

The Directors submit their report together with the audited accounts for the year ended 31 December 2002.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise related operations. Details of the Company's principal subsidiary companies are set out in note 30 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results

The results of the Company and its subsidiaries for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 38.

Dividends

The directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2002.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in pages 42 and 43. The distributable reserves of the Company amounted to US\$367.9 million as at 31 December 2002.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 80.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2002, save for the issuance of new ordinary shares of US\$0.10 each by the Company as follows:

- (a) the issuance of 189,091,000 new ordinary shares of US\$0.10 each at the subscription price of HK\$3.30 (US\$0.42) per share, with an aggregate price, net of issuance costs, of approximately US\$77.3 million to an existing shareholder in a top-up placement completed in June 2002;
- (b) the issuance of 607,420,455 new ordinary shares of US\$0.10 each at the subscription price of HK\$1.95 (US\$0.25) per share, with an aggregate price, net of issuance costs, of approximately US\$150.3 million pursuant to the rights issue completed in December 2002; and
- (c) the issuance of 2,895,000 new ordinary shares of US\$0.10 each at an aggregate price of approximately US\$0.9 million pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme adopted by the Company on 16 April 1997 prior to the listing of its ordinary shares on The Stock Exchange of Hong Kong Limited (the "Pre-listing Scheme").

Donations

Charitable and other donations made by the Group during the year amounted to US\$0.1 million.

Fixed Assets

A brief description of the properties owned by the Group is set out on page 81.

Details of the movements in fixed assets during the year are set out in note 12 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

Indebtedness

Details of long-term financing facilities of the Company and its subsidiary companies as at 31 December 2002 are set out in note 21 to the accounts.

Directors

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

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith, J.P.
Mr. Chong Chee Tut
Mr. William Ng Ko Seng
Mr. David Colin Sinclair Veitch
Mr. Tan Boon Seng
Mr. Lim Lay Leng

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. William Ng Ko Seng and Mr. Tan Boon Seng will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Biographical details of the Directors and senior management are set out on pages 22 to 26.

Directors' Service Contracts

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

Interests of Directors and Controlling Shareholders in Contracts of Significance

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

Connected Transactions

- (a) Significant related party transactions entered into by the Group during the year ended 31 December 2002 are disclosed in note 18 (a) to (c) and (e) to the accounts.
- (b) Items (a) and (b) of these related party transactions, which constitute connected transactions (the "Continuing Connected Transactions") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and are required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:
 - (i) Kien Huat Development Sdn Bhd ("KHD"), a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest, together with its related companies, have since 1997 been engaged by certain companies in the Group to construct terminal buildings and a number of jetties which serve as the administrative and technical support offices and berthing facilities for the Group's vessels ("KHD Transactions"). Amounts charged to the Group for the KHD Transactions were approximately US\$0.2 million for the year ended 31 December 2002 and shall not exceed US\$20 million in the period since the listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 November 2000 (the "Listing") to 31 December 2002.
 - (ii) Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and is also the President and Chief Executive and shareholder, and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and various other support services. The Group also purchases air tickets from Resorts World Tours Sdn Bhd, a wholly-owned subsidiary of Resorts World Bhd ("RWB"), a subsidiary of GB, from time to time ("GB Transactions"). Amounts charged to the Group in respect of the GB Transactions totalled approximately US\$1.2 million for the year ended 31 December 2002 and shall not exceed 1% of the Group's turnover for each of the three years ended 31 December 2002.

Connected Transactions *(continued)*

The Stock Exchange has, subject to certain conditions, granted a waiver (the “Waiver”) to the Company from strict compliance with connected transactions requirements of the Listing Rules in respect of the Continuing Connected Transactions.

