

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly accounts of the Group have been prepared in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of these quarterly accounts are consistent with those used in the annual accounts for the year ended 31 December 2000.

Intangible assets

The Group is currently amortising goodwill and other intangible assets 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. SSAP 29 and SSAP 30 are effective for accounting periods commencing 1 January 2001.

- a) The Group amortises goodwill arising from the purchase of NCL Holding ASA ("NCL") totalling US\$372.6 million on a straight-line basis over 40 years which is consistent with the useful lives of goodwill adopted by other leading cruise companies. The Group believes that 40 years is a reasonable estimate of the useful life of this goodwill as the NCL business has been in operating 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.
- b) Intangible assets representing trade names and trademarks of Norwegian Cruise Line and Orient Lines of US\$291.6 million were recorded on the acquisition of NCL and are being amortised on a straight-line basis over 40 years. The Group considers that 40 years is a reasonable estimate of the useful lives of these assets as the trade names and trademarks of NCL 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.

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 operation of one passenger cruise ship and a catamaran to third party customers.

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

	TURNOVER		OPERATING PROFIT	
	Three months ended 31 March		Three months ended 31 March	
	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>
Cruise and cruise related activities	332,706	188,021	24,868	31,158
Charter hire	2,676	2,734	1,251	1,041
	<u>335,382</u>	<u>190,755</u>	<u>26,119</u>	<u>32,199</u>



The Group's turnover in its principal markets of North America, Asia Pacific and Europe is analysed as follows:

	TURNOVER		OPERATING PROFIT/ (LOSS)	
	Three months ended 31 March		Three months ended 31 March	
	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>
Asia Pacific	131,944	112,082	28,032	24,727
North America (<i>note</i>)	179,013	70,963	(1,683)	6,794
Europe	19,920	7,710	(188)	678
Others	4,505	—	(42)	—
	<u>335,382</u>	<u>190,755</u>	<u>26,119</u>	<u>32,199</u>

Note: Substantially all this turnover arises in the United States of America.

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 31 March	
	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>
Depreciation of fixed assets	27,404	20,110
Amortisation of software development costs	968	61
Amortisation of goodwill	2,360	787
Amortisation of trade names and trademarks	1,531	608
Amortisation of drydocking costs	3,829	2,206
Total depreciation and amortisation	<u>36,092</u>	<u>23,772</u>
- relating to operating function	32,752	22,501
- relating to selling, general and administrative function	<u>3,340</u>	<u>1,271</u>

4. TAXATION

	Three months ended 31 March	
	2001 <i>US\$'000</i> <i>unaudited</i>	2000 <i>US\$'000</i> <i>unaudited</i>
Overseas taxation		
- Current taxation	221	219
- Deferred taxation	(2,640)	1,894
	<u>(2,419)</u>	<u>2,113</u>

5. LOSS PER SHARE

Loss per share has been calculated as follows:

	Three months ended 31 March	
	2001	2000
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
BASIC		
Net loss	(156)	(604)
Average outstanding ordinary shares in thousands	4,143,299	3,123,540
Basic loss per share in US cents	<u>(US 0.004 cents)</u>	<u>(US 0.019 cents)</u>

- (i) The loss per share for the three months ended 31 March 2000 has been restated to reflect the bonus issue of new ordinary share of US\$0.10 each credited as fully paid up on the basis of four new ordinary shares for every one existing ordinary share in August 2000.
- (ii) Diluted loss per share for the three months ended 31 March 2001 and 2000 is not shown as the diluted loss per share is less than the basic loss per share.

6. TRADE RECEIVABLES

	31 March 2001	As at 31 December 2000
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Trade receivables	26,797	22,300
Less: Provisions	<u>(2,577)</u>	<u>(2,380)</u>
	<u>24,220</u>	<u>19,920</u>

Credit terms generally range from payment in advance to 30 days credit terms.

At 31 March 2001 and 31 December 2000, the ageing analysis of the trade receivables were as follows:

	31 March 2001	As at 31 December 2000
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Current to 30 days	16,119	13,625
31 days to 60 days	1,767	2,223
61 days to 120 days	2,066	1,642
121 days to 180 days	1,822	929
181 days to 360 days	2,999	2,093
Over 360 days	<u>2,024</u>	<u>1,788</u>
	<u>26,797</u>	<u>22,300</u>



7. TRADE CREDITORS

The ageing of trade creditors as at 31 March 2001 and 31 December 2000 were as follows:

	31 March 2001 <i>US\$'000</i> <i>unaudited</i>	As at 31 December 2000 <i>US\$'000</i> <i>audited</i>
Current to 60 days	55,588	68,994
61 days to 120 days	5,086	3,138
121 days to 180 days	2,696	3,381
Over 180 days	645	579
	<u>64,015</u>	<u>76,092</u>

