

18. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

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

- (a) The Company demerged from GIPLC on 5 December 1997. Prior to this demerger, the Company entered into certain transactions with GIPLC and other companies controlled by GHK to align all cruise and cruise related activities under the Company including 50% of Star Cruise Services Limited (“SCSL”) which was transferred to the Company for US\$1 and to transfer all non-cruise and non-cruise related activities to GIPLC or other parties in which Dato’ Lim Kok Thay, has a deemed interest. As a result of these transfers, the Company received consideration of US\$91.4 million in excess of the carrying cost of subsidiary companies transferred from the Company. This consideration was satisfied through a reduction of the amount due to GIPLC and has been treated as additional paid-in-capital. The Company guaranteed to refund any reduction in the value of certain non-cruise properties sold to RWL. Subsequent to the demerger, the Company was required to refund US\$8.7 million in respect of this guarantee. This amount was accrued as a liability at 31 December 1997 and offset against the US\$91.4 million (net amount of US\$82.7 million) credit to additional paid-in-capital and was fully repaid in the year ended 31 December 1999. No further amounts are payable or receivable by the Company in respect of this guarantee.
- (b) Kien Huat, together with its related companies, is involved in constructing a terminal building and rehabilitating a ship berth in Laem Chabang, Bangkok, Thailand. In addition, Kien Huat is also involved in port improvements of the Group’s berthing facilities and other infrastructure facilities. Amount charged to the Group in respect of these services totaled US\$4.0 million and US\$5.2 million in the years ended 31 December 1999 and 2000 respectively.
- (c) On 22 March 1999, the Group purchased a parcel of land from a subsidiary of RWB for approximately US\$1.1 million. The Group made a deposit of US\$0.1 million on this property. Subsequently by a deed of revocation dated 1 August 2000, this agreement was revoked and rescinded and the deposit was refunded to the Group.
- (d) On 19 May 2000, the Company announced its intention to list its shares on a major stock exchange together with an accompanying equity fund raising. In this regard, the Company has obtained shareholders’ approval for the issue of up to 300 million new ordinary (or up to 1,500 million after the bonus issue) shares of the Company. The Company invited RWB to participate in the proposed issue. RWL advanced the Company US\$52 million. This advance bore interest at a rate equal to the one month US dollar Singapore Interbank Offer Rate plus 1% per annum and was advance subscription monies for the proposed issue of new ordinary shares and/or new securities convertible into ordinary shares.

18. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

On 4 October 2000 and 11 October 2000, the Company issued US\$213 million and US\$267 million respectively in principal amount Floating Rate Convertible Unsecured Loan Notes due 2001 ("Convertible Notes") in two tranches to RWL. Subsequently on 29 November 2000, US\$442.5 million of the Convertible Notes were mandatorily converted into 609,781,993 ordinary shares of the Company at a subscription price of approximately HK\$5.66 (US\$0.726) per share pursuant to the terms of the Convertible Notes. The Company repaid the remaining Convertible Notes not converted into ordinary shares at their principal amount on the same date.

- (e) GOHL advanced the Group US\$62 million on 17 February 2000; this advance was repaid on 2 October 2000. The advance bore interest at a rate equal to the one month US dollar Singapore Interbank Offer Rate plus 1% per annum.
- (f) GB and its related companies provide or have provided certain services to the Group, including internal audit, treasury services, secretarial services, certain information technology support services and other support services. In May 1999, GB ceased to provide internal audit services to the Group as the Group had established an internal audit group. The Group also purchased air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totaled US\$1.6 million each in the years ended 31 December 1999 and 2000.

On 1 August 2000, the Group entered into a joint promotion programme with RWB for the allocation of the cabins onboard one of its cruise ships to members of RWB's loyalty programme. The allocation of cabin forms part of the reward available to the members of RWB's loyalty programme. The amount charged to RWB was approximately US\$40,000 in the year ended 31 December 2000.

- (g) On 24 November 2000, Arrasas Limited entered into separate Stock Purchase Agreements with RWL, GOHL and Palomino Limited (an indirect subsidiary of GB) to acquire in aggregate of 29,110,200 ordinary shares representing approximately 10.9% of the issued share capital of NCL for a total cash consideration of NOK436,653,000 (US\$45,746,299) 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 transactions, Arrasas Limited will be required to pay to these related companies the difference between the such higher price per share and NOK15 per share (US\$1.572).

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

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(h) US\$260 million Subordinated loan

	GROUP		COMPANY	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Subordinated loan	—	260,000	—	260,000

On 20 December 1999, the Group obtained a short-term US\$260 million loan facility from Joondalup Limited, ("JL") a wholly-owned company of GHL as trustee of Golden Hope Unit Trust. This term loan bears interests at a rate equal to the aggregate of the cost of funds incurred by JL and 4% per annum and is repayable on demand. JL has fully advanced the US\$260 million to the Group as at 31 December 1999. This term loan facility was subordinated to the US\$600 million short-term loan facility obtained on 19 December 1999.

