credit Facility dated 20 April 2004, by and among, inter alios, the Company as borrower, DnB NOR Bank ASA and The Hongkong and Shanghai Banking Corporation Limited as Co-ordinating Arrangers, DnB NOR Bank ASA as agent and others.

7. LITIGATION

7.1 Litigation against NCLL

- (a) On 27 April 1996, a proposed class action was brought in Florida against NCLL alleging, among other things, violation of Florida's Unfair and Deceptive Trade Practices Act by including an element of profit in port charges collected from passengers. The trial court denied plaintiffs' motion for class certification. Subsequently, the Third District Court of Appeal reversed the trial court's denial of class certification and remanded the case to the trial court with instructions to certify the class. On 8 March 2004, the parties reached a tentative settlement which was preliminarily approved by the court on 12 August 2004. A group of objectors has filed an appeal.
- (b) A proposed class action suit was filed on 1 August 2000 in the U.S. District Court for the Southern District of Texas against NCLL, alleging that it violated the Americans with Disabilities Act of 1990 ("ADA") in its treatment of physically impaired passengers on board the *Norwegian Sea*. The same plaintiffs also filed on the same date a proposed class action suit in a Texas state court alleging that NCLL and a third party violated Texas' Deceptive Trade Practices and Consumer Protection Act by misrepresenting certain characteristics and services available to the physically impaired on board the *Norwegian Sea*. In connection with the state court lawsuit, in December 2001, the trial court denied the plaintiffs' motion for class certification, and the state appellate court upheld that denial. The case is now proceeding with only the original plaintiffs and is set for trial in April 2005. In connection with the federal court lawsuit, on 9 September 2002, the District Court granted in part and denied in part NCLL's motion to dismiss the case. The District Court ruled that it was unnecessary for NCLL to make any physical changes to its vessels. The District Court permitted an immediate appeal of the ruling to the Fifth Circuit Court of Appeals, which subsequently dismissed the suit on other grounds. The U.S. Supreme Court accepted jurisdiction at the request of all parties and the matter will be heard on 28 February 2005.
- (c) A proposed class action suit was filed on 20 December 2000 in a Florida State Court alleging that NCLL discriminated against disabled persons in violation of the ADA and the Florida Trade Act on several of its vessels. Discovery has commenced.
- (d) A proposed class action suit was filed on 17 May 2001 in the U.S. District Court for the Southern District of New York alleging that during the period from 1 January 1998 to the present, NCLL failed to pay plaintiff crew members overtime wages in accordance with their contracts of employment. The proposed class consists of all unlicensed seafarers who worked on vessels under the NCL brand during that period of time and seeks recovery of overtime wages plus statutory penalty wages equal to two times the unpaid wages for each day the wages remain unpaid. The court entered an order certifying the case as a class action. The Second Circuit Court of Appeals has denied NCLL's request for leave to file an appeal of the District Court judge's order certifying the class. Discovery has been completed. The case has been set for trial in May 2005.

- (e) A proposed class action suit was filed against NCLL on 12 June 2001 in Vancouver, British Columbia by a number of nurses alleging breach of a collective bargaining agreement and employment contract for non-payment of overtime wages. NCLL has filed a motion to dismiss and is awaiting a ruling on the motion. Discovery has commenced.
- (f) On 29 July 2002, NCLL was served with a complaint which alleged that it failed to provide maintenance and cure to an injured crewmember. This complaint also included a proposed class action count on behalf of all those crewmembers that have been receiving in-kind maintenance and cure from NCLL alleging the accommodations as well as the food are inadequate. Oral argument on the motion to certify the class was recently heard in the Eleventh Judicial Court in and for Miami-Dade County, Florida. The Court recently ruled in favor of NCLL and plaintiff has appealed.
- (g) On 25 May 2003, an explosion in the boiler room onboard the *S/S Norway* resulted in the death of eight crew members and the injury of approximately 20 other crew members. Numerous personal injury claims have been filed against NCLL seeking compensatory and punitive damages. NCLL has been defending these claims in coordination with its indemnity and insurance arrangements. It has successfully invoked the arbitration provision of the Philippines Overseas Employment Agreement in the District Court, which was affirmed on appeal to the U.S. Eleventh Circuit Court of Appeals, and has initiated arbitration in the Philippines for those cases involving Filipino crewmen. Repairs relating to the physical property damage have been covered by the vessel's hull and machinery insurance policy and the personal injury claims are covered by the vessel's protection and indemnity policy.
- (h) On 2 August 2004, NCLL was served with a complaint in the U.S. District Court for the Southern District of Florida which alleged breach of contract and unjust enrichment stemming from the cancellation of a group sales agreement. Discovery has commenced.