The Audit Committee comprising of all Independent Non-executive Directors of the Company has reviewed the Continuing Connected Transactions and confirmed that:

1. the Continuing Connected Transactions have been:
 - (a) entered into by the Group in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or on terms that are fair and reasonable so far as the Company’s shareholders are concerned; and
 - (c) entered into in accordance with the terms of the agreements governing such transactions, which are on normal commercial terms or, where there are no such agreements, on terms that are no less favourable than terms available to or from independent third parties; and
2. the aggregate consideration paid to KHD and its related companies in respect of all outstanding construction contracts with KHD since the Listing has not exceeded US\$20 million over the three financial years ended 31 December 2002; and
3. the aggregate consideration paid in respect of the services provided by GB and its related companies in that financial year has not exceeded 1% of the Group’s turnover.

The auditors have issued a report to the Independent Non-executive Directors of the Company following their performance of certain specified procedures in relation to the Continuing Connected Transactions.

- (c) Item (c) of the related party transactions as disclosed in note 18 to the accounts, which also constitutes a connected transaction under the Listing Rules, falls within the exemption provisions under Listing Rule 14.24.
- (d) The Waiver from the Stock Exchange expired on 31 December 2002. The Company has applied to the Stock Exchange for a new waiver from strict compliance with connected transactions requirements of the Listing Rules in respect of certain ongoing connected transactions comprising, inter alia, the Continuing Connected Transactions commencing 1 January 2003 and the Stock Exchange has approved and granted the new waiver to the Company subject to certain conditions as stated in the announcement of the Company dated 15 January 2003.

Directors’ Interests in Competing Business

Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Company, is the President and Chief Executive of Genting Berhad and Resorts World Bhd, which are both substantial shareholders of the Company and companies listed on the Kuala Lumpur Stock Exchange. He is also the Chairman of Genting International PLC, a company listed on the Luxembourg Stock Exchange. Resorts World Bhd’s principal activities include the operation of a tourist resort in Malaysia known as Genting Highlands Resort, along with other land-based Malaysian resorts, through its subsidiaries. Other activities of Resorts World Bhd cover leisure and hospitality which comprises amusement, gaming, hotel and entertainment. Genting International PLC’s principal activities include the provision of sales and marketing services to resort related businesses. Resorts World Bhd and Genting International PLC are subsidiaries of Genting Berhad. Mr. William Ng Ko Seng is an alternate director on the Board of Directors of Genting International PLC.

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

Tan Sri Lim Kok Thay and Mr. William Ng Ko Seng are therefore considered as having interests in business (the “Deemed Competing Business”) apart from the Group’s business, which may compete indirectly with the Group’s business under paragraph 8.10 of the Listing Rules. The Company’s management team is separate and independent from Resorts World Bhd, Genting International PLC and Genting Berhad. Coupled with the appointment of three Independent Non-executive Directors to the Board of Directors of the Company, the Group is capable of carrying on its business independent of and at arm’s length from the Deemed Competing Business.

Directors' Interests in Equity Securities

As at 31 December 2002, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance, Hong Kong ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary shares of US\$0.10 each in the Company

| | Number of ordinary shares | | | | Total |
|---------------------------------|---------------------------|-------------------------|-------------------------|----------------------------|---------------|
| | Personal interests | Family interests | Corporate interests | Other interests | |
| Tan Sri Lim Kok Thay | 6,971,100 | 26,502,708 ¹ | 26,502,708 ¹ | 4,155,561,745 ² | 4,189,035,553 |
| Mr. Chong Chee Tut | 426,360 | — | — | — | 426,360 |
| Mr. William Ng Ko Seng | 160,000 | — | — | — | 160,000 |
| Mr. David Colin Sinclair Veitch | 313,500 | — | — | — | 313,500 |

Notes:

1. Deemed interest under family interest and corporate interest refers to the same block of 26,502,708 ordinary shares held by Goldsfine Investments Ltd. ("Goldsfine"). Each of Tan Sri Lim Kok Thay and his wife, Puan Sri Wong Hon Yee holds 50 per cent. of the issued share capital of Goldsfine. This same block of 26,502,708 ordinary shares held by Goldsfine has not been duplicated in arriving at the total interest of Tan Sri Lim.
2. Deemed interests through Resorts World Limited, Golden Hope Limited (as trustee of the Golden Hope Unit Trust) and Joondalup Limited.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for the Company and other subsidiaries. Share Options are granted to the Directors under the Pre-listing Scheme and the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002) (the "Post-listing Scheme"), details of which are set out in the section headed "Share Options" below and note 28 to the accounts.

