1. Principal Accounting Policies

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 17 (revised)	:	Property, plant and equipment
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

Where necessary, comparative figures have been reclassified to conform to the current year's presentation.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the end of the year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than that which is temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1. Principal Accounting Policies *(continued)*

(c) Intangible assets

Intangible assets consist of goodwill, trade names and trademarks. Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable assets and liabilities of subsidiaries and associated companies acquired, is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of 40 years. Negative goodwill which represents the excess, as at the date of acquisition, of the Group's interests in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition is included in the balance sheet under "intangible assets" and is recognised as income in the profit and loss account on a systematic basis over 40 years.

Trade names and trademarks of Norwegian Cruise Line and Orient Lines recorded on acquisition of NCL Holding ASA ("NCL") are being amortised on a straight-line basis over their estimated useful economic lives of 40 years.

The Group is currently amortising goodwill and trade names and trademarks 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.

(i) The Group amortises goodwill 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.

(ii) Trade names and trademarks of Norwegian Cruise Line and Orient Lines recorded on the acquisition of NCL is 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.

As the Group amortises goodwill and intangible assets over a period exceeding twenty years, the recoverable amounts of goodwill and intangible assets are assessed annually (see note 1 (w)).

(d) Foreign currency

Transactions in currencies other than US dollars ("foreign currencies") are translated into US dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the balance sheet date.

All such exchange differences are reflected in the consolidated profit and loss account.

For those subsidiaries which do not have the US dollar as their reporting currency, translation of their foreign currency accounts is dealt with as follows:

(i) assets and liabilities are translated at exchange rates at the balance sheet date and;

(ii) income and expense items are translated at average exchange rates prevailing during the year.

The resulting translation gains and losses arising from remeasurement are included as a separate component of reserve, "Foreign currency translation adjustment".

1. Principal Accounting Policies *(continued)*

(e) Revenue and expense recognition

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the period. Where services are provided on credit, ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

Income from charter-hire is recognised evenly over the period of the charter-hire.

Deposits received from customers for future voyages are recorded as advance ticket sales until such passenger revenue is earned.

Interest income and expense is recognised on a time proportion basis, taking into account the principal amount outstanding and the interest rates applicable.

(f) Drydocking expenses

Drydocking costs represent major inspection and overhaul costs and are 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”.

(g) Advertising costs

The Group’s advertising costs are generally expensed as incurred. Costs incurred that result in tangible assets, including brochures are treated as prepaid supplies and expensed as consumed. Direct-response advertising costs are capitalised and amortised over the period when revenues are realised from the related advertising.

(h) Start up expenses

Start up expenses, which primarily comprise expenses of deploying a ship from the dockyard to its port of operations and repositioning a ship to develop a new market, including crew payroll and ship expenses, are expensed as incurred and included in operating expenses. Marketing expenses incurred during this period are included in selling, general and administrative expenses.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Cash and cash equivalents

Cash and cash equivalents include investments with original maturities of three months or less that are readily convertible to known amounts of cash with no significant risk of changes in value and are stated at cost which approximates market value.

(k) Restricted cash

Restricted cash consists of cash collateral in respect of certain loan agreements, letters of credit and other obligations.

1. Principal Accounting Policies *(continued)*

(l) Loan arrangement fees

Costs incurred in connection with the arranging of loan financing have been deferred and amortised on a straight-line basis over the life of the loan agreement. The unamortised amount, which is to be amortised within one year is included in prepaid expenses and others. The remaining amount is included in other assets.

(m) Consumable inventories

Consumable inventories mainly consist of provisions, supplies and engine and ship spare parts and are carried at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Software development costs

Deferred software development costs consist principally of salaries and fringe benefits of certain programmers and system analysts and outside consultant fees incurred in connection with the enhancement of significant internal data processing systems beyond their original specifications. These costs are recognised as an asset and amortised when the software is available for use using the straight-line method over the estimated useful life, not to exceed five years.

(o) Provisions, contingent liabilities and contingent assets

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

1. Principal Accounting Policies *(continued)*

(q) Fixed assets

Fixed assets are stated at cost less accumulated depreciation except for land, leasehold land, jetties, terminal building and improvements which are stated at valuation less accumulated depreciation. Significant cruise ship refurbishing costs are capitalised as additions to the cruise ship while costs of repairs and maintenance are expensed as incurred.

Cruise ships, catamaran and passenger ferry are depreciated to their estimated residual value on a straight-line basis over periods ranging from 13 to 30 years. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land	30-99 years
Jetties and terminal building	30-99 years
Equipment and motor vehicles	3-20 years

No depreciation is provided on fixed assets which are under construction. The Group capitalises interest on cruise ships, catamaran and other capital projects during the period required to get such assets ready for their intended use. Interest capitalisation ceases when the asset is substantially complete.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account. Any revaluation reserve balance attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(r) Financial instruments

The Group enters into derivative instruments, primarily forward contracts and interest rate swaps to limit its exposures to fluctuations in foreign currency exchange rates, and to modify its exposure to interest rate movements and to manage its interest costs.

The Group uses forward contracts to manage foreign currency exchange rate risk related to certain projected cash flows. These instruments are carried at fair value in the balance sheet. Changes in the market value of forward contracts that hedge foreign currency commitments to construct a cruise ship are deferred and included in the cost of the ship when the commitment is paid. Changes in the fair value of the Group’s other foreign exchange derivative instruments are recognised in the profit and loss account.

Interest rate swaps allow the Group to convert long-term borrowings from floating rates and swap them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount. The differential in interest rates to be paid or received under interest rate swaps is recognised during the financial year in the consolidated profit and loss account as part of interest expense. These instruments are carried at fair value in the balance sheet. Changes in the fair value of the interest rate swaps are deferred, included as a separate component of reserves, and recognised in the profit and loss account as the underlying hedged items are recognised.

(s) Share option expense

The Group accounts for compensation expense in respect of the award of share options to employees based on the excess, if any, of the quoted market price of the share at the date of the grant over the exercise price of the option. The excess has been treated as additional paid in capital and is recognised as an expense over the option periods. The unamortised amount is included as a separate component of reserves.

(t) Earnings per share

Basic earnings per share is computed by dividing net profit by the weighted average number of ordinary shares outstanding during each year. Fully diluted earnings per share is computed by dividing net profit by the weighted average number of ordinary shares, potential ordinary shares and other potentially dilutive securities outstanding during each period.

1. Principal Accounting Policies *(continued)*

(u) Retirement benefit costs

Contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave employment before being fully vested. The amount of forfeiture depends on how much the employee is vested at the time of departure. The assets of these schemes are held separately from those of the Group.

Expenses in respect of a retirement scheme providing benefits based on final pay are charged to the profit and loss account. The unfunded pension obligations are determined based on the estimates of the effects of future events on the actuarial net present value of accrued pension obligations and are determined by a qualified actuary.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(w) Recoverability of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets, goodwill and other intangible assets, trade names and trademarks are impaired. If any indication of impairment of an asset exists, and annually for goodwill and other intangible assets (as such assets are being amortised over 40 years (see note 1 (c)), the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The Group measures the amount of the impairment by comparing the carrying amount of an asset to its recoverable amount which is the higher of an asset's net selling price or its value in use. The Group estimates recoverable amount based on the best information available making whatever estimates, judgements and projections considered necessary. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties less costs of disposal. The estimation of value in use is generally measured by discounting future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life at discount rates which are commensurate with the risk involved.

(x) Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, intangible assets other than goodwill, inventories, receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets and intangible assets other than goodwill, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, turnover is based on the country in which the customer is located.

2. Turnover, Operating Profit and Segment Information

The turnover consists of revenues earned from cruise and cruise related activities and charter hire.

The Group is principally engaged in the operation of passenger cruise ships. Cruise and cruise related revenues comprise 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. The charter hire includes the lease operation of a catamaran and a cruise ship to third party customers.