7.2 Litigation against Arrasas Limited

In February 2000, subsequent to mandatory offers made by Arrasas Limited, a wholly-owned subsidiary of the Company, the Group had acquired an aggregate interest of about 84.5% of the outstanding shares in NCLH. Following the completion by Arrasas Limited of the purchase of an additional 10.9% of the shares of NCLH from its affiliates (at NOK15 per share) on 29 November 2000, Arrasas Limited owned 95.4% of the shares in NCLH. Under Norwegian laws, Arrasas Limited commenced on 30 November 2000 squeeze-out proceedings to acquire the remaining interests in NCLH held by the minority shareholders of NCLH at an offer price of NOK13 per share. As a result of this squeeze out, Arrasas Limited became the sole owner of the entire outstanding shares of NCLH. Persons formerly holding in aggregate 1,833,398 shares (subsequently reduced to 1,831,848 shares) rejected the offer and demanded that the offer price be determined by a valuation court. In accordance with Norwegian law, Arrasas Limited therefore submitted a valuation petition on 26 October 2001 to the Oslo City Court. In a decision dated 5 December 2003, the Oslo City Court assessed the fair value at NOK25 per share plus interest at a rate of 6 per cent per annum from 30 November 2000 till the date of payment by Arrasas Limited. Arrasas Limited has appealed the decision, and the Court of Appeals will hear the case in appeal proceedings commencing on 4 April 2005.

If the Norwegian court determines in a final and binding decision that the fair value of the shares in NCLH at the time of the squeeze-out was higher than NOK13 per share, Arrasas Limited would be required to pay those minority shareholders the said determined price plus interest accrued since 30 November 2000. In addition, and pursuant to agreement with the relevant parties, Arrasas Limited would have to pay any amount in excess of NOK15 per share to the affiliates of Arrasas Limited who sold 10.9 % of the shares in NCLH to Arrasas Limited in November 2000.

7.3 Litigation against the Company

- (a) On 6 April 2001, Kingdom 5-KR-41, Ltd. (“Kingdom”) filed a complaint in the United States District Court for the Southern District of New York against the Company, Arrasas Limited, Tan Sri Lim Goh Tong (“Tan Sri GT Lim”) and The Bank of New York (“BONY”). Kingdom’s lawsuit claims that the Company, Arrasas Limited and Tan Sri GT Lim violated the US securities laws by making false and misleading disclosures in connection with the mandatory offer for the shares of NCLH, and also brought a claim for unjust enrichment, alleging that the Company and Arrasas Limited acted unfairly when they refused to rescind the BONY acceptance, on Kingdom’s behalf, of the compulsory acquisition price. Upon the Company’s, Tan Sri GT Lim’s and Arrasas Limited’s motion, all claims brought by Kingdom were dismissed except for the claim against the Company and Arrasas Limited based on the claim of unjust enrichment.

Kingdom’s lawsuit also named BONY as a defendant. On 14 May 2001, BONY filed claims against the Company and Arrasas Limited, as well as against NCLH, alleging that these entities are liable to BONY for any amount for which BONY may be held liable to Kingdom. Except for BONY’s claim against the Company and Arrasas Limited for contribution, and the claim against NCLH for indemnification and contribution, as well as fraudulent concealment, the Court dismissed all of BONY’s other claims. After BONY filed an amended complaint, on 6 February 2003, the Court dismissed most of the claims asserted by BONY against the Company and Arrasas Limited except fraudulent concealment. With regard to BONY’s claims asserted against NCLH, the Court dismissed all new claims except for breach of fiduciary duty. BONY subsequently re-filed additional claims against the Company, Arrasas Limited and NCLH, some of which were again dismissed by the Court.

On 5 September 2001, a class action was filed against the Company, Arrasas Limited, Tan Sri GT Lim and BONY, by holders of NCLH American Depository Receipts and NCLH shares (“MSI”) who did not tender in the mandatory offer, asserting claims similar to those in Kingdom’s action. BONY filed similar claims against the Company, Arrasas Limited and NCLH as with Kingdom’s lawsuit. By stipulation, the dismissal of all of Kingdom’s claims except for its claim for unjust enrichment against the Company and Arrasas Limited was afforded the same effect in the MSI lawsuit.

On 9 March 2004, the Court granted the Company’s and Arrasas Limited’s motion to dismiss MSI’s lawsuit and entered judgment against MSI.

Following fact and expert discovery, on 31 August 2004, the Court granted the Company's and Arrasas Limited's motion for summary judgment against Kingdom and entered judgment against Kingdom. The Court also granted BONY's motion for summary judgment against Kingdom and MSI.

After further motions, the Court granted summary judgment in favor of the Company and Arrasas Limited against BONY. With the exception of BONY's claim for contractual indemnification against NCLH for its defense costs, the Court also granted summary judgment in favor of NCLH against BONY. The Court has referred BONY's claim for indemnification to mediation (as well as NCLH's claim for indemnification against BONY), following which it will be litigated in the absence of a settlement.

Kingdom and MSI have indicated an intent to appeal the Court's dismissal of their claims. Pursuant to the appellate rules, the appeal cannot proceed until the claims for indemnification are resolved.