On 24 November 2000, the Group entered into an agreement with JL where JL subscribed for 330,729,329 ordinary shares of US\$0.10 each in the capital of the Company at a subscription price of approximately HK\$5.66 (US\$0.726) per share upon capitalisation of US\$240 million of the US\$260 million subordinated loan. The Group repaid the remaining balance of the subordinated loan in December 2000.

(i) Transaction with a Director

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.

19. TRADE CREDITORS

	GROUP	
	2000	1999
	US\$'000	US\$'000
Trade creditors	76,092	21,312

The ageing of trade creditors as at 31 December 2000 is as follows:

	GROUP
	2000
	US\$'000
Current to 60 days	68,994
61 days to 120 days	3,138
121 days to 180 days	3,381
Over 180 days	579
	76,092

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

20. SHORT-TERM BANK LOANS

During the year ended 31 December 2000, the Group obtained unsecured short-term bank loans of US\$80.0 million. An amount of approximately US\$79.6 million was drawdown and repaid during the year. These short-term loans bear interest at rates which vary with the banks' cost of funds. As at 31 December 2000, the Group has a short-term revolving credit facility up to a maximum of US\$50 million which is available to be drawn down.

21. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities consists of the following:

	GROUP		COMPANY	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Payroll, taxes and related benefits	13,706	6,437	—	—
Interest	34,878	13,247	—	—
Forward contracts	26,971	—	—	—
Others	85,782	40,455	1,692	1,018
	<u>161,337</u>	<u>60,139</u>	<u>1,692</u>	<u>1,018</u>

22. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

		GROUP		COMPANY	
		2000	1999	2000	1999
		US\$'000	US\$'000	US\$'000	US\$'000
US\$521.6 million syndicated term loan	(i)	469,227	504,000	—	—
US\$600 million term loan	(ii)	600,000	123,485	600,000	—
US\$210 million DnB Loan Agreement	(iii)	196,000	—	—	—
US\$623 million Fleet Loan	(iv)	597,600	—	—	—
1999 KfW Loan Agreement	(v)	96,790	—	—	—
Total liabilities		<u>1,959,617</u>	<u>627,485</u>	<u>600,000</u>	<u>—</u>
Less: Current portion		<u>(263,573)</u>	<u>(34,773)</u>	<u>(150,000)</u>	<u>—</u>
Long-term portion		<u>1,696,044</u>	<u>592,712</u>	<u>450,000</u>	<u>—</u>

22. LONG-TERM BANK LOANS (continued)

The following is a schedule of principal repayments of the long-term debts in respect of the loans outstanding as at 31 December 2000 and 1999.

	GROUP		COMPANY	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Within one year	263,573	34,773	150,000	—
In the second year	128,573	34,773	—	—
In the third to fifth years	1,109,319	227,804	450,000	—
After the fifth year	458,152	330,135	—	—
	<u>1,959,617</u>	<u>627,485</u>	<u>600,000</u>	<u>—</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. The Group has fully drawdown this syndicated term loan during the year ended 31 December 1999.

This syndicated term loan is secured by the following:

- First preferred Panamanian ship mortgages over assets with a carrying value of US\$681.8 million as at 31 December 2000
- Guarantees given by the Company and a subsidiary, SCSL
- Issue of debentures for fixed and floating charges over the assets of these two subsidiaries
- First fixed charges over shares of these two subsidiaries
- The charter and earnings assignments by these two subsidiaries
- The charter and insurance assignments by these two subsidiaries
- The charterer's subordination and assignments together with insurance assignments
- The sub-charterer's subordination and assignments together with insurance assignments
- The operator's and manager's undertakings in respect of obligations under the operating and management agreements

This syndicated term loan bears interest at a rate which varies according to the London Interbank Offer Rate ("LIBOR") and is repayable in 24 equal half yearly instalments commencing 6 months from the relevant ship delivery date, with a maturity date payment to be paid on the relevant maturity dates. These facilities contain covenants, which have been modified from time to time, requiring the Group, among other things, to maintain minimum debt service coverage and limit debt to capital ratios.

22. LONG-TERM BANK LOANS *(continued)*

(ii) US\$600 million term loan

On 19 December 1999, Arrasas Limited, a wholly-owned subsidiary of the Company obtained a short-term loan facility of US\$600 million to part finance the purchase of an equity interest in NCL. As at 31 December 1999, approximately US\$123.5 million of this term loan facility was drawdown. This term loan which bears interest at a rate which varies according to the London Interbank Offer Rate was fully drawdown in year 2000.

This term loan was secured by guarantees from the Company and its other subsidiaries and a pledge of the NCL shares owned by Arrasas Limited. This facility contained covenants that required the Company, among other things, to maintain minimum debt service coverage and limit debt to capital ratios.

