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## **Report of the Directors**

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The Directors submit their report together with the audited accounts for the year ended 31 December 2000.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

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. Details of the Company's principal subsidiary companies are set out in note 32 to the accounts.

### **RESULTS**

The results of the Company and its subsidiaries for the year ended 31 December 2000 are set out in the consolidated profit and loss account on page 45.

### **DIVIDENDS**

The Directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2000.

### **RESERVES**

Movements in the reserves of the Company and the Group during the year are set out in note 24 to the accounts. The distributable reserves of the Company amounted to US\$33.3 million as at 31 December 2000.

### **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 100.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year ended 31 December 2000. Neither the Company nor any of its subsidiaries has purchased or, save for the placing of new shares to the placees as detailed in the prospectus of the Company dated 28 November 2000 and the issue of new shares pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme, sold any of the Company's shares during the year ended 31 December 2000.

### **DONATIONS**

Charitable and other donations made by the Group during the year amounted to US\$0.2 million.

## **FIXED ASSETS**

A brief description of the properties owned by the Group is set out on page 101.

Details of the movements in fixed assets during the year are set out in note 11 to the accounts.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 23 to the accounts.

## **INDEBTEDNESS**

Details of short-term borrowings and long-term financing facilities of the Company and its subsidiary companies at 31 December 2000 are set out in notes 20 and 22 to the accounts.

## **DIRECTORS**

The Directors during the year and up to the date of this report are/were:

Dato' Lim Kok Thay	
Mr. William Ng Ko Seng	
Mr. Chong Chee Tut	(Appointed on 7 August 2000)
Mr. David Colin Sinclair Veitch	(Appointed on 7 August 2000)
Mr. Alan Howard Smith, J.P.	(Appointed on 21 August 2000)
Mr. Tan Boon Seng	(Appointed on 21 August 2000)
Mr. Lim Lay Leng	(Appointed on 18 October 2000)
Mr. Lee Swee Hing	(Resigned on 7 August 2000)
Mr. Cong Ong	(Resigned on 7 August 2000)
Mr. Au Fook Yew	(Resigned on 16 November 2000)
Tan Sri Alwi Jantan	(Appointed on 21 August 2000; Resigned on 19 October 2000)

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Chong Chee Tut and Mr. William Ng Ko Seng retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Lim Lay Leng retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Biographical details of the Directors and senior management are set out on pages 27 to 31.

## **DIRECTORS' SERVICE CONTRACTS**

Mr. David Colin Sinclair Veitch has a service contract with the Company for an initial term of three years commencing from 24 January 2000, to be automatically renewed for further terms of three years each until terminated by either party.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the section "Connected transactions" below and in the section headed "Related party transactions and balances" in note 18 to the accounts, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **CONNECTED TRANSACTIONS**

- (a) Significant related party transactions entered by the Group during the year ended 31 December 2000 are disclosed in note 18 to the accounts.
- (b) The related party transactions, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:
  - (i) Kien Huat Development Sdn Bhd ("Kien Huat"), a company in which a brother of Dato' Lim Kok Thay has a substantial interest, together with its related companies, have since 1997 been engaged by certain companies in the Group to construct terminal buildings and a number of jetties which serve as the administrative and technical support offices and berthing facilities for the Group's cruise vessels. Payments made by the Group for the construction of such facilities were approximately US\$5.2 million for the year ended 31 December 2000 and shall not exceed US\$20 million in the period since the listing of the Company on November 30, 2000 to 31 December 2002.
  - (ii) Genting Berhad, a company in which Dato' Lim Kok Thay has a deemed interest and is also a director and shareholder, and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and various other support services. The Group also purchases air tickets from Resorts World Tours Sdn Bhd, a wholly-owned subsidiary of Resorts World Bhd, a subsidiary of Genting Berhad, from time to time. Amounts charged to the Group in respect of all these services totalled US\$1.6 million for the year ended 31 December 2000 and shall not exceed 1% of the Group's turnover for each of the years ending 31 December 2002.