Save as disclosed above and in the sections headed "Substantial Shareholders" and "Share Options" below and in note 28 to the accounts:

- (a) at no time during the year, the Directors and the Chief Executive of the Company (including their spouse and children under 18 years of age) had any interest in, or exercised, any rights to subscribe for shares of the Company and its associated corporations within the meaning of the SDI Ordinance; and
- (b) at no time during the year was the Company or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive of the Company.

| Name of shareholder (Notes) | Number of ordinary shares | Percentage of shareholding |
|---|----------------------------------|-----------------------------------|
| Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1 and 8) | 1,699,047,772 | 34.4 |
| Kien Huat Realty Sdn Bhd (2 and 8) | 1,699,047,772 | 34.4 |
| Genting Berhad (3 and 8) | 1,699,047,772 | 34.4 |
| Resorts World Bhd (4 and 8) | 1,699,047,772 | 34.4 |
| Sierra Springs Sdn Bhd (5 and 8) | 1,699,047,772 | 34.4 |
| Resorts World Limited (5 and 8) | 1,699,047,772 | 34.4 |
| GZ Trust Corporation (as trustee of various discretionary trusts) (6 and 9) | 2,456,513,973 | 49.7 |
| Golden Hope Limited (as trustee of Golden Hope Unit Trust) (7 and 9) | 2,456,513,973 | 49.7 |
| Puan Sri Wong Hon Yee (10) | 4,189,035,553 | 84.7 |

Notes:

1. Parkview Management Sdn Bhd is a trustee of a discretionary trust ("Discretionary Trust"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family ("Lim Family").
2. Kien Huat Realty Sdn Bhd ("KHR") is a private company of which the Discretionary Trust, through Info-Text Sdn Bhd and Dataline Sdn Bhd controls more than one third of the voting power.
3. Genting Berhad is a company listed on the Kuala Lumpur Stock Exchange ("KLSE") in Malaysia of which KHR controls more than one third of the voting power.
4. Resorts World Bhd is a company listed on KLSE and is a subsidiary of Genting Berhad.
5. Sierra Springs Sdn Bhd and Resorts World Limited are companies which are wholly-owned subsidiaries of Resorts World Bhd.
6. GZ Trust Corporation is the trustee of various discretionary trusts established for the benefit of certain members of the Lim Family. These discretionary trusts are unit-holders of Golden Hope Unit Trust ("GHUT"), a private unit trust.
7. Golden Hope Limited is the trustee of GHUT.
8. The interests of persons named in Notes 1 to 5 in 1,699,047,772 ordinary shares relates to the same block of shares.
9. The interests of the persons named in Notes 6 and 7 in 2,456,513,973 ordinary shares relates to the same block of shares.
10. Puan Sri Wong Hon Yee as the wife of Tan Sri Lim Kok Thay, has a family interest in the same block of 4,189,035,553 ordinary shares in which Tan Sri Lim has a deemed interest. Puan Sri Wong also has a corporate interest in 26,502,708 ordinary shares held by Goldsfine by holding 50 per cent. of the issued share capital of Goldsfine.

