



STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

Interim Report for the three months and nine months ended 30 September 2003

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This interim report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of Star Cruises Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") operate. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Group, are difficult to predict and could cause actual result to differ materially from those expressed or forecast in the forward-looking statements. Factors that could cause actual result to differ materially from those reflected in the forward-looking statements include general economic and business conditions, changes in cruise industry competition, weather and other factors. Reliance should not be placed on these forward-looking statements, which reflect the view of the Company's directors and management as of the date of this report only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the publication of this interim report.

Corporate Information

Board of Directors

Tan Sri Lim Kok Thay
Chairman