On 18 August 2000, the Group entered into an agreement to refinance this US\$600 million short-term loan with a 5-year medium term loan. Subsequently on 12 October 2000, the Group drewdown this medium term loan. Based on the refinancing of this short-term loan, its outstanding balance as at 31 December 1999 was classified as a long-term bank loan in the accompanying balance sheet.

The 5-year medium term loan is secured by guarantees from certain subsidiaries and a pledge on shares of Arrasas Limited owned by the Company. The Group will repay US\$150 million of this loan in 2001 and this amount has been classified as a current liability as at 31 December 2000 (see note 33). Other than this payment, there are no other principal repayments in the three year period ending 18 August 2003.

The Group would have been in breach of one of the financial covenants relating to this 5-year medium term loan as at 31 December 2000. However, the Group has obtained a waiver from the need to comply with this covenant from its bank lenders.

The Group also has the following long-term bank loans as a result of the acquisition of NCL.

(iii) US\$210 million DnB Loan Agreement

NCL entered into a non-cancelable loan agreement with a syndicate of banks (the "DnB Loan Agreement") to finance repayment of an existing loan and payments in connection with the construction of M/S Norwegian Sky (the "Vessel"). Under the terms of the DnB Loan Agreement, NCL may borrow the lesser of 60% of the market value of the Vessel or US\$210 million. In July 1999, NCL borrowed US\$210 million under this Loan Agreement. This term loan which bears interest at a rate which varies according to the London Interbank Offer Rate is repayable in 20 equal half yearly instalments with a maturity date payment to be paid on the maturity date.

(iv) US\$623 million fleet loan

In December 1999, NCL obtained a US\$510 million reducing revolving credit facility with a syndicate of banks (the "Facility") to refinance certain debt facilities of NCL. 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 of 1.10% to 1.60%. The margin is based on the ratio of NCL's funded debt to consolidated Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA"), as defined, for the latest 12-month period.

22. LONG-TERM BANK LOANS *(continued)*

(v) **1999 KfW Loan Agreement**

In October 1999, in connection with the construction of the M/S Norwegian Sun, NCL entered into a loan agreement with a syndicate of banks (the "Construction Loan") to borrow up to US\$150 million. The Construction Loan is repayable upon delivery of the cruise ship by the shipyard but no later than 31 December 2001. During the year ended 31 December 2000, the Group began to drawdown amounts under the Construction Loan to pay the shipyard.

In May 2000, NCL obtained a permanent financing commitment from a syndicate of banks to provide up to US\$225 million in loans to refinance the Construction Loan and to finance the final payment to the shipyard. Amounts may be drawdown under this commitment until 31 December 2001. Based on this long term financing commitment, the Construction Loan is classified as long-term bank loans in the accompanying balance sheet at 31 December 2000.

Security for NCL bank loans (iii) to (v) above

NCL's ships and its other property are pledged as collateral for NCL's long-term bank loans as at 31 December 2000. In addition, the ordinary shares of NCL Cruises Limited are pledged as collateral for Norwegian Cruise Line Limited's long-term bank loans.

Various debt agreements of NCL 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.

US\$604.8 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 subsidiaries, Superstar Libra Limited and Superstar Scorpio Limited, as joint and several borrowers to part finance the construction of m. v. SuperStar Libra and m. v. SuperStar Scorpio, respectively.

No amount was drawdown as at 31 December 2000.

As at 26 June 1999, the syndicated term loan was secured by the following:

- Guarantees given by the Company and SCSL
- Issue of debentures for fixed and floating charges over the assets of these two subsidiaries
- First fixed charges over shares of these two subsidiaries
- Assignment of the shipbuilding contract and the benefit of the refund guarantees from the builder pursuant to the shipbuilding contract.

22. LONG-TERM BANK LOANS (continued)

The Company has also agreed to grant in the future the following security, guarantees, indemnities and other assurances of a similar nature:

- First preferred Panamanian ship mortgages over assets of these two subsidiaries
- The charter and earnings assignments by these two subsidiaries
- The charter and insurance assignments by these two subsidiaries
- The charterer's subordination and assignments together with insurance assignments
- The sub-charterer's subordination and assignments together with insurance assignments
- The operator's and manager's undertakings in respect of obligations under the operating and management agreements

23. SHARE CAPITAL

	GROUP/COMPANY			
	Authorised share capital			
	Preference shares of US\$0.10 each		Ordinary shares of US\$0.10 each	
	No of shares	US\$'000	No of shares	US\$'000
At 1 January 1999 and 2000	10,000	1	999,990,000	99,999
Increase in authorised ordinary share capital	—	—	9,000,000,000	900,000
At 31 December 2000	10,000	1	9,999,990,000	999,999