Share Options

Details of the Company's Pre-listing Scheme and Post-listing Scheme are set out in note 28 to the accounts. Share Options are granted to Directors of the Company and employees of the Group under the said schemes. Adjustments to the exercise price and the number of shares to be issued upon exercise of the share options (the "Rights Issue Adjustments") were effected on 12 December 2002 (the date when the Rights Issue of the Company became unconditional) in the manner as set out in the prospectus of the Company dated 14 November 2002. Details of the movement in the share options granted under the Pre-listing Scheme and Post-listing Scheme during the year and outstanding as at 31 December 2002 are as follows:

(A) Pre-listing Scheme

- (1) Movement during the period from 1 January 2002 to 11 December 2002, the date immediately before the Rights Issue Adjustments became effective

| | Number of options outstanding at 1/1/2002 | Number of shares acquired upon exercise of options during the period from 1/1/2002 to 11/12/2002 | Number of options lapsed during the period from 1/1/2002 to 11/12/2002 | Number of options outstanding at 11/12/2002 | Date granted | Exercise price per share | Exercisable Period |
|---|--|---|---|--|--------------|--------------------------------|-------------------------|
| Tan Sri Lim Kok Thay (Director) | 2,500,000 | (500,000) ¹ | — | 2,000,000 | 25/5/1998 | US\$0.2712 | 21/8/1999 - 20/8/2005 |
| | 3,625,000 | — | — | 3,625,000 | 24/3/1999 | US\$0.2712 | 24/3/2002 - 23/3/2009 |
| | 1,375,000 | — | — | 1,375,000 | 24/3/1999 | US\$0.4550 | 24/3/2002 - 23/3/2009 |
| | 1,000,000 | — | — | 1,000,000 | 23/10/2000 | US\$0.2712 | 23/10/2003 - 22/8/2010 |
| | 3,625,000 | — | — | 3,625,000 | 16/11/2000 | US\$0.2712 | 24/3/2002 - 23/3/2009 |
| | 1,375,000 | — | — | 1,375,000 | 16/11/2000 | US\$0.4550 | 24/3/2002 - 23/3/2009 |
| | 250,000 | — | — | 250,000 | 16/11/2000 | US\$0.2712 | 23/10/2003 - 22/8/2010 |
| | 13,750,000 | (500,000) | — | 13,250,000 | | | |
| Mr. Chong Chee Tut (Director) | 148,000 | (37,000) ² | — | 111,000 | 25/5/1998 | US\$0.2712 | 20/12/2000 - 19/12/2005 |
| | 100,000 | — | — | 100,000 | 25/5/1998 | US\$0.4550 | 23/6/2000 - 22/6/2007 |
| | 425,000 | (85,000) ³ | — | 340,000 | 24/3/1999 | US\$0.2712 | 24/3/2002 - 23/3/2009 |
| | 75,000 | — | — | 75,000 | 24/3/1999 | US\$0.4550 | 24/3/2002 - 23/3/2009 |
| | 480,000 | — | — | 480,000 | 23/10/2000 | US\$0.2712 | 23/10/2003 - 22/8/2010 |
| | 20,000 | — | — | 20,000 | 23/10/2000 | US\$0.4550 | 23/10/2003 - 22/8/2010 |
| | 1,248,000 | (122,000) | — | 1,126,000 | | | |
| Mr. William Ng Ko Seng (Director) | 187,500 | (50,000) ⁴ | — | 137,500 | 25/5/1998 | US\$0.2712 | 21/8/2000 - 20/8/2005 |
| | 25,000 | — | — | 25,000 | 24/3/1999 | US\$0.2712 | 24/3/2002 - 23/3/2009 |
| | 100,000 | — | — | 100,000 | 24/3/1999 | US\$0.4550 | 24/3/2002 - 23/3/2009 |
| | 380,000 | — | — | 380,000 | 23/10/2000 | US\$0.2712 | 23/10/2003 - 22/8/2010 |
| | 20,000 | — | — | 20,000 | 23/10/2000 | US\$0.4550 | 23/10/2003 - 22/8/2010 |
| | 712,500 | (50,000) | — | 662,500 | | | |
| Mr. David Colin Sinclair Veitch (Director) | 1,000,000 | — | — | 1,000,000 | 7/1/2000 | US\$0.4550 | 7/1/2003 - 6/1/2010 |