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

2001	**Cruise and cruise related activities**	**Charter Hire**	**Total**
	US$'000	**US$'000**	**US$'000**
Turnover	1,369,051	12,515	1,381,566
Operating Profit	73,406	11,135	84,541
Interest income			6,821
Financial costs			(118,492)
Other non-operating income/(expenses), net			12,846
Loss before taxation			(14,284)
Taxation			(1,759)
Net loss for the year			(16,043)
Segment assets (excluding goodwill)	3,836,754	34,329	3,871,083
Segment liabilities	427,030	414	427,444
Capital expenditure	645,564	3	645,567
Depreciation and amortisation	148,303	6,114	154,417
Impairment of fixed assets	8,430	—	8,430
2000			
Turnover	1,312,715	14,028	1,326,743
Operating Profit	152,306	7,493	159,799
Interest income			7,488
Financial costs			(185,512)
Other non-operating income/(expenses), net			(1,345)
Share of losses of associated company			(748)
Loss before taxation			(20,318)
Taxation			(18,032)
Loss after taxation			(38,350)
Minority interests			(5,650)
Net loss for the year			(44,000)

2. Turnover, Operating Profit and Segment Information *(continued)*

	Cruise and cruise related activities	Charter Hire	Total
	US$'000	US$'000	US$'000
Segment assets (excluding goodwill)	3,486,549	89,197	3,575,746
Segment liabilities	372,428	615	373,043
Capital expenditure	280,949	55	281,004
Depreciation and amortisation	133,594	6,335	139,929
Impairment of fixed assets	38,663	—	38,663

The Group's turnover, operating profit/(loss) and assets in its principal markets of Asia Pacific and North America is analysed as follows:

2001	Turnover	Operating Profit/(Loss)	Total Assets (excluding goodwill)	Capital expenditure
	US$'000	US$'000	US$'000	US$'000
Asia Pacific	511,669	94,194	1,277,949	34,375
North America (note)	765,585	(1,415)	2,593,134	611,192
Others	104,312	1,203	—	—
	1,381,566	93,982	3,871,083	645,567
Amortisation of goodwill		(9,441)		
		84,541		
2000				
Asia Pacific	544,562	61,953	1,573,753	90,558
North America (note)	701,099	95,528	2,001,993	190,446
Others	81,082	10,186	—	—
	1,326,743	167,667	3,575,746	281,004
Amortisation of goodwill		(7,868)		
		159,799		

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

3. Impairment of Fixed Assets

	GROUP	
	2001	2000
	US$'000	US$'000
Impairment loss - ship	**8,430**	37,694
Loss on revaluation of property and land assets	**—**	969
	8,430	38,663

In December 2001, the Group carried out an impairment assessment on certain of its cruise ships. As a result of this assessment, the Group wrote down the carrying value of a ship in the amount of US$8.4 million.

4. Operating Profit

Operating profit is stated after charging the following:

	GROUP	
	2001	2000
	US$'000	US$'000
Charging:		
Net foreign currency translation losses	**3,639**	301
Depreciation of fixed assets	**135,453**	123,585
Amortisation of software development costs	**3,404**	2,401
Amortisation of goodwill	**9,441**	7,868
Amortisation of negative goodwill	**(1,171)**	—
Amortisation of trade names and trademarks	**7,290**	6,075
Total depreciation and amortisation	**154,417**	139,929
- relating to operating function	**145,403**	131,950
- relating to selling, general and administrative function	**9,014**	7,979
Staff costs	**237,674**	206,898
Operating leases - land and buildings	**6,536**	5,794
- charter hire	**21,002**	18,736
Auditors' remuneration	**1,073**	858
Amortisation of share option expenses	**2,461**	557
Advertising expenses	**85,985**	79,200
Retirement benefit expenses	**5,095**	3,898
Impairment of fixed assets (see note 3)	**8,430**	38,663
Expenses related to the early termination of ship charters	**22,816**	—
Other expenses	**8,000**	—
Total (see note below)	**30,816**	—

Note:

The Group recorded expenses of approximately US$30.8 million for the year ended 31 December 2001, consisting principally of expenses in relation to the ship charters terminated or in the process of termination as a result of the rationalisation of the North Asia operations, legal and other costs associated with certain claims against the Group.

5. Financial Costs

	GROUP	
	2001	2000
	US$'000	US$'000
Interest on bank loans	**125,160**	149,406
Interest on other loans wholly repayable within five years	**—**	40,430
Total borrowing costs incurred	**125,160**	189,836
Less: interest capitalised in fixed assets	**(6,668)**	(4,324)
Total financial costs	**118,492**	185,512

6. Other Non-Operating Income/(Expenses), Net

	GROUP	
	2001	2000
	US$'000	US$'000
Gain/(Loss) on disposal of fixed assets	**389**	(396)
Loss on extinguishment of debt	**—**	(4,189)
Gain on foreign exchange	**13,501**	3,169
Other non-operating income/(expenses), net	**(1,044)**	71
	12,846	(1,345)

7. Taxation

	GROUP	
	2001	2000
	US$'000	US$'000
Overseas taxation		
- Current taxation	**1,756**	1,126
- Deferred taxation	**3**	16,906
	1,759	18,032
Deferred taxation has been charged in respect of		
- tax losses utilised	**—**	13,585
- other timing differences	**3**	3,321
	3	16,906

The Company, which was incorporated in the Isle of Man and is now domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions.

During the year, the Group completed a restructuring of NCL Holding ASA ("NCL") and its subsidiaries. The Bermuda based operating subsidiary, Norwegian Cruise Line Limited, is now a directly held subsidiary of Arrasas Limited and accordingly the profits of Norwegian Cruise Line Limited are no longer subject to taxation in Norway as the earnings of Norwegian Cruise Line Limited is no longer flowing upwards to NCL. NCL and its subsidiary NCL Cruises Limited remain within the Norwegian tax regime and are currently dormant.

7. Taxation *(continued)*

Norwegian Cruise Line Limited, which operates in the United States, is not subject to United States federal income taxes due to the provisions of Section 883 of the Internal Revenue Code of 1986 (the "Code") which provide Norwegian Cruise Line Limited with an exemption from income taxation by the United States with respect to its United States source income derived from the international operation of the ships ("Shipping Income"). Section 883 provides that a foreign corporation will qualify for the exemption if (i) the foreign country in which the foreign corporation is organised grants an equivalent exemption for Shipping Income of sufficiently broad scope to a United States corporation ("Equivalent Exemption") and (ii) more than 50% in value of its shares is directly or indirectly owned by individuals who are resident of one or more foreign countries which grant an Equivalent Exemption ("Look-Through Test"). The Group believes that it satisfies the requirements of the Look-Through Test since more than 50% in value of its shares is directly or indirectly owned by individuals in residence in foreign countries granting an Equivalent Exemption. Management believes that Norwegian Cruise Line Limited's Shipping Income is exempt from the United States federal income taxes. If Norwegian Cruise Line Limited was found not to be exempt from United States federal income taxes, as described above, then Norwegian Cruise Line Limited's Shipping Income, as well as any other income, could be taxed at higher than normal United States corporate federal income tax rates.

8. Loss Per Share

Loss per share has been calculated as follows:

	GROUP	
	2001 **US$'000**	2000 US$'000
BASIC		
Net loss	**(16,043)**	(44,000)
Average outstanding ordinary shares in thousands after adjusting for the effect of bonus issue in 2000	**4,144,733**	3,212,970
Basic loss per share in US cents	**(0.39)**	(1.37)
FULLY DILUTED		
Net loss	**(16,043)**	(44,000)
Average outstanding ordinary shares in thousands after adjusting for the effect of the bonus issue in 2000	**4,144,733**	3,212,970
Effect of dilutive share options after adjusting for the effect of the bonus issue in 2000	**16,591**	50,303
Average number of shares outstanding after adjusting for the effect of bonus issue in 2000 and assuming dilution	**4,161,324**	3,263,273
Fully diluted earnings per share in US cents	**N/A *(note)***	N/A *(note)*

Note: Diluted loss per share for the years ended 31 December 2001 and 2000 are not shown, as the diluted loss per share is less than the basic loss per share.

9. Emoluments of Directors and Senior Management

The aggregate amounts of emoluments of the Directors of the Company during the years are as follows:

	GROUP	
	2001	2000
	US$'000	US$'000
Fees, of which US$180,000 (2000:US$56,000) were to independent non-executive directors	**228**	147
Other emoluments:		
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	**3,102**	3,343
Contribution to provident fund	**32**	16
Ex-gratia emoluments paid to a past Director	**—**	746
Non-cash share option expenses	**1,330**	396
	4,692	4,648

The emoluments for the year ended 31 December 2000 included amounts paid to past Directors up to the date of resignation amounting to US$1,762,972.