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

8. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

	31 March 2001 <i>US\$'000</i> <i>unaudited</i>	As at 31 December 2000 <i>US\$'000</i> <i>audited</i>
US\$521.6 million syndicated term loan	451,840	469,227
US\$600 million term loan (i)	600,000	600,000
US\$210 million DnB Loan Agreement	189,000	196,000
US\$623 million Fleet Loan	597,600	597,600
1999 KfW Loan Agreement (ii)	140,420	96,790
	<u>1,978,860</u>	<u>1,959,617</u>
Total liabilities	1,978,860	1,959,617
Less: Current portion	<u>(263,573)</u>	<u>(263,573)</u>
Long-term portion	<u>1,715,287</u>	<u>1,696,044</u>

(i) Pursuant to the terms of an amendment agreement signed in April 2001, the Group repaid US\$150 million of the US\$600 million 5-year term loan. This repayment was made from the proceeds of the disposal of m.v. Star Aquarius of US\$75 million in the current quarter with the balance from the proceeds of the convertible notes issued to Resorts World Limited ("RWL") and the share placement, both of which occurred in 2000.

(ii) This loan has been classified as a long-term bank loan since a permanent financing commitment to provide up to US\$225 million in loans has been obtained in May 2000 to refinance this loan.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited ("GHL"), a company incorporated in the Isle of Man acting as trustee for the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various trusts established for the benefit of Tan Sri Lim Goh Tong, and certain members of his family controls the Group.

Dato' 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 ("Kien Huat") is a company in which a brother of Dato' Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Dato' Lim Kok Thay has a deemed interest and which is listed on the Kuala Lumpur Stock Exchange, controls Resorts World Berhad ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn controls RWL which is a substantial shareholder of the Company.

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

- (a) Kien Huat, together with its related companies, is involved in constructing a terminal building and renovating a ship berth in Laem Chabang, Bangkok, Thailand. In addition, Kien Huat is also 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 totalled US\$0.1 million and US\$0.3 million in the three-month periods ended 31 March 2001 and 2000 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 purchased air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled US\$0.5 million and US\$1.0 million in the three-month periods ended 31 March 2001 and 2000 respectively.

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

10. SHAREHOLDERS' FUNDS

Three months ended 31 March 2001

	Share Capital US\$'000	Share Premium US\$'000	Additional paid-in capital US\$'000	Foreign currency translation adjustments US\$'000	Unamortised share option expense US\$'000	Retained earnings US\$'000	Total US\$'000
<u>Unaudited</u>							
At 1 January 2001	414,108	1,053,853	93,952	(25,577)	(8,911)	67,512	1,594,937
Exchange translation differences	—	—	—	(590)	—	—	(590)
Net loss for the period	—	—	—	—	—	(156)	(156)
Issue of ordinary shares pursuant to Star Cruises Employees Share Option Scheme	295	528	—	—	—	—	823
Charged to profit and loss account	—	—	—	—	682	—	682
At 31 March 2001	414,403	1,054,381	93,952	(26,167)	(8,229)	67,356	1,595,696

Three months ended 31 March 2000

	Share Capital US\$'000	Share Premium US\$'000	Additional paid-in capital US\$'000	Foreign currency translation adjustments US\$'000	Unamortised share option expense US\$'000	Retained earnings US\$'000	Total US\$'000
<u>Unaudited</u>							
At 1 January 2000	62,467	675,823	89,376	(23,825)	(4,892)	111,512	910,461
Exchange translation differences	—	—	—	(296)	—	—	(296)
Net loss for the period	—	—	—	—	—	(604)	(604)
Issue of ordinary shares pursuant to Star Cruises Employees Share Option Scheme	9	111	—	—	—	—	120
Issuance of share option	—	—	1,535	—	(1,535)	—	—
Charged to profit and loss account	—	—	—	—	280	—	280
At 31 March 2000	62,476	675,934	90,911	(24,121)	(6,147)	110,908	909,961

There was no significant change in the application of the proceeds from the convertible notes to RWL and share placement from that disclosed in the latest published annual report for the year ended 31 December 2000. As at 31 March 2001, the balance of unapplied proceeds of US\$173 million was on deposit with banks.



11. FINANCIAL INSTRUMENTS

In March 2001, the Group entered into several amortising interest rate swaps to effectively convert the interest rate on US\$120 million of the US\$521.6 term loan obtained to finance the construction of m.v. SuperStar Leo and m.v. SuperStar Virgo from a floating rate obligation to a fixed rate obligation. Under the interest rate swaps, the Group will exchange at six monthly interval, the difference between the fixed rate and the floating rate interest calculated by reference to the agreed amortising notional principal amount. As at 31 March 2001, the fair value of these financial instruments was approximately US\$0.1 million.

12. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 31 March 2001 and 31 December 2000:

	As at	
	31 March 2001	31 December 2000
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Contracted but not provided for		
- Cruise ships under construction	823,366	840,807
- Cruise terminal under construction	7,297	9,547
	<u>830,663</u>	<u>850,354</u>
Authorised but not contracted for	<u>—</u>	<u>—</u>

(ii) Material Litigation and Contingencies

There were no material changes to the information disclosed in the Group's annual report for the year ended 31 December 2000.