Share Options (continued)

(A) Pre-listing Scheme (continued)

(1) Movement during the period from 1 January 2002 to 11 December 2002, the date immediately before the Rights Issue Adjustments became effective (continued)

| | Number of options outstanding at 1/1/2002 | Number of shares acquired upon exercise of options during the period from 1/1/2002 to 11/12/2002 | Number of options lapsed during the period from 1/1/2002 to 11/12/2002 | Number of options outstanding at 11/12/2002 | Date granted | Exercise price per share | Exercisable Period |
|---------------------|--|---|---|--|--------------|--------------------------------|-------------------------|
| All other employees | 5,005,000 | (1,320,000) ⁵ | (7,500) | 3,677,500 | 25/5/1998 | US\$0.2712 | 21/8/1999 - 20/8/2005 |
| | 85,000 | (34,000) ⁶ | — | 51,000 | 25/5/1998 | US\$0.2712 | 20/12/2000 - 19/12/2005 |
| | 250,000 | (50,000) ⁷ | — | 200,000 | 25/5/1998 | US\$0.2712 | 11/3/2000 - 10/3/2007 |
| | 187,500 | — | — | 187,500 | 25/5/1998 | US\$0.2712 | 6/1/2000 - 5/1/2007 |
| | 1,050,000 | (300,000) ⁸ | (60,000) | 690,000 | 25/5/1998 | US\$0.4550 | 23/6/2000 - 22/6/2007 |
| | 6,824,500 | (75,000) ⁹ | (1,577,000) | 5,172,500 | 25/5/1998 | US\$0.4550 | 6/1/2000 - 5/1/2007 |
| | 18,500,650 | (445,500) ¹⁰ | (1,684,175) | 16,370,975 | 24/3/1999 | US\$0.2712 | 24/3/2002 - 23/3/2009 |
| | 10,482,850 | (19,500) ¹¹ | (1,158,575) | 9,304,775 | 24/3/1999 | US\$0.4550 | 24/3/2002 - 23/3/2009 |
| | 7,500 | — | — | 7,500 | 24/3/1999 | US\$0.4550 | 24/3/2003 - 23/3/2005 |
| | 195,500 | — | — | 195,500 | 24/3/1999 | US\$0.4550 | 24/3/2003 - 23/3/2004 |
| | 1,276,150 | (18,500) ¹² | (29,000) | 1,228,650 | 30/6/1999 | US\$0.2712 | 30/6/2002 - 29/6/2009 |
| | 2,612,100 | — | (68,000) | 2,544,100 | 30/6/1999 | US\$0.4550 | 30/6/2002 - 29/6/2009 |
| | 15,000 | — | — | 15,000 | 30/6/1999 | US\$0.4550 | 30/6/2003 - 29/6/2004 |
| | 2,350,900 | — | — | 2,350,900 | 23/10/2000 | US\$0.2712 | 23/10/2003 - 22/8/2010 |
| | 3,423,850 | — | (270,000) | 3,153,850 | 23/10/2000 | US\$0.4550 | 23/10/2003 - 22/8/2010 |
| | <u>52,266,500</u> | <u>(2,262,500)</u> | <u>(4,854,250)</u> | <u>45,149,750</u> | | | |
| Grand Total | <u>68,977,000</u> | <u>(2,934,500)</u> | <u>(4,854,250)</u> | <u>61,188,250</u> | | | |

Notes:

- Exercise date was 9 August 2002. At the date before the options were exercised, the market closing value per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.800.
- Exercise date was 22 October 2002. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.375.
- Exercise date was 22 October 2002. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.375.
- Exercise date was 22 April 2002. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$3.100.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.158.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.062.
- Exercise date was 8 March 2002. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$3.500.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$4.175.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$4.112.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.725.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$3.899.
- At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.892.