The emoluments of the Directors of the Company fall within the following bands:

	Number of Directors	
	2001	2000
HK$nil- HK$1,000,000	**3**	4
HK$1,000,001 - HK$1,500,000	**—**	1
HK$1,500,001 - HK$2,000,000	**—**	3
HK$2,000,001 - HK$2,500,000	**1**	—
HK$3,000,001 - HK$3,500,000	**1**	—
HK$4,500,001 - HK$5,000,000	**—**	1
HK$11,000,001 - HK$11,500,000	**—**	1
HK$13,500,001 - HK$14,000,000	**1**	—
HK$14,000,001 - HK$14,500,000	**—**	1
HK$15,500,001 - HK$16,000,000	**1**	—

The emoluments of the Directors of the Company have been annualised for the year ended 31 December 2000 for the purpose of categorisation into the above bands.

9. Emoluments of Directors and Senior Management *(continued)*

Details of the emoluments of the five highest paid individuals in the Group are as follows:

	GROUP	
	2001	2000
	US$'000	US$'000
Fees	**36**	65
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	**3,611**	3,304
Contributions to provident fund	**39**	56
Ex-gratia paid to a past Director	**—**	746
Non-cash share option expenses	**1,351**	368
	5,037	4,539
Number of Directors included in the five highest paid individuals	**3**	2

The emoluments of the 5 individuals fall within the following bands:

	Number of individuals	
	2001	2000
HK$2,500,001 - HK$3,000,000	**—**	2
HK$3,000,001 - HK$3,500,000	**3**	—
HK$4,500,001 - HK$5,000,000	**—**	1
HK$11,000,001 - HK$11,500,000	**—**	1
HK$13,500,001 - HK$14,000,000	**1**	—
HK$14,000,001 - HK$14,500,000	**—**	1
HK$15,500,001 - HK$16,000,000	**1**	—

The emoluments of the 5 individuals have been annualised for the year ended 31 December 2000 for the purpose of the categorisation into the above bands.

10. Intangible Assets

Intangible assets consist of the following items arising from the acquisition of NCL Holding ASA ("NCL"):

	GROUP	
	2001	2000
	US$'000	US$'000
Trade names and trademarks	**278,235**	285,525
Goodwill on consolidation	**392,600**	399,379
Negative goodwill	**(44,697)**	(45,868)
Net goodwill	**347,903**	353,511
	626,138	639,036

10. Intangible Assets *(continued)*

Trade names and trademarks

	GROUP	
	2001	2000
	US$'000	US$'000
Cost		
At 1 January	**291,600**	—
Additions	**—**	291,600
At year end	**291,600**	291,600
Accumulated amortisation		
At 1 January	**(6,075)**	—
Amortisation	**(7,290)**	(6,075)
At year end	**(13,365)**	(6,075)
Net book value at year end	**278,235**	285,525

Goodwill arising on acquisition of 84.5% of NCL

	GROUP	
	2001	2000
	US$'000	US$'000
Cost		
At 1 January	**407,247**	—
Additions	**—**	418,436
Adjustments (see note below)	**2,662**	(11,189)
At year end	**409,909**	407,247
Accumulated amortisation		
At 1 January	**(7,868)**	—
Amortisation	**(9,441)**	(7,868)
At year end	**(17,309)**	(7,868)
Net book value at year end	**392,600**	399,379

Note: The fair value of certain assets and liabilities of NCL on 29 February 2000, the effective date of acquisition of a majority interest in NCL by the Group, were subsequently revised, based on events subsequent to this date, which provided additional information as to the fair value of such assets and liabilities on 29 February 2000. These adjustments to the fair value of the assets and liabilities of NCL result in a revision to goodwill recognised of approximately US$2.7 million and US$11.2 million for the years ended 31 December 2001 and 2000 respectively.

10. Intangible Assets *(continued)*

Negative goodwill arising on acquisition of remaining 15.5% of NCL

	GROUP	
	2001	2000
	US$'000	US$'000
Cost		
At 1 January	**(45,868)**	—
Additions	**—**	(45,868)
At year end	**(45,868)**	(45,868)
Accumulated amortisation		
At 1 January	**—**	—
Amortisation	**1,171**	—
At year end	**1,171**	—
Net book value at year end	**(44,697)**	(45,868)

Acquisition of NCL

In December 1999, the Group through a wholly-owned subsidiary, Arrasas Limited, acquired an interest of approximately 38.6% of the then outstanding shares of NCL as at 31 December 1999, a company incorporated under the laws of the Kingdom of Norway.

As a result of the mandatory offers made on 13 January 2000, which expired on 10 February 2000, the Group acquired a further interest in NCL resulting in the Group owning, including ordinary shares previously held by the Group, a total interest of about 84.5% of NCL's outstanding shares. Approximately 10.9% of the NCL's outstanding shares were held by companies related to, but not subsidiaries of the Group.

Prior to this acquisition of a substantial interest in NCL in February 2000, the Group equity accounted for its share of the results of NCL, net of amortisation of goodwill of US$0.7 million as share of losses from associated company, in the consolidated profit and loss account. Subsequent to the acquisition of this further interest in February 2000, the results of the operations of NCL have been consolidated using the purchase method of accounting.

The Group recorded the assets acquired and liabilities assumed of NCL as at 1 March 2000. The excess of the total cost of acquisition over the fair value of assets acquired and liabilities assumed is classified as goodwill and is being amortised over 40 years.

Subsequently on 29 November 2000, the Group acquired a further 10.9% equity interest in NCL from these certain other companies related to the Group for a total cash consideration of approximately US$46 million resulting in the Group holding approximately 95.4% equity interest in NCL. The Group therefore on 30 November 2000, exercised its right under the Norwegian Public Limited Liability Company Act (NPLLCA) to initiate a compulsory acquisition of the remaining ordinary shares of NCL that it does not own at a redemption offer price of 13 Norwegian Kronor ("NOK") (US$1.460 approximately based on exchange rate at 31 December 2000) per share. An amount equaling the total redemption offer sum was deposited on a suspense account in accordance with the NPLLCA. In addition, The Group also purchased 47,194 ordinary shares that were held in treasury by NCL for approximately US$66,000. As a result of the compulsory acquisition, each and all of the shares in NCL was transferred to Arrasas Limited. The former minority shareholders' ownership interest in the shares was at the same time replaced by a claim for compensation towards Arrasas Limited. The fair value of NCL's net assets acquired in relation to the approximately 15.5% interest in NCL was in excess of the cost of acquisition in the amount of US$45.9 million and was taken to reduce the goodwill previously recorded. Following the compulsory acquisition, the ordinary shares and American Depository Shares of NCL were delisted from the Oslo Stock Exchange and the New York Stock Exchange in December 2000.

10. Intangible Assets *(continued)*

The redemption offer period following the compulsory acquisition lapsed on 7 February 2001. As at 8 February 2001, persons formerly holding approximately 73.6% of the shares not held by Arrasas Limited accepted the redemption offer and persons formerly holding approximately 11.6% of the shares did not respond to the offer, and pursuant to Norwegian law are deemed to have accepted the offer. Persons formerly holding approximately 14.8% of the shares rejected the offer. The persons who have explicitly accepted the offer and those who are deemed to have accepted the offer were paid for their shares on 23 February 2001. In relation to those persons who rejected the offer ("Opposing Parties"), Arrasas Limited is in a position to raise a valuation request to Oslo City Court for the court to determine the offer price resulting in a collective offer price to each of those persons.

A petition for the valuation request was filed by Arrasas Limited late October 2001 at the Oslo City Court. The Opposing Parties filed a response to the petition on 15 February 2002. A further pleading from Arassas Limited is expected thereafter and the hearing of the valuation request is expected to take place some time in the fourth quarter of 2002.

