

# Management's Discussion and Analysis of Financial Condition and Results of Operations



*Grand Piazza, SuperStar Virgo*

*The Taverna, SuperStar Virgo*



*SuperStar Virgo*

The following discussion is based on, and should be read in conjunction with, the financial statements and the notes thereto included elsewhere in the annual report.

## **Overview**

Following the acquisition of a majority interest in NCL Holding ASA ("NCL") in February 2000, the Group operates cruise ships principally in both Asia Pacific and North America. The Group markets its cruises under three brand names, Star Cruises, Norwegian Cruise Line and Orient Lines. The Group operated ten cruise ships and two chartered ships in the Asia Pacific region under the brand name of "Star Cruises", and eight cruise ships in the Caribbean, Bermuda, Alaska, Europe, Hawaii, New England, Central and South America under the brand names of "Norwegian Cruise Line" and "Orient Lines".

## **Significant Events During the Year**

### **Acquisition of NCL**

The Group acquired a further interest of approximately 48.3% in NCL in January and February 2000 resulting in the Group owning, including ordinary shares previously held by the Group, a total interest of about 84.5% of NCL's outstanding shares. In November 2000, the Group acquired the remaining interests of approximately 15.5% in NCL and became the sole shareholder of NCL.

Details of the NCL acquisition is set out in Note 10 to the accounts.

*Executive Suite,  
SuperStar Virgo*



*Star Track,  
SuperStar Virgo*

### **Listing of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited ("Listing")**

In preparation for the Listing, the Company changed its domicile from the Isle of Man to Bermuda on 9 October 2000. Upon its continuation into Bermuda as an exempted company with limited liability, the Company adopted its present name "Star Cruises Limited". The Company was discontinued as an Isle of Man company on 13 October 2000.

On 30 November 2000, the entire issued and paid-up share capital of the Company was listed on The Stock Exchange of Hong Kong Limited.

Details of the Listing are disclosed in Note 23 to the accounts.

### **Revenues from cruise and cruise-related activities**

Revenues from cruise and cruise-related activities can be further categorised as "cruise revenues" and "on-board revenues". Cruise revenues are derived from the sale of passenger tickets. Passenger ticket sales comprise a one-off up-front payment collected from passengers for accommodation, meals in certain restaurants on the ship, certain on-board entertainment and, where relevant, air



*Star Cruises Ship Simulator Centre*



*SuperStar Express*

and land transportation to and from the ship. Passenger ticket sales also include amounts collected as passenger handling charges, which are charged to the passengers separately from the price of passenger tickets, but which are recorded as passenger ticket sales. These passenger handling charges include port fees, berthing charges, embarkation and disembarkation fees, baggage handling charges and other related charges. Revenues from passenger ticket sales are collected from passengers prior to their departure on the cruise, usually at the time of booking the cruise.

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



*Leisure on deck*





### Charter-hire revenues

The Group derives revenues from the bareboat charter-hire of certain of its ships. At present, two of the Group's ships are on charter hire -

SuperStar Express and Hyundai Kumgang. The revenues the Group derives from charter-hire generally vary according to the number of ships it has on charter-hire during a given period.

### Operating expenses

Operating expenses are made up of air and land transportation expenses, overnight shoreside hotel expenses, passenger transfer costs, travel agent commission, ship charter costs and all shipboard operating expenses including crew wages and benefits, port charges, fuel, food, ship maintenance and entertainment expenses, cabin consumables and ship insurance.

Most of the operating expenses are generally fixed per cruise, while passenger food expenses and port expenses typically vary according to the number of passengers on board a particular cruise ship.

### Selling, general and administrative expenses

Selling expenses consist of the expenses of the Group's marketing activities. These marketing activities include advertising and promotional activities, operation of the Group's central reservation call centre and support functions, and other passenger related services, such as the Group's frequent cruiser programme.

General and administrative expenses consist of shoreside personnel wages and benefits, and expenses relating to the Group's offices in various locations within and outside of Asia, information technology support, crew training and support (including the operation of the Star Cruises Ship Simulator Centre), purchasing operations and other ship-related support activities.



SuperStar Aries

Grand Restaurant, SuperStar Aries