Share Options (continued)

(A) Pre-listing Scheme (continued)

(2) Movement during the period from 12 December 2002 (the date when the Rights Issue Adjustments became effective) to 31 December 2002

| | Number of options outstanding at 11/12/2002 (the date before Rights Issue Adjustments) | Exercise price per share before Rights Issue Adjustments | Number of options outstanding as at 12/12/2002 (the date of Rights Issue Adjustments) | Exercise price per share after Rights Issue Adjustments | Number of options lapsed during the period from 12/12/2002 to 31/12/2002 | Number of options outstanding at 31/12/2002 | Date granted | Exercisable Period |
|---|---|--|--|--|--|--|--------------|-------------------------|
| Tan Sri Lim Kok Thay (Director) | 2,000,000 | US\$0.2712 | 2,280,000 | US\$0.2686 | — | 2,280,000 | 25/5/1998 | 21/8/1999 - 20/8/2005 |
| | 3,625,000 | US\$0.2712 | 4,132,500 | US\$0.2686 | — | 4,132,500 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 1,375,000 | US\$0.4550 | 1,567,500 | US\$0.4298 | — | 1,567,500 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 1,000,000 | US\$0.2712 | 1,140,000 | US\$0.2686 | — | 1,140,000 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 3,625,000 | US\$0.2712 | 4,132,500 | US\$0.2686 | — | 4,132,500 | 16/11/2000 | 24/3/2002 - 23/3/2009 |
| | 1,375,000 | US\$0.4550 | 1,567,500 | US\$0.4298 | — | 1,567,500 | 16/11/2000 | 24/3/2002 - 23/3/2009 |
| | 250,000 | US\$0.2712 | 285,000 | US\$0.2686 | — | 285,000 | 16/11/2000 | 23/10/2003 - 22/8/2010 |
| | 13,250,000 | | 15,105,000 | | — | 15,105,000 | | |
| Mr. Chong Chee Tut (Director) | 111,000 | US\$0.2712 | 126,540 | US\$0.2686 | — | 126,540 | 25/5/1998 | 20/12/2000 - 19/12/2005 |
| | 100,000 | US\$0.4550 | 114,000 | US\$0.4298 | — | 114,000 | 25/5/1998 | 23/6/2000 - 22/6/2007 |
| | 340,000 | US\$0.2712 | 387,600 | US\$0.2686 | — | 387,600 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 75,000 | US\$0.4550 | 85,500 | US\$0.4298 | — | 85,500 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 480,000 | US\$0.2712 | 547,200 | US\$0.2686 | — | 547,200 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 20,000 | US\$0.4550 | 22,800 | US\$0.4298 | — | 22,800 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 1,126,000 | | 1,283,640 | | — | 1,283,640 | | |
| Mr. William Ng Ko Seng (Director) | 137,500 | US\$0.2712 | 156,750 | US\$0.2686 | — | 156,750 | 25/5/1998 | 21/8/2000 - 20/8/2005 |
| | 25,000 | US\$0.2712 | 28,500 | US\$0.2686 | — | 28,500 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 100,000 | US\$0.4550 | 114,000 | US\$0.4298 | — | 114,000 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 380,000 | US\$0.2712 | 433,200 | US\$0.2686 | — | 433,200 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 20,000 | US\$0.4550 | 22,800 | US\$0.4298 | — | 22,800 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 662,500 | | 755,250 | | — | 755,250 | | |
| Mr. David Colin Sinclair Veitch (Director) | 1,000,000 | US\$0.4550 | 1,140,000 | US\$0.4298 | — | 1,140,000 | 7/1/2000 | 7/1/2003 - 6/1/2010 |