The decision from the Oslo City Court can be appealed to the Court of Appeal by all parties to the proceeding. In the event that a legally binding decision from the court determines an offer price that is higher than NOK13 per share, Arrasas Limited would be required to pay all persons who are parties to the valuation proceeding, the difference between the such higher price and the deposited NOK13 per share.

In addition, the Group is also involved in other various legal actions in connection with the acquisition of NCL. As these various legal actions are at the interlocutory stage, the Group cannot predict the ultimate resolution of these legal actions and is vigorously defending these legal actions.

11. Fixed Assets

Fixed assets consist of the following:

GROUP

Year ended 31 December 2001	Cruise ships	Land, leasehold land, jetties, terminal building and improvements	Equipment and motor vehicles	Cruise ships under construction	Jetties, terminal and other construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost and valuation						
At 1 January 2001	2,599,983	52,081	167,548	334,355	8,930	3,162,897
Exchange differences	—	(48)	(1,390)	—	(132)	(1,570)
Reclassification of fixed assets	806,787	2,440	23,966	(830,856)	(2,337)	—
Additions	26,686	2,276	35,128	562,704	18,773	645,567
Assets written off	(638)	(254)	(3,245)	—	—	(4,137)
Disposals	(106,010)	—	(25,135)	—	—	(131,145)
At 31 December 2001	**3,326,808**	**56,495**	**196,872**	**66,203**	**25,234**	**3,671,612**
Accumulated depreciation						
At 1 January 2001	(217,847)	(807)	(56,095)	—	—	(274,749)
Exchange differences	—	20	1,644	—	—	1,664
Impairment loss	(8,430)	—	—	—	—	(8,430)
Reclassification of fixed assets	197	(718)	521	—	—	—
Charge for the year	(111,810)	(1,925)	(21,718)	—	—	(135,453)
Assets written off	386	20	842	—	—	1,248
Disposals	28,854	—	12,022	—	—	40,876
At 31 December 2001	**(308,650)**	**(3,410)**	**(62,784)**	**—**	**—**	**(374,844)**
Net book value						
At 31 December 2001	**3,018,158**	**53,085**	**134,088**	**66,203**	**25,234**	**3,296,768**
At 31 December 2000	2,382,136	51,274	111,453	334,355	8,930	2,888,148
Cost/valuation						
At 31 December 2001						
At cost	**3,326,808**	**8,711**	**196,872**	**66,203**	**19,657**	**3,618,251**
At 2000 valuation	**—**	**47,784**	**—**	**—**	**5,577**	**53,361**
At 31 December 2000						
At Cost	2,599,983	4,297	167,548	334,355	3,353	3,109,536
At 2000 valuation	—	47,784	—	—	5,577	53,361
Fixed assets under charter hire are as follows:						
Cost	37,524	—	350	—	—	37,874
Less: accumulated depreciation	(4,346)	—	(150)	—	—	(4,496)
Net book value at 31 December 2001	**33,178**	**—**	**200**	**—**	**—**	**33,378**
Net book value at 31 December 2000	82,035	—	6,307	—	—	88,342

11. Fixed Assets *(continued)*

In conjunction with the listing of the Company's entire share capital on the Stock Exchange, certain of the Group's properties were revalued at 30 September 2000 by the Directors on the basis of an open market valuation by Jones Lang LaSalle Limited, an independent property valuer. As at 31 December 2001 and 2000, the carrying amount of these certain properties would have been US$62.9 million and US$56.5 million respectively had they been stated at cost less accumulated depreciation.

At 31 December 2001 and 2000, the net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to US$2.7 billion and US$2.2 billion respectively.

Net book value of land, leasehold land, jetties, terminal building and improvements comprises:

	GROUP	
	2001	2000
	US$'000	US$'000
Hong Kong:	**—**	—
Outside Hong Kong:		
Freehold	**6,508**	6,508
Long leasehold (not less than 50 years)	**45,603**	43,725
Medium leasehold (less than 50 years but not less than 10 years)	**974**	1,041
	53,085	51,274

12. Investments in Subsidiaries

	COMPANY	
	2001	2000
	US$'000	US$'000
Investment at cost:		
Unlisted shares	**205,465**	1,234
Amount due from subsidiaries	**2,154,858**	2,039,506
Amount due to subsidiaries	**(1,058)**	(32,075)
	2,359,265	2,008,665

Amount due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

A list of principal subsidiaries is included in note 30 to the accounts.

13. Other Assets

	GROUP 2001 US$'000	GROUP 2000 US$'000
Loan arrangement fees	**8,558**	14,085
Software development costs, net	**1,956**	4,730
Others	**—**	1,547
	10,514	20,362

14. Consumable Inventories

	GROUP 2001 US$'000	GROUP 2000 US$'000
Food and beverages	**9,047**	5,846
Supplies, spares and consumables	**23,824**	22,483
	32,871	28,329

15. Trade Receivables

	GROUP 2001 US$'000	GROUP 2000 US$'000
Trade receivables	**28,804**	22,300
Less: Provisions	**(3,406)**	(2,380)
	25,398	19,920

Credit terms generally range from payment in advance to 45 days credit terms.

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

	GROUP 2001 US$'000	GROUP 2000 US$'000
Current to 30 days	**14,164**	13,625
31 days to 60 days	**4,665**	2,223
61 days to 120 days	**4,493**	1,642
121 days to 180 days	**2,562**	929
181 days to 360 days	**635**	2,093
Over 360 days	**2,285**	1,788
	28,804	22,300

16. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Deposits with banks - maturing within 3 months	**55,870**	190,518	**43,293**	175,978
Cash and bank balances	**115,705**	101,990	**202**	10
	171,575	292,508	**43,495**	175,988

17. Related Party Transactions and Balances

Golden Hope Limited, 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 is listed on the Kuala Lumpur Stock Exchange, controls Genting Overseas Holdings Limited ("GOHL") which in turn controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange. GB also controls Resorts World Bhd ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn controls Resorts World Limited ("RWL") which is a substantial shareholder of the Company.

Significant related party transactions entered into between the Group and these companies during the year ended 31 December 2001 are set out below:

(a) Kien Huat together with its related companies, have 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 vessels. Amounts charged to the Group in respect of these services were US$0.6 million and US$5.2 million in the years ended 31 December 2001 and 2000.

(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 were US$1.6 million each in the years ended 31 December 2001 and 2000.

(c) During the year ended 31 December 2001, the Group provided certain administrative support and business liaison services to GIPLC internationally and the amount charged to GIPLC was approximately US$0.3 million.

(d) 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.

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

17. Related Party Transactions and Balances *(continued)*

(e) 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 an 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).

Transactions with Directors

(f) 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$0.4550 per share. Details of the outstanding call options as at 31 December 2001 are set out in the section headed "Share Options" in the Report of the Directors.

18. Trade Creditors

	GROUP	
	2001	2000
	US$'000	US$'000
Trade creditors	**109,293**	76,092

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

	GROUP	
	2001	2000
	US$'000	US$'000
Current to 60 days	**96,872**	68,994
61 days to 120 days	**10,378**	3,138
121 days to 180 days	**1,668**	3,381
Over 180 days	**375**	579
	109,293	76,092

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

19. Provisions, Accruals and other Liabilities

Provisions, accruals and other liabilities consists of the following:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Payroll, taxes and related benefits	**10,689**	13,706	**—**	—
Interest	**17,476**	34,878	**3,907**	—
Forward currency contracts and interest rate swaps	**10,611**	26,971	**8,059**	—
Provisions (see note below)	**19,389**	7,115	**—**	—
Others	**90,713**	78,667	**543**	1,692
	148,878	161,337	**12,509**	1,692

19. Provisions, Accruals and other Liabilities *(continued)*

The movements of the provisions are as follows:

	GROUP		
	Severance and environmental provisions US$'000	**Other provisions US$'000**	**Total US$'000**
As at 1 January 2001	7,115	—	7,115
Additional provisions	2,662	15,148	17,810
Less: amounts paid	(5,536)	—	(5,536)
As at 31 December 2001	**4,241**	**15,148**	**19,389**

Severance and environmental provisions

The Group recorded approximately US$11.5 million as part of the liabilities assumed to effect the acquisition of NCL in 2000, of which US$4.4 million was paid in 2000. An additional provision of US$2.7 million was made in 2001 (see note 10). Such liabilities consist principally of severance and related benefits to former employees of NCL, legal and other expenses associated with environmental violations, and other costs incurred by NCL due to implementation of various changes in operating strategies as a result of the acquisition of NCL by the Group.

