Deluxe Suite, The Norway

Selling, general and administrative expenses amounted to US$208.2 million or 18% of total costs and expenses. US$77.6 million or 37% of total selling, general and administrative expenses of the Group, was attributable to costs in respect of onshore employees and US$79.2 million or 38% of total selling, general and administrative expenses of the Group, was attributable to selling expenses. The remainder was attributed to expenses of the Group's various offices located within and outside of Asia.

Depreciation and amortisation expenses amounted to US$139.9 million or 12% of total costs and expenses of the Group. Depreciation was made up of the depreciation of cruise ships and shore assets and accounted for US$107.8 million or 77% of total depreciation and amortisation expenses of the Group. Amortisation expenses amounted to US$32.1 million, of which US$13.9 million arose from the amortisation of goodwill and trade names and trademarks on the acquisition of NCL.

As part of the Group's long-term fleet modernisation programme, on 19 January 2001, the Group entered into an agreement to dispose of one of its cruise ships m.v. Star Aquarius for a net cash consideration of US$75 million. m.v. Star Aquarius was delivered to her new owner on 26 February 2001. At 31 December 2000, an impairment loss of US$37.7 million was recognised in respect of the ship and on-board equipment and other assets related to m.v. Star Aquarius. The impairment loss represented the amount by which the carrying amount of these assets exceeded their fair value of US$75 million.

In connection with the listing of the Company's entire share capital on The Stock Exchange of Hong Kong Limited, certain of the Group's properties were revalued at 30 September 2000 on the basis of an open market valuation by Jones Lang LaSalle Limited, an independent property valuer. As a result, the Group recognised a revaluation loss of approximately US$1 million.

The Norway in St. Thomas

Operating profit

The Group recorded an operating profit of US$159.8 million compared to US$106.9 million for last year, representing an operating margin of 12%. Operating profit for the year before the impairment loss on fixed assets, was US$198.5 million and representing an operating margin of 15%.

For the year ended 31 December 2000, Star and NCL achieved operating margins of 22% and 11% on operating profit before impairment loss of fixed assets, of US$108.0 million and US$90.5 million respectively.

Non-operating income (expense)

Total non-operating expenses of the Group for the year amounted to US$180.1 million.

Non-operating expense was made up of financial costs, share of net loss from an associated company and other net expenses. These non-operating expenses were partially offset by non-operating income consisting of interest income and the net gain on foreign exchange and interest rate swaps.

Churchill's Cigar Club, Norwegian Sky

Superior Suite, Norwegian Sun

Interest expenses, net of capitalised interest, amounted to US$185.5 million. Of these interest expenses, US$37.8 million was attributable to a syndicated term loan of up to US$521.6 million obtained to partially finance the construction of SuperStar Leo and SuperStar Virgo, and US$84.2 million was attributable to financing obtained by the Group to acquire NCL. The remainder of the interest expense was mainly attributable to NCL's fleet loan.

The Group recorded a net non-operating expense of US$4.5 million, of these net non-operating expenses; US$4.2 million was attributable to the premium paid for early extinguishment of various short-term debts and unamortised balance of the related debt issuance costs. Included in this US$4.2 million is an amount of US$3.2 million attributable to financing obtained by the Group to acquire NCL.

Non-cash gain on foreign exchange amounted to US$3.2 million or 1.8% of total non-operating expenses. This non-cash gain resulted primarily from a change in exchange rates between the U.S. dollar and the Singapore dollar.

Share of losses of associated company accounted for US$0.7 million or approximately 0.4% of total non-operating expenses of the Group, and arose from Star's minority interest in NCL during January and February of 2000.

Loss before taxation and minority interests

The Group recorded loss before taxation and minority interests of US$20.3 million in the year ended 31 December 2000. Excluding the impairment loss on fixed asset, the Group's profit before taxation and minority interests would have been US$18.4 million.

Taxation

The Group incurred taxation expenses of US$18.0 million. Current taxation amounted to approximately US$1.1 million, arising out of the Group's cruise activities. Deferred taxation amounted to US$16.9 million, primarily in respect of shipping income of NCL at the Norwegian corporate income tax rate (currently at 28%).

Minority interests

During the year, a portion of the results of NCL for the period from March to December 2000, amounting to US$5.7 million, was apportioned among the minority shareholders in NCL. The Group completed the compulsory acquisition of the minority shareholders of NCL during the year and as at 31 December 2000, NCL was a wholly owned subsidiary of the Group.

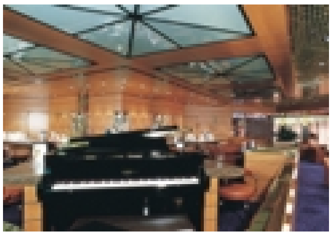
Net loss attributable to shareholders

As a result, the Group recorded a net loss attributable to shareholders of US$44 million for the year ended 31 December 2000. Excluding the impairment loss on fixed assets, net loss attributable to shareholders would have been US$5.3 million.

Couple dancing in disco

Norwegian Sky

Group on Deck, Norwegian Majesty



Rendezvous Lounge, Norwegian Majesty

Bar, Norwegian Majesty

Liquidity and capital resources

The Group had available aggregate credit facilities of US$2.7 billion of which approximately US$733 million was unutilised. The unutilised credit facilities are to be used for the Group's capital commitments for new ships. As at 31 December 2000, the Group had total outstanding bank borrowings of approximately US$2.0 billion. Approximately US$263 million will be due in 2001 (details of bank borrowings are disclosed in note 22 to the accounts). These outstanding bank borrowings were secured by legal charges over vessels including fixed and floating charges over assets of the Group of US$2.2 billion and guarantees given by the Group.

Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. In the year ended 31 December 2000, cash and cash equivalents increased to US$292.5 million from US$52.7 million last year. Operating activities generated US$263.7 million. US$272.0 million was applied towards the purchase of fixed assets, including the ships MegaStar Sagittarius, MegaStar Capricorn, SuperStar Libra and the Norwegian Sun. US$513.8 million, net of NCL's cash and cash equivalents of US$49.2 million, was used to acquire a further 48.3% interest in NCL in January and February 2000, resulting in the Group owning a total interest of 84.5% of NCL's outstanding shares. A further amount of US$72.6 million was used to acquire the remaining interest of approximately 15.5% in NCL in November 2000.

Norwegian Sea

Financing activities provided US$981.0 million, reflecting a net increase in short and long-term debt, including advance of US$62 million from Genting Overseas Holdings Limited, a related company of the Group, a further drawdown of US$476.5 million from the US$600 million bridging loan obtained in 1999 for the acquisition of NCL and the issuance of US$480 million Floating Rate Convertible Unsecured Loan Notes Due (2001) ("Convertible Notes") to Resorts World Limited ("RWL"), a substantial shareholder of the Company. The bridging facility was refinanced in October 2000 with the Barclays Syndicated Facility.

Gearing ratio

The gearing ratio as at 31 December 2000 was 0.50 times (1999: 0.47 times). The calculation of gearing ratio is based on total outstanding borrowings of the Group of US$1,960 million (1999: US$887 million) divided by the total assets at the end of the year of US$3,949 million (1999: US$1,890 million).

Crystal Court, Norwegian Sea