Share Options *(continued)*

(A) Pre-listing Scheme *(continued)*

(2) Movement during the period from 12 December 2002 (the date when the Rights Issue Adjustments became effective) to 31 December 2002 *(continued)*

| | Number of options outstanding at 11/12/2002 (the date before Rights Issue Adjustments) | Exercise price per share before Rights Issue Adjustments | Number of options outstanding as at 12/12/2002 (the date of Rights Issue Adjustments) | Exercise price per share after Rights Issue Adjustments | Number of options lapsed during the period from 12/12/2002 to 31/12/2002 | Number of options outstanding at 31/12/2002 | Date granted | Exercisable Period |
|---------------------|---|--|--|--|--|--|--------------|-------------------------|
| All other employees | 3,677,500 | US\$0.2712 | 4,192,350 | US\$0.2686 | — | 4,192,350 | 25/5/1998 | 21/8/1999 - 20/8/2005 |
| | 51,000 | US\$0.2712 | 58,140 | US\$0.2686 | — | 58,140 | 25/5/1998 | 20/12/2000 - 19/12/2005 |
| | 200,000 | US\$0.2712 | 228,000 | US\$0.2686 | — | 228,000 | 25/5/1998 | 11/3/2000 - 10/3/2007 |
| | 187,500 | US\$0.2712 | 213,750 | US\$0.2686 | — | 213,750 | 25/5/1998 | 6/1/2000 - 5/1/2007 |
| | 690,000 | US\$0.4550 | 786,600 | US\$0.4298 | — | 786,600 | 25/5/1998 | 23/6/2000 - 22/6/2007 |
| | 5,172,500 | US\$0.4550 | 5,896,650 | US\$0.4298 | — | 5,896,650 | 25/5/1998 | 6/1/2000 - 5/1/2007 |
| | 16,370,975 | US\$0.2712 | 18,662,916 | US\$0.2686 | (43,890) | 18,619,026 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 9,304,775 | US\$0.4550 | 10,607,439 | US\$0.4298 | (13,680) | 10,593,759 | 24/3/1999 | 24/3/2002 - 23/3/2009 |
| | 7,500 | US\$0.4550 | 8,550 | US\$0.4298 | — | 8,550 | 24/3/1999 | 24/3/2003 - 23/3/2005 |
| | 195,500 | US\$0.4550 | 222,870 | US\$0.4298 | — | 222,870 | 24/3/1999 | 24/3/2003 - 23/3/2004 |
| | 1,228,650 | US\$0.2712 | 1,400,661 | US\$0.2686 | — | 1,400,661 | 30/6/1999 | 30/6/2002 - 29/6/2009 |
| | 2,544,100 | US\$0.4550 | 2,900,274 | US\$0.4298 | — | 2,900,274 | 30/6/1999 | 30/6/2002 - 29/6/2009 |
| | 15,000 | US\$0.4550 | 17,100 | US\$0.4298 | — | 17,100 | 30/6/1999 | 30/6/2003 - 29/6/2004 |
| | 2,350,900 | US\$0.2712 | 2,680,026 | US\$0.2686 | — | 2,680,026 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | 3,153,850 | US\$0.4550 | 3,595,389 | US\$0.4298 | — | 3,595,389 | 23/10/2000 | 23/10/2003 - 22/8/2010 |
| | <u>45,149,750</u> | | <u>51,470,715</u> | | <u>(57,570)</u> | <u>51,413,145</u> | | |
| Grand Total | <u>61,188,250</u> | | <u>69,754,605</u> | | <u>(57,570)</u> | <u>69,697,035</u> | | |