Other provisions

As at 31 December 2001, the Group established provisions of approximately US$15.1 million. Such liabilities consist principally of expenses in connection with a ship charter which is in the process of negotiation for an early termination, legal and other costs associated with certain claims against the Group. The provisions are expected to be substantially utilised in 2002.

20. Long-term Bank Loans

Long-term bank loans consist of the following:

		GROUP		COMPANY	
		2001 US$'000	2000 US$'000	**2001 US$'000**	2000 US$'000
US$521.6 million syndicated term loan	(i)	**434,454**	469,227	—	—
US$626.9 million syndicated term loan	(ii)	**313,461**	—	—	—
US$600 million term loan	(iii)	**450,000**	600,000	**450,000**	600,000
US$210 million M/S Norwegian Sky Loan	(iv)	**182,000**	196,000	—	—
US$623 million fleet loan	(v)	**565,200**	597,600	—	—
1999 KfW M/S Norwegian Sun Pre-delivery Loan	(vi)	—	96,790	—	—
US$225 million M/S Norwegian Sun Post-delivery Loan	(vi)	**225,000**	—	—	—
US$45 million term loan	(vi)	**45,000**	—	—	—
Total liabilities		**2,215,115**	1,959,617	**450,000**	600,000
Less: Current portion		**(94,551)**	(263,573)	—	(150,000)
Long-term portion		**2,120,564**	1,696,044	**450,000**	450,000

20. 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 2001 and 2000.

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**94,551**	263,573	**—**	150,000
In the second year	**319,291**	128,573	**37,500**	—
In the third to fifth years	**882,213**	1,109,319	**225,000**	450,000
After the fifth year	**919,060**	458,152	**187,500**	—
	2,215,115	1,959,617	**450,000**	600,000

(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. This syndicated term loan was fully drawndown in September 1999.

(ii) US$626.9 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 other subsidiaries, Norwegian Star Limited (formerly known as Superstar Libra Limited) and Norwegian Dawn Limited (formerly known as Superstar Scorpio Limited), as joint and several borrowers to part finance the construction of m.v. Norwegian Star (formerly known as m.v. SuperStar Libra) and m.v. Norwegian Dawn (formerly known as m.v. SuperStar Scorpio), respectively. In October 2001, this syndicated term loan agreement was amended to provide for borrowings of up to US$626.9 million and subsequently in November 2001, the Group drewdown US$313.5 million to pay the shipyard upon delivery of m.v. Norwegian Star to the Group.

These two syndicated term loans bear interest at rates which vary according to the London Interbank Offer Rate ("LIBOR") and are repayable in 24 equal half yearly instalments commencing 6 months from the relevant ship delivery dates, with maturity date payments to be paid on the relevant maturity dates. These facilities are secured by ship mortgages over the assets with a carrying value of US$1.1 billion as at 31 December 2001 and guarantees from the Company and a subsidiary, Star Cruise Services Limited. In addition, the earnings and insurances are assigned to lenders as security. The shares of the borrowers are also pledged as collateral. The Group also assigned the shipbuilding contract and the benefit of the refund guarantees from the builder in respect of m.v. Norwegian Dawn, as security.

(iii) US$600 million term loan

On 18 August 2000, the Group entered into an agreement to refinance a US$600 million short-term loan with a 5-year term loan. Subsequently on 12 October 2000, the Group drewdown this 5-year term loan.

This 5-year term loan is secured by guarantees from certain subsidiaries and a pledge on shares of Arrasas Limited owned by the Company. In April 2001, the Group repaid US$150 million of this loan. The repayment was made from the proceeds of the disposal of m.v. Star Aquarius of US$75 million in February 2001 with the balance from the proceeds of the convertible notes issued to RWL and the share placement, both of which occurred in 2000.

The Group was in breach of two of the financial covenants relating to the 5-year term loan as at 31 December 2001. On 20 February 2002, the Group signed an agreement with a syndicate of banks to provide up to US$450 million in loans ("US$450 million term loan") to refinance this 5-year term loan. Based on this refinancing commitment, the 5-year term loan has been classified as a long-term loan as at 31 December 2001. The US$450 million term loan bears interest at rates, which vary according to LIBOR, is repayable in 12 equal installments payable at six-monthly intervals commencing 18 months from the facility agreement date.

20. Long-term Bank Loans *(continued)*

(iii) US$600 million term loan *(continued)*

The US$450 million term loan will be secured by a first and second priority mortgages over certain ships of the Group and guarantees from certain subsidiaries. The shares of the subsidiaries owning the ships relating to the first priority mortgage will also be pledged as collateral. In addition, the shares over Norwegian Cruise Line Limited or any other approved entity will be granted as security.

(iv) US$210 million M/S Norwegian Sky Loan

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. 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 LIBOR is repayable in 20 equal half yearly instalments with a maturity date payment to be paid on the maturity date.

(v) 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, as defined, for the latest 12-month period.

(vi) US$225 million M/S Norwegian Sun Post-delivery Loan and US$45 million term loan

In May 2000, NCL obtained a permanent financing commitment ("M/S Norwegian Sun Post-Delivery Loan Agreement") from a syndicate of banks to provide up to US$225 million in loans to finance the construction costs of the M/S Norwegian Sun. In August 2001, the Group borrowed US$225 million under the M/S Norwegian Sun Post-Delivery Loan Agreement and an additional US$45 million term loan.

The M/S Norwegian Sun Post-Delivery Loan Agreement bears interest at a rate which varies according to LIBOR and matures in August 2009. The US$45 million term loan, which matures in December 2003 also bears interest at a rate which varies according to LIBOR.

NCL's bank loans (iv) to (vi) above

In December 2001, NCL requested and its lenders agreed to defer certain scheduled principal payments in the amount of US$132.8 million that were originally scheduled to be made by NCL in 2001 and 2002. Such deferred principal payments will be repaid commencing in December 2002 and in 2003.

NCL's ships and its other property are pledged as collateral for NCL's long-term bank loans as at 31 December 2001. 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.

21. 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 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 and 2001	10,000	1	9,999,990,000	999,999

	GROUP/COMPANY	
	Issued and fully paid Ordinary shares of US$0.10 each	
	No of Shares	**US$'000**
At 1 January 2000	624,667,243	62,467
Issuance of shares pursuant to The Star Cruises Employees Share Option Scheme	403,500	40
Bonus issue on the basis of 4 new ordinary shares for every one existing ordinary share	2,499,432,972	249,943
Issuance of ordinary shares on redemption of Convertible Notes issued to RWL	609,781,993	60,978
Issuance of ordinary shares upon capitalisation of US$240 million of the US$260 million subordinated loan from a related company	330,729,329	33,073
Issuance of ordinary shares to independent placees, net of issuance costs of approximately US$9 million	75,792,000	7,579
Issuance of ordinary shares to a Director pursuant to his service contract with the Company	275,000	28
At 31 December 2000	4,141,082,037	414,108
At 1 January 2001	4,141,082,037	414,108
Issuance of shares pursuant to The Star Cruises Employees Share Option Scheme	5,649,500	565
At 31 December 2001	**4,146,731,537**	**414,673**

The net proceeds of approximately US$490 million from the issue of approximately US$442.5 million in principal amount of the Convertible Notes which were subsequently converted to ordinary shares and the placement of shares to the independent placees and after deducting related expenses, both of which occurred in 2000, has been applied as follows:

	2001	2000
	US$'000	US$'000
Funding of newbuilding programme in respect of m.v. Norwegian Dawn (formerly m.v. SuperStar Scorpio)	**54,184**	—
Repayment of indebtedness	**75,000**	50,052
Repayment of indebtedness related to Genting Berhad, its subsidiaries and Joondalup Limited (including accrued interest)	—	176,471
Acquisition of the approximately 15.5% remaining interest in NCL, including related expenses	—	72,613
Used as general working capital in 2001	**61,457**	—
	190,641	299,136

There were no unapplied proceeds as at 31 December 2001.