- (iii) On 1 August 2000, Megastar Capricorn Services Limited, an indirect wholly-owned subsidiary of the Company, entered into a joint promotion programme with Resorts World Bhd, the holding company of Resorts World Limited ("RWL") which is a substantial shareholder of the Company, at an arm's length consideration and on normal commercial terms in the usual and ordinary course of its business, for the allocation of cabins on board the cruise ship, MegaStar Capricorn, to members of Resorts World Bhd's loyalty programme. The cash consideration for this arrangement payable to Megastar Capricorn Services Limited by Resorts World Bhd was approximately US\$40,000 for the year ended 31 December 2000.
- (iv) 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 The Star Cruises Employees Share Option Scheme. Call options granted are exercisable at the price of US\$0.2712 and US\$0.455 per share.
- (v) In October 2000, the Company issued US\$480 million in aggregate principal amount of Floating Rate Convertible Unsecured Loan Notes due 20 August 2001 ("Convertible Notes") to RWL. The Convertible Notes were constituted by a Deed Poll executed by the Company on 27 September 2000 and were issued to RWL pursuant to separate Note Purchase Agreements entered into between the Company and RWL on 28 September 2000 and 9 October 2000. Pursuant to a Deed of Amendment dated 24 November 2000 to the Deed Poll entered into between the Company and RWL, US\$442,499,850 principal amount of the Convertible Notes were mandatorily converted into new ordinary shares. On 29 November 2000, the Company issued 609,781,993 new ordinary shares of US\$0.10 each to RWL at an issue price of HK\$5.66 (US\$0.726 as per conversion rate of US\$1: HK\$7.7997) per share arising from the aforesaid mandatory conversion and the balance of US\$37,500,150 of Convertible Notes not converted into ordinary shares was redeemed on the same day.
- (vi) On 24 November 2000, Arrasas Limited, a wholly-owned subsidiary of the Company, entered into separate Stock Purchase Agreements with RWL, Genting Overseas Holdings Limited (a wholly-owned subsidiary of Genting Berhad) and Palomino Limited (an indirect subsidiary of Genting Berhad) to acquire in the aggregate 29,110,200 ordinary shares representing approximately 10.9% of the issued share capital of NCL Holding ASA for a total cash consideration of NOK436,653,000 (US\$45,746,299) or NOK15 (equivalent to US\$1.572 approximately based on the exchange rates at 29 November 2000) 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 transactions, Arrasas Limited will be required to pay to these related companies the difference between the such higher price per share and NOK15 (US\$1.572) per share.
- (vii) On 22 March 1999, Port Klang Cruise Centre Sdn Bhd, an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement to acquire a parcel of land in Kijal, State of Terengganu, Malaysia from Kijal Resort Sdn Bhd, a subsidiary of Resorts World Bhd, for approximately US\$1.1 million for the construction of a jetty. The Group made a deposit of US\$0.1 million on this property. By a Deed of Revocation dated 1 August 2000, the parties to the Sale and Purchase Agreement formally revoked and rescinded the Sale and Purchase Agreement as a result of a failure to effect a subdivision of the property from a larger parcel of land and subsequent transfer of the property. The US\$0.1 million deposit was refunded to the Group.

(viii) On 7 January 2000, the Company entered into a service contract with Mr. David Colin Sinclair Veitch, a Director of the Company, as amended by letters dated 29 September 2000 and 30 October 2000 under which Mr. Veitch was granted an option to subscribe for US\$200,000 in value of new ordinary shares of the Company before the listing of the Company on The Stock Exchange of Hong Kong Limited ("Listing"). The option was exercised by Mr. Veitch before the Listing arising from which 275,000 new ordinary shares of US\$0.10 each of the Company were allotted and issued to him at the placement price of HK\$5.66 (US\$0.726) per share on 29 November 2000.