- (b) On 4 December 2000, the shipbroking arm of the Colbert Group, Ship Construction & Funding (USA) Inc. filed a civil action summons and complaint against the Company in the Circuit Court in Miami-Dade County, Florida. An amended complaint, adding New York shipbroker Jacq. Pierot, Jr. Sons as a co-plaintiff, was filed on 3 January 2001. The Company transferred the case to federal court on 19 January 2001.

The plaintiffs sought damages on the grounds of:

- (1) breach of a commission agreement dated 23 June 1998 between, inter alia, the Company and the plaintiffs;
- (2) quantum meruit; based upon the plaintiffs' alleged communication of the "idea" of joint venturing with Carnival Cruise Lines ("CCL") to acquire NCLH and other "valuable brokerage services that assisted the Company in its dealings with CCL", under circumstances where it was expected that the plaintiffs would be paid by the Company; and
- (3) unjust enrichment, for the value of the plaintiffs' above-alleged services under circumstances where it would be inequitable for the Company not to compensate the plaintiffs.

The plaintiffs initially sought damages in the amount of US\$17,000,000, representing 1% of the alleged US\$1.7 billion value of the acquisition of NCLH. Plaintiffs later reduced their claim, in the amended complaint (in partial response to the Company's initial motion to dismiss), to US\$11,333,333, representing the two plaintiffs' two-thirds share of the brokerage claim in light of the decision of the third broker (HSBC Shipbrokers) not to sue.

The Company's motion for summary judgement seeking dismissal of the said suit in its entirety was granted by the Court on 15 August 2003 and a final judgment of dismissal was entered the same day. The plaintiffs' motion for re-consideration was denied by order entered 29 March 2004. The Company filed a motion seeking recovery of all legal expenses, which the Court also denied.

On 23 April 2004, the plaintiffs filed their notice of appeal from the summary judgment and the order denying re-consideration of same. The Company subsequently filed its own appeal from the order denying attorneys' fees. The two appeals were consolidated by order entered 24 June 2004 and, following a compulsory, but unsuccessful appellate mediation; briefing by both sides was completed on 12 November 2004, when the last of the permitted briefs was filed by the brokers. Oral argument on the consolidated appeals has been set for the morning of 29 March 2005, before a panel of three judges of the U.S. Court of Appeals in Atlanta, Georgia.

In addition, the Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. In the opinion of the Company, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Company, is the Chairman, President and Chief Executive of GB and RWB, which are both substantial shareholders of the Company and companies listed on Bursa Malaysia Securities Berhad. He is also the Chairman of GIPLC, a company listed on the Luxembourg Stock Exchange. RWB's principal activities include the operation of a tourist resort in Malaysia known as Genting Highlands Resort, along with other land-based Malaysian resorts, through its subsidiaries. Other activities of RWB cover leisure and hospitality which comprises amusement, gaming, hotel and entertainment. GIPLC's principal activities include the provision of sales and marketing services to resort related businesses. RWB and GIPLC are subsidiaries of GB.

The Group engages in cruise and cruise-related businesses. RWB, GIPLC and GB, as set out above, are not engaged in cruise or cruise-related businesses. However, as the cruise industry forms a segment of the leisure industry, there may be indirect competition between the Group, RWB and GIPLC.

Tan Sri Lim Kok Thay is therefore considered as having interests in business (the "Deemed Competing Business") apart from the Group's business, which may compete indirectly with the Group's business under paragraph 8.10 of the Listing Rules. The Company's management team is separate and independent from RWB, GIPLC and GB, coupled with the appointment of three Independent Non-executive Directors to the Board, the Group is capable of carrying on its business independently of and at arm's length from the Deemed Competing Business.

9. MISCELLANEOUS

- (a) The qualified accountant of the Company is Mr. Choo Seng Nam. Mr. Choo is a fellow member of both the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is also a member of Malaysian Institute of Accountants.
- (b) The secretary of the Company is Ms. Louisa Tam Suet Lin, an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries, the assistant secretary is Mr. Tan Wooi Meng and the Bermuda resident representative and assistant secretary is Appleby Corporate Services (Bermuda) Ltd.
- (c) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (d) The corporate headquarters and principal place of business in Hong Kong of the Company is at Suite 1501, Ocean Centre, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (e) The Bermuda principal registrar of the Company is Butterfield Fund Services (Bermuda) Limited located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (f) The Hong Kong branch registrar of the Company is Computershare Hong Kong Investor Services Limited located at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the corporate headquarters and principal place of business in Hong Kong of the Company up to and including 3 March 2005:

- (a) the Memorandum of Continuance and Bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2002 and 31 December 2003;
- (c) the interim report of the Company for the three months and nine months ended 30 September 2004;
- (d) the material contracts referred to in paragraph 6 of this appendix; and
- (e) the service contract with Mr. David Colin Sinclair Veitch referred to in paragraph 4 of this appendix.