22. Reserves

GROUP	Share premium US$'000	Additional paid-in capital US$'000	Foreign currency translation adjustment US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2000	675,823	89,376	(23,825)	(4,892)	—	111,512	847,994
Exchange translation differences	—	—	(1,752)	—	—	—	(1,752)
Net loss for the year	—	—	—	—	—	(44,000)	(44,000)
Issue of ordinary shares pursuant to The Star Cruises Employees Share Option Scheme	285	—	—	—	—	—	285
Bonus issue on the basis of four new ordinary shares for every one of existing share	(249,943)	—	—	—	—	—	(249,943)
Issue of ordinary shares on redemption of Convertible Notes issued to RWL	381,522	—	—	—	—	—	381,522
Issue of ordinary shares in satisfaction of US$240 million of the US$260 million subordinated loan	206,927	—	—	—	—	—	206,927
Issue of ordinary shares to independent placees, net of issuance costs of approximately US$9 million	39,067	—	—	—	—	—	39,067
Issue of ordinary shares to a Director pursuant to his service contract with the Company	172	—	—	—	—	—	172
Issuance of share options	—	4,576	—	(4,576)	—	—	—
Charged to profit and loss account	—	—	—	557	—	—	557
At 31 December 2000	1,053,853	93,952	(25,577)	(8,911)	—	67,512	1,180,829
At 1 January 2001	1,053,853	93,952	(25,577)	(8,911)	—	67,512	1,180,829
Exchange translation differences	—	—	(612)	—	—	—	(612)
Net loss for the year	—	—	—	—	—	(16,043)	(16,043)
Loss on financial instruments hedging interest rate exposure	—	—	—	—	(8,454)	—	(8,454)
Issue of ordinary shares pursuant to The Star Cruises Employees Share Option Scheme	992	—	—	—	—	—	992
Charged to profit and loss account	—	—	—	2,461	395	—	2,856
At 31 December 2001	**1,054,845**	**93,952**	**(26,189)**	**(6,450)**	**(8,059)**	**51,469**	**1,159,568**

22. Reserves *(continued)*

COMPANY	Share premium US$'000	Additional paid-in capital US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2000	675,823	89,127	(4,892)	—	33,077	793,135
Net profit for the year	—	—	—	—	256	256
Issue of ordinary shares pursuant to The Star Cruises Employees Share Option Scheme	285	—	—	—	—	285
Bonus issue on the basis of four new ordinary shares for every one of existing share	(249,943)	—	—	—	—	(249,943)
Issue of ordinary shares on redemption of Convertible Notes issued to RWL	381,522	—	—	—	—	381,522
Issue of ordinary shares upon capitalisation of US$240 million of the US$260 million subordinated loan	206,927	—	—	—	—	206,927
Issue of ordinary shares to independent placees, net of issuance costs of approximately US$9 million	39,067	—	—	—	—	39,067
Issue of ordinary shares to a Director pursuant to his service contract with the Company	172	—	—	—	—	172
Issuance of share options	—	3,059	(3,059)	—	—	—
Charged to profit and loss account	—	—	358	—	—	358
At 31 December 2000	1,053,853	92,186	(7,593)	—	33,333	1,171,779
At 1 January 2001	1,053,853	92,186	(7,593)	—	33,333	1,171,779
Net profit for the year	—	—	—	—	379,972	379,972
Loss on financial instruments hedging interest rate exposure	—	—	—	(8,454)	—	(8,454)
Issue of ordinary shares pursuant to The Star Cruises Employees Share Option Scheme	992	—	—	—	—	992
Charged to profit and loss account	—	—	2,244	395	—	2,639
At 31 December 2001	**1,054,845**	**92,186**	**(5,349)**	**(8,059)**	**413,305**	**1,546,928**

23. Other Long-term Liabilities

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Deferred gains on derivative instruments	**2,539**	2,830	**770**	858
Deferred lease liability	**1,755**	2,962	**—**	—
Pension plan	**1,873**	2,021	**—**	—
Others	**3,823**	2,212	**—**	—
	9,990	10,025	**770**	858

24. Deferred Taxation

	GROUP	
	2001	2000
	US$'000	US$'000
Excess of capital allowances over depreciation	**178**	168

25. Financial Instruments

The fair values of financial instruments including derivatives are based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the balance sheet date or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. The following are the fair values and methods used to estimate the fair values of the Group's financial instruments:

(a) Certain short-term financial instruments

The carrying amounts of cash, cash equivalents, trade receivables, trade creditors and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

(b) Long-term bank loans

As at 31 December 2001, the fair value of the long-term bank loans, including the current portion, was approximately US$2,221.1 million, which was approximately US$6.0 million more than the carrying values. The difference between the fair value and carrying value of the long-term bank loan is due to NCL's fixed rate and variable rate debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of long-term bank loans is estimated based on rates currently available to NCL for the same or similar terms and remaining maturities.

25. Financial Instruments *(continued)*

(c) Interest rate swaps and foreign exchange forward contracts

(i) The Group has entered into various Singapore dollars forward contracts. As at 31 December 2001 and 2000, the notional amount of these contracts was US$201.2 million and US$167.0 million respectively. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years commencing August 2000. As at 31 December 2001 and 2000, the estimated fair market values of these forward contracts was approximately US$15.6 million and US$3.7 million respectively which were favourable to the Group. The changes in the fair value of these forward contracts were recognised in the profit and loss account.

(ii) The Group entered into amortising interest rate swaps to effectively convert the interest rate on US$318.5 million of the US$521.6 million 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 in the year ended 31 December 2001. As at 31 December 2001, the estimated fair market value of these interest rate swaps was approximately US$8.1 million, which was unfavourable to the Group. The changes in the fair value of these interest rate swaps are included as a separate component of reserves and recognised in the profit and loss account as the underlying hedged items are recognised.

The fair values of these instruments have been estimated using public market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 31 December 2001 other than deposits of cash with reputable financial institutions.

26. Commitments and Contingencies

(i) Capital expenditure

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

	GROUP	
	2001	2000
	US$'000	US$'000
Contracted but not provided for		
- Cruise ships under construction	**330,697**	840,807
- Cruise terminal under construction	**3,060**	9,547
- Others	**1,094**	—
	334,851	850,354
Authorised but not contracted for	**—**	—

26. Commitments and Contingencies *(continued)*

(ii) Operating leases

(a) Rent expense under non-cancellable operating lease commitments was US$6.2 million and US$5.4 million for the years ended 31 December 2001 and 2000.

At 31 December 2001 and 2000, minimum annual rentals for leases were as follows:

	GROUP	
	2001	2000
	US$'000	US$'000
Within one year	**4,326**	4,060
In the second to fifth year inclusive	**12,633**	14,587
After the fifth year	**18,721**	21,537
	35,680	40,184

(b) (i) On 15 October 1999, the Group entered into a contract to charter a cruise ship from Crown Jewel Inc. The charter period is for three years. The Group took delivery of the cruise ship on 22 December 1999. However, payment of charter hire commenced from 9 January 2000.

In January 2002, the Group finalised an agreement to terminate the lease prior to the date the charter period expires and returned the ship to her owner. The Group recorded a liability of approximately US$8.4 million at 31 December 2001 in connection with the termination of the charter. Such liability is included in provisions, accruals and other liabilities.

(ii) NCL leases a ship, formerly owned by it and known as the M/S Norwegian Star 1, from Actinor Cruises AS under an agreement entered into in connection with the sale of the ship in November 1996 (the "Actinor Lease"). The Actinor Lease provides for the charter of the cruise ship for an initial period of six years beginning in November 1996 with two one-year renewal options, which may be exercised by NCL unless an event of termination, as defined, has occurred during the lease term. The Actinor Lease also provides for a purchase option by the Group, which is exercisable beginning on the third anniversary date of the Actinor Lease.

The Group is negotiating with Actinor Cruises AS to terminate the lease prior to November 2002, the date the initial charter period expires. The Group does not intend to utilise the M/S Norwegian Star 1 in operations in 2002 and expects to return the M/S Norwegian Star 1 not later than the date the initial charter period expires. The Group has recorded a liability of US$9.9 million at 31 December 2001 in connection with the charter. Such liability is included in provisions, accruals and other liabilities and is shown net of the prepaid deposit of US$2.8 million that NCL had previously made pursuant to the terms of the Actinor Lease.