Share Options *(continued)*

(B) Post-listing Scheme

| | Number of options granted on 19/8/2002 | Exercise price per share before Rights Issue Adjustments | Number of options lapsed before Rights Issue Adjustments | Number of options outstanding at 12/12/2002 (the date of Rights Issue Adjustments and 31/12/2002) | Exercise price per share after Rights Issue Adjustments | Exercisable Period |
|--|--|--|--|---|---|-----------------------|
| Tan Sri Lim Kok Thay (Director) | 3,250,000 | HK\$3.2000 | — | 3,705,000 | HK\$3.0465 | 20/8/2004 - 19/8/2012 |
| Mr. Chong Chee Tut (Director) | 500,000 | HK\$3.2000 | — | 570,000 | HK\$3.0465 | 20/8/2004 - 19/8/2012 |
| Mr. William Ng Ko Seng (Director) | 600,000 | HK\$3.2000 | — | 684,000 | HK\$3.0465 | 20/8/2004 - 19/8/2012 |
| Mr. David Colin Sinclair Veitch (Director) | 2,000,000 | HK\$3.2000 | — | 2,280,000 | HK\$3.0465 | 20/8/2004 - 19/8/2012 |
| All other employees | 93,919,000 | HK\$3.2000 | (4,639,000) | 101,779,200 | HK\$3.0465 | 20/8/2004 - 19/8/2012 |
| Grand Total | 100,269,000 | | (4,639,000) | 109,018,200 | | |

Notes:

1. The closing price per share quoted on the Stock Exchange on 16 August 2002, the trading day immediately before the date on which the options were granted was HK\$3.05.
2. The offer of the share options mentioned above is valid for acceptance within periods of 5 months and 3 months from 19 August 2002 for employees of NCL Group and other employees respectively.

HK\$: Hong Kong dollars, the lawful currency of Hong Kong

The Group accounts for non-cash compensation expense in respect of share options issued to directors and employees based on the excess, if any, of the quoted market price of the share at the date of grant over the exercise price of the option. The excess, if any, is treated as additional paid-in-capital and is recognised as an expense over the option periods. No compensation expense was recorded for the options granted in 2002 as the exercise price of these options was equal to the quoted market price of the Company's shares on the grant date.

The Group used the extended binomial options pricing model to estimate the fair value of these options. The binomial pricing model, which is one of the commonly used models in estimating fair value of an option, requires the input of highly subjective assumptions. Such subjective assumptions include the volatility of the share price, expected dividend per share, risk-free interest rate and expected option life and accordingly, any change in the variables so adopted may materially affect the estimation of the fair value of an option. The extended binomial options pricing model, therefore, does not necessarily provide a reliable measure of the fair value of the share options.

Using the extended binomial option pricing model with the following assumptions (after adjusting for the effects of rights issue in December 2002), the estimated fair value of the options granted on 19 August 2002 was US\$0.21 per share:

| | |
|---------------------------------|-------|
| Risk-free interest rate | 4.54% |
| Expected option life (in years) | 10 |
| Expected volatility | 61.1% |
| Expected dividend per share | — |

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

Retirement Benefit Schemes

Information on the Group's retirement benefit schemes is set out in note 29 to the accounts.

Management Contracts

Save for the arrangements relating to the provision of services by Genting Berhad and its related companies to the Group as set out in the section headed "Connected Transactions" above and in note 18 to the accounts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the Group's turnover.

Corporate Governance

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external and internal audit and of internal controls and risk evaluation. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely, Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng. This annual report has been reviewed by the Audit Committee.

In the opinion of the Directors, the Company has complied with the Code of Best Practice throughout the year, except that the Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

Practice Note 19 to the Listing Rules

The Company is a party to three loan agreements for an aggregate amount of approximately US\$1.6 billion with terms ranging from seven to sixteen years from the dates of these agreements. These agreements require the Lim Family to retain a direct or indirect ownership interest of 51% or more in the Company during the terms of these loans.

Significant Subsequent Event

On 5 February 2003, Ship Holding LLC, a wholly-owned subsidiary of the Company entered into a contract with the Lloyd Werft shipyard in Germany to complete the construction of the first "Project America" vessel, the hull of which was acquired in 2002. The estimated total cost for the first vessel is approximately US\$350 million. The vessel will have a gross tonnage of approximately 81,000 tons and capacity of approximately 2,100 lower berths.

Auditors

The accounts have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tan Sri Lim Kok Thay

Chairman, President and Chief Executive Officer

Hong Kong, 24 February 2003