The Stock Exchange of Hong Kong Limited has granted a waiver to the Company from compliance with connected transactions requirements of the Listing Rules in respect of the continuing connected transactions under items (i), (ii), (iii) and (iv) (the "Continuing Connected Transactions") above for a period of three years expiring on 31 December 2002 subject to the following conditions:

1. except in respect of the issuance of shares upon the exercise of options granted under The Star Cruises Employees Share Option Scheme under (iv), the Continuing Connected Transactions shall have been entered into, and the terms of the respective agreements governing such transactions shall be:
  - (a) entered into by the Group in the ordinary and usual course of its business;
  - (b) on normal commercial terms or on terms that are fair and reasonable so far as the Company's shareholders are concerned; and
  - (c) in accordance with the terms of the agreements governing such transactions or on terms that are no more (or less) favourable than terms available to (or from) independent third parties;
2. as required by rule 14.25(1)(A) to (D) of the Listing Rules, brief details of the Continuing Connected Transactions shall be disclosed in the Company's future annual reports together with a statement of the opinion of the independent non-executive Directors of the Company and the auditors of the Company referred to in paragraphs 3 and 4 below, if such transactions are conducted during the relevant period;
3. the Company's independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm in the Company's annual report that such transactions, if any, are conducted in accordance with the terms of the relevant agreements governing such transactions (or, where there is no such agreement, in the manner as stated in paragraph 1 above) and where applicable, the continuing connected transactions have been entered into within the limits stated in paragraph 4(c) and (d) below;
4. the Company shall engage its auditors, PricewaterhouseCoopers, to provide the Company's Board of Directors with a letter in respect of each financial year during which the Continuing Connected Transactions are conducted, stating whether, in the opinion of the auditors:
  - (a) the Continuing Connected Transactions have been approved by the Company's Board of Directors;

- (b) the Continuing Connected Transactions have been entered into in accordance with the terms of the relevant agreements governing such transactions;
  - (c) the aggregate consideration paid to Kien Huat in respect of all outstanding construction contracts with Kien Huat since the Listing has not exceeded US\$20 million over the three financial years ending 31 December 2002; and
  - (d) the aggregate consideration paid in respect of the services provided by Genting Berhad and its affiliates in that financial year has not exceeded one per cent of the Group's turnover;
5. Kien Huat, Genting Berhad and Resorts World Bhd shall undertake to the Company to provide the Company's auditors with full access to their relevant records to the extent necessary for the auditors' review of the above Continuing Connected Transactions.

The Audit Committee comprising of all the independent non-executive Directors of the Company has reviewed and confirmed that the Continuing Connected Transactions have been entered into by the Group in accordance with the waiver conditions granted by The Stock Exchange of Hong Kong Limited as stated in paragraph 3 above.

#### **DIRECTOR'S INTERESTS IN COMPETING BUSINESS**

Dato' Lim Kok Thay is the Managing Director of Genting Berhad and Resorts World Bhd, which are both substantial shareholders of the Company and companies listed on the Kuala Lumpur Stock Exchange. Resorts World Bhd'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 Resorts World Bhd cover leisure and hospitality, amusement, gaming and entertainment. Resorts World Bhd is a subsidiary of Genting Berhad.

The Group engages in cruise and cruise-related businesses. Resorts World Bhd and Genting Berhad, as set out above, are not engaged in cruise or cruise-related businesses. As the cruise industry forms a segment of the leisure industry, there may be indirect competition between the Group and Resorts World Bhd.

Dato' Lim Kok Thay is considered as having interests in business apart from the Group's business, which may compete indirectly with the Group's business under paragraph 8.10 of the Listing Rules.

## DIRECTORS' INTERESTS IN EQUITY SECURITIES

At 31 December 2000, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI ordinance")), as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Ordinary shares of US\$0.10 each in the Company

	Number of ordinary shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Dato' Lim Kok Thay	3,115,000	—	23,247,990 <sup>1</sup>	3,647,723,812 <sup>2</sup>	3,674,086,802
Mr. Chong Chee Tut	215,000	—	—	—	215,000
Mr. Ng Ko Seng	187,500	—	—	—	187,500
Mr. David Colin Sinclair Veitch	275,000	—	—	—	275,000

Notes:

1. Deemed interests through Goldsfine Investments Limited.
2. Deemed interests through Resorts World Limited, Golden Hope Limited and Joondalup Limited.

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