The Group recorded charter expense of approximately US$21.0 million and US$18.7 million for the years ended 31 December 2001 and 2000 as an operating expense under the terms of the leases.

At 31 December 2001 and 2000, minimum annual rentals payable for leases not terminated or in the process of termination were as follows:

	GROUP	
	2001	2000
	US$'000	US$'000
Within one year	**—**	20,545
In the second to fifth year inclusive	**—**	19,776
	—	40,321

26. Commitments and Contingencies *(continued)*

(iii) Charter hire revenue

Charter hire revenue receivable under non-cancellable operating lease commitments in respect of cruise ships, catamaran and onboard equipment was US$12.5 million and US$14.0 million in the years ended 31 December 2001 and 2000.

In November 2001, the Group entered into an agreement to terminate the charter of m.v. Hyundai Kumgang (now known as m.v. SuperStar Capricorn) prior to the date the charter period expires. The Group received an amount of US$5 million in connection with the cancellation of this charter.

At 31 December 2001 and 2000, minimum annual rentals receivable for leases were as follows:

	GROUP	
	2001	2000
	US$'000	US$'000
Within one year	**3,053**	14,241
In the second to fifth year inclusive	**—**	6,669
	3,053	20,910

The details of assets being leased out are set out in note 11 to the accounts.

27. Contingent Liabilities

(i) Contingencies

As required by the United States Federal Maritime Commission ("FMC"), NCL maintains a US$15 million performance guarantee with respect to liabilities for non-performance of transportation and other obligations to passengers. In 1998, NCL obtained a letter of credit to satisfy the FMC requirements. The FMC has proposed rules which, if adopted, would eliminate the US$15 million ceiling on the performance guarantee requirements and replace it with a sliding scale. The period for public comment has expired. If the proposed rules were to be implemented, NCL's performance guarantee would increase to approximately US$100 million. The Group cannot predict if or when such rules will be adopted or the final form of such rules.

(ii) Material Litigation

(1) A proposed class action suit was filed in 1995 in the United States District Court for the Southern District of Florida against NCL alleging NCL violated the Florida Unfair and Deceptive Trade Practices Act (the "Act") by including an element of profit in NCL's port charges. The District Court granted three motions to dismiss filed by NCL with the final dismissal granted with prejudice. After the dismissal of the case by the District Court, three similar complaints were filed against NCL in Dade County Circuit Court in 1996. The complaints have been consolidated and allege violation of the Act, common law fraud and negligence. The trial court denied plaintiffs motion for class certification. Five similar class actions filed in other states against NCL were dismissed due to improper venue based upon a forum selection provision in NCL's passenger ticket contract. The Third District Court of Appeal subsequently reversed the Court's denial of class certification and remanded the case to the Court with instructions to certify the class. NCL sought a rehearing of the District Court of Appeal's decision, which was denied. NCL has appealed the issue to the Florida Supreme Court. NCL intends to pursue settlement negotiations with respect to this matter. Settlement agreements entered into by other cruise lines that have settled similar claims have involved the cruise lines issuing cruise credit certificates to the class plaintiffs, paying attorneys' fees to the class plaintiffs counsel and covering administrative expenses of the class settlement. At 31 December 2000, NCL established a liability for potential payments of attorneys' fees and administrative expenses of settlement in connection with this matter.

27. Contingent Liabilities *(continued)*

(ii) Material Litigation *(continued)*

(2) A proposed class action suit was filed in 1995 against NCL and other unrelated cruise lines alleging misrepresentations by owners and operators of cruise ship casinos relating to the use of electronic gaming devices. The suit has been transferred to Federal District Court in Las Vegas, Nevada. Also named as defendants in the case are numerous land-based casinos and manufacturers of electronic gaming devices. On 19 December 1997, the Court entered an order, based on the motions filed by the defendants, dismissing the wire fraud claim, granting a motion to strike certain parts of the amended complaints and denying the remaining motions to dismiss. The Court granted the defendants' motion to separate discovery into "merits" and "class" phases and to stay "merits" discovery until the Court rules on class certification. The defendants and plaintiffs have filed their arguments regarding class certification with the Court and a decision is pending. No discovery has commenced on the merits of this case. Accordingly, no provision has been made in the accompanying accounts for any liability, which may result from this case. Management plans to vigorously defend this suit.

(3) On 16 May 2000, NCL voluntarily self reported to the U.S. Attorney's Office for the Southern District of Florida ("U.S. Attorney's Office") a pattern of violations of environmental law on several of its ships. These violations were identified by a detailed internal review and investigation. Management believes that they have halted the infractions and commenced a comprehensive remedial programme to ensure that there will be no repeat of this problem. The Group believes that they are co-operating fully with the U.S. Attorney's Office and other authorities to investigate this matter. In June 2000, a federal grand jury in Miami, Florida issued a subpoena to the Group to produce documents relating to these same matters. Since that time, the Group has co-operated with the Government in its investigation and turned over a substantial amount of documents as well as the results of its internal investigation. A tentative agreement with the Government has been reached to settle NCL's liability, in recognition of NCL's investigation, co-operation and efforts to remedy the conditions leading to this violation. It is anticipated that this agreement will be finalised during 2002. Accordingly, as at 31 December 2001, the Group established a liability for estimated settlement costs.

(4) Upon re-delivery of the M/S Leeward to its owners, Effjohn International NV ("Effjohn"), at the time of expiration of the bareboat charter entered into between NCL and Effjohn, Effjohn claimed damages relating to the condition of the ship and its equipment. On 14 July 2000, NCL received written notice from Effjohn of its intent to initiate arbitration proceedings to recover damages relating to the condition of the ship at the time of re-delivery and loss of revenue for the period the ship was out of service for repair. NCL has received Effjohn's points of claim as part of the arbitration proceeding and NCL filed its response on 15 October 2000. Arbitration proceedings have commenced in this matter. Management intends to vigorously defend this claim. As at 31 December 2001, the Group has recorded a liability for the Group's best estimate of its liability pursuant to this matter.

(5) On or about 17 March 2001, NCL was served with a class action complaint in the United States District Court, Southern District of New York. The complaint alleges that during the period 1 January 1998 through the present, NCL failed to pay plaintiff crewmembers overtime wages in accordance with their contracts of employment. The proposed class consists of all unlicensed seafarers who worked on NCL vessels during the class period and seeks recovery of overtime wages plus statutory penalty wages equal to two times the unpaid wages for each day the wages remain unpaid. NCL has filed a motion to dismiss the plaintiff's amended complaint, which is fully briefed, and awaiting decision by the court. NCL anticipates a decision on these motions will be forthcoming sometime in the near future. At this time, NCL cannot predict the ultimate resolution of this matter. Accordingly, no provision has been made in the accompanying financial statements for any liability, which may result from this matter.

(6) The Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. In the opinion of management, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

28. Share Option Plans

(i) Schemes Prior to Listing of the Company on the Stock Exchange

Prior to the de-merger from GIPLC in December 1997, the employees of the Group were offered share options in GIPLC under the "Genting International Employees' Share Option Scheme for Executives" ("GIESOS"). Subsequently, a share option scheme known as "The Star Cruises Employees Share Option Scheme" ("SCESOS") was implemented for the benefit of the employees of the Group. The employees of the Group were offered options under the SCESOS in exchange for the unexpired share options previously granted by GIPLC.

The terms and conditions of the SCESOS were identical to the GIESOS except for the exercise price of share options which reflected the de-merger. Prior to the listing of the Company, the allocation of the total amount of options under the SCESOS cannot exceed 5% of the issued ordinary shares of the Company at any time during the existence of the SCESOS.

On 23 October 2000, the share option agreement was modified to reflect a four for one share bonus and to accelerate the original vesting period to comply with the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange').

