

## Notes to the Accounts

### 1. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 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 life of goodwill adopted by other leading cruise companies. The Group believes that 40 years is a reasonable estimate of the useful lives of this goodwill as the NCL business has been in operation 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 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.

#### Drydocking expenses

Drydocking costs represent major inspection and overhaul costs and were already depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally every two to three years. In prior years, these drydocking costs, which were to be amortised within one year, were classified as current assets and the remainder of such costs was included in other assets. Effective this year, the Group has included these drydocking costs as a separate component of the ship costs in accordance with revised SSAP 17 "Property, Plant and Equipment", where necessary, comparative figures have been reclassified to conform to the current period's presentation.

### 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			
	Three months ended 30 June		Six months ended 30 June	
	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>audited</i>
Cruise and cruise related activities	323,041	357,604	655,747	545,625
Charter hire	4,190	4,186	6,866	6,920
	<u>327,231</u>	<u>361,790</u>	<u>662,613</u>	<u>552,545</u>

## Notes to the Accounts (Continued)

### 2. TURNOVER AND OPERATING PROFIT (Continued)

	OPERATING PROFIT			
	Three months ended		Six months ended	
	30 June		30 June	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Cruise and cruise related activities	26,775	50,155	51,643	81,313
Charter hire	2,689	2,543	3,940	3,584
	<u>29,464</u>	<u>52,698</u>	<u>55,583</u>	<u>84,897</u>

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

	TURNOVER			
	Three months ended		Six months ended	
	30 June		30 June	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Asia Pacific	120,944	140,032	252,888	252,114
North America (note)	180,498	198,918	359,511	269,881
Europe	24,507	22,840	44,427	30,550
Others	1,282	—	5,787	—
	<u>327,231</u>	<u>361,790</u>	<u>662,613</u>	<u>552,545</u>

	OPERATING PROFIT			
	Three months ended		Six months ended	
	30 June		30 June	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Asia Pacific	25,631	21,959	53,663	46,686
North America (note)	3,368	27,799	1,685	34,593
Europe	396	2,940	208	3,618
Others	69	—	27	—
	<u>29,464</u>	<u>52,698</u>	<u>55,583</u>	<u>84,897</u>

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

## Notes to the Accounts (Continued)

### 3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 30 June		Six months ended 30 June	
	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>audited</i>
Depreciation of fixed assets	32,735	32,142	63,968	54,458
Amortisation of software development costs	1,160	378	2,128	439
Amortisation of goodwill	2,361	2,319	4,721	3,106
Amortisation of trade names and trademarks	1,528	1,822	3,059	2,430
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Total depreciation and amortisation	37,784	36,661	73,876	60,433
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- relating to operating function	35,551	34,487	69,525	56,988
- relating to selling, general and administrative function	2,233	2,174	4,351	3,445

### 4. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	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>audited</i>
Overseas taxation				
- Current taxation	245	360	466	579
- Deferred taxation	2,640	1,957	—	3,851
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	2,885	2,317	466	4,430
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## Notes to the Accounts (Continued)

### 5. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share has been calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
<b>BASIC</b>				
Net profit/(loss)	784	(940)	628	(1,544)
Average outstanding ordinary shares in thousands	4,144,062	3,124,164	4,143,683	3,124,157
Basic earnings/(loss) per share in US cents	0.02	(0.03)	0.02	(0.05)
<b>FULLY DILUTED</b>				
Net profit/(loss)	784	(940)	628	(1,544)
Average outstanding ordinary shares in thousands	4,144,062	3,124,164	4,143,683	3,124,157
Effect of dilutive ordinary shares in thousands	16,479	68,202	26,590	68,791
Average outstanding ordinary shares after assuming dilution in thousands	4,160,541	3,192,366	4,170,273	3,192,948
Fully diluted earnings per share in US cents	0.02	N/A	0.02	N/A

- (i) The loss per share for the three months and six months ended 30 June 2000 have 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 and six months ended 30 June 2000 are not shown as the diluted loss per share is less than the basic loss per share.

### 6. TRADE RECEIVABLES

	30 June 2001 US\$'000 unaudited	As at 31 December 2000 US\$'000 audited
Trade receivables	21,803	22,300
Less: Provisions	(2,657)	(2,380)
	19,146	19,920