Key terms and conditions for the period to 22 October 2000

Options were generally granted at an exercise price per share equal to the average of the middle market quotation of the share as quoted and shown in the daily official list issued by the Luxembourg Stock Exchange or any approved stock exchange as the Directors may deem relevant for the five market days preceding the date of the offer in writing to the employee. Options generally became exercisable as to 50% of the amount granted 4 years after the grant date and the remaining can be exercised annually in tranches subject to a minimum amount per tranche per year at various dates in the future until the retirement age of the employees, which is 55 years old. However, if the retirement period was less than 10 years from the date of an offer, the option period for the remaining tranches will expire on the tenth year from the grant date or at any age to be determined by the Board.

Key terms and conditions for the period from 23 October 2000

Options vest over a period of 10 years from their original date of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date and the remaining options can be exercised annually in equal tranches over the remaining option period.

No further options can be granted under the SCESOS following the listing of the Company's entire share capital on the Stock Exchange on 30 November 2000.

The Group accounts for compensation expense in respect of awards of shares options to employees based on the excess, if any, of the quoted market price of the share at the date of the grant over the exercise price of the option. The excess has been brought to the additional paid-in-capital reserve and is recognised as an expense over the option periods. The unamortised amount is included as a separate component of reserves.

A summary of the changes in share options outstanding during the year ended 31 December 2001 is set out in the section headed "Share Options" in the Report of the Directors.

A summary of the share options outstanding as at 31 December 2001 is as follows:

	Options outstanding		Options exercisable
Exercise price	**Number outstanding (in thousands)**	**Weighted average remaining life (years)**	**Number (in thousands)**
US$0.2712	40,301	4.6	3,249
US$0.4550	28,676	4.7	3,949
	68,977	4.6	7,198

28. Share Option Plans *(continued)*

(ii) Scheme effective from 30 November 2000

On 23 August 2000, a share option scheme ("Scheme") for the benefit of the employees of any subsidiary of the Group, including directors of any subsidiary of the Group was adopted by the shareholders of the Company. Pursuant to the Scheme, the Directors of the Company may, at their discretion, grant options to any such employees of any subsidiaries of the Group to subscribe for shares in the Company. The Scheme has a term of 10 years commencing from 30 November 2000, the date of the listing of the shares of the Company on the Stock Exchange. As at 31 December 2001, no options were granted under the Scheme.

The subscription price for shares under the Scheme shall be determined by the Directors of the Company, being not less than 80% of the average closing price of the shares of the Company for the five trading days immediately preceding the date of offer of the option, or the nominal value of the shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the Scheme (or under any other employees' share option scheme of the Company pursuant to which options may from time to time be granted to executives and/or employees and including shares which are the subject of call options under the SCESOS outstanding or exercised after the listing of the Company's shares on the Stock Exchange) shall not exceed 5% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Scheme or under any other share option scheme as mentioned above. As at 31 December 2001, such 5% limit represented about 207,049,726 shares in the Company. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time: (a) after the date specified by the Directors, and (b) before the date which is ten years after such date, and no option may be offered more than ten years after the date of adoption of the Scheme.

On 1 September 2001, Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was amended whereby if the Company wishes to continue to grant options under the Scheme on or after 1 September 2001, it must also comply with the new requirements set out therein (the "New Rules"). Major requirements under the New Rules which are different from or in addition to those mentioned above are summarised below:

Exercise price of the shares

The exercise price for further share options to be granted under the Scheme on or after 1 September 2001 shall be determined by the Directors of the Company, save that such price will not be less than the highest of (a) the closing price of the shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

Maximum number of options to any one employee

The total number of shares issued and to be issued upon exercise of the options granted to any one employee (including both exercised and outstanding options) to each employee in any 12-month period shall not exceed 1% of shares in issue. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

28. Share Option Plans *(continued)*

(ii) Scheme effective from 30 November 2000 *(continued)*

Granting options to Directors, Chief Executive or Substantial Shareholders

Any grant of options to a Director, Chief Executive or Substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is a grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder (as defined in the Listing Rules) or any Independent Non-executive Director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

29. Retirement Benefit Plans

Defined Contribution Plans

NCL has a defined contribution plan (the "Plan") for its shoreside employees to which NCL contributes 5% of each participant's base annual earnings with an additional 5% contribution for annual earnings in excess of the taxable wage base (with certain limitations) in effect for the Plan year as determined under the Social Security Act. The Plan is subject to the provisions of the Employment Retirement Income Security Act of 1974 ("ERISA").

In addition, NCL maintains a 401(k) Plan (the "401(k) Plan"). The 401(k) Plan covers substantially all its shoreside employees. Subject to certain limitations, participants may elect to contribute to the Plan from 1% to 10% of their compensation for each payroll period. NCL contributes an amount equal to 25% of the participant's contributions not to exceed 6% of each participant's compensation. In addition, NCL may make supplemental matching contributions based on a specific percentage, as determined by NCL, of the participant's contributions, which together with the required match, are not to exceed 6% of each participant's compensation.

NCL maintains a Supplemental Executive Retirement Plan ("SERP Plan") for certain of its key employees whose benefits are limited under the Plan and the 401(k) Plan. NCL contributes to the SERP Plan on behalf of each participant an amount that would have been contributed without regard to any limitations imposed by the Internal Revenue Code.

In July 1992, NCL established a supplemental defined contribution pension plan for deck and engine officers and key personnel working under contracts with NCL. NCL's contribution is in accordance with the Norwegian Social Security provisions for seamen.

Expense related to the benefit plans described above approximated US$5.1 million and US$3.9 million in the profit and loss account for the years ended 31 December 2001 and 2000.

The Group's contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. US$0.1 million of the forfeited contribution was utilised in each of the years ended 31 December 2001 and 2000. As at 31 December 2001 and 2000, US$0.02 million and US$0.1 million was available to reduce future contribution.

29. Retirement Benefit Plans *(continued)*

Defined Benefit Plan

NCL has unfunded pension obligations for certain of its former employees. Net pension cost of US$- million and US$0.1 million was included in the consolidated profit and loss account for the year ended 31 December 2001 and 2000. The liability for these pension obligations amounted to US$1.9 million and US$2 million as at 31 December 2001 and 2000, was included under other long-term liabilities.

30. Principal Subsidiaries

The following is a list of principal subsidiary companies as at 31 December 2001:

Name of company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital	Effective equity interest in percentage	Principal activities
Subsidiaries held directly:-					
Star Cruise Management Limited	Note (1)	Isle of Man	US$2,000,000	100.00	Investment holding, ship management and marketing services
Cruise Properties Limited	Isle of Man	Isle of Man	RM7,600,000	100.00	Investment holding
Inter-Ocean Limited	Isle of Man	Isle of Man	US$2,000,000	100.00	Investment holding
Star Cruise Services Limited	Isle of Man	Isle of Man	US$2,000,000	100.00	Investment holding and cruise services
Arrasas Limited	Isle of Man	Isle of Man	US$197,218,181	100.00	Investment holding
Cruise Ferries Holding Limited	Bermuda	Bermuda	US$12,000	100.00	Investment holding and cruise ferry services
Subsidiaries held indirectly:-					
Superstar Leo Limited	Note (2)	Isle of Man	US$2	100.00	Bareboat chartering
Superstar Virgo Limited	Note (2)	Isle of Man	US$2	100.00	Bareboat chartering

30. Principal Subsidiaries *(continued)*

Name of company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital	Effective equity interest in percentage	Principal activities
Subsidiaries held indirectly:-					
Norwegian Star Limited (formerly known as Superstar Libra Limited)	Note (2)	Isle of Man	US$2	100.00	Bareboat chartering
Norwegian Dawn Limited (formerly known as Superstar Scorpio Limited)	—	Isle of Man	US$2	100.00	Pre-operating
Star Cruises Ship Management Sdn. Bhd. (formerly known as Star Cruises Ship Simulator Sdn Bhd)	Malaysia	Malaysia	RM150,000	100.00	Operator of ship simulator for training purposes and ship management
Norwegian Cruise Line Limited	Note (2)	Bermuda	US$317,325,987	100.00	Cruise services

RM: Malaysian Ringgit

(1) This company provides ship management and marketing services to cruise ships operating substantially in international waters.

(2) These companies provide cruise services substantially in international waters.

31. Significant Subsequent Event

In February 2002, the Group signed an agreement with a syndicate of banks to provide up to US$450 million in loans to refinance the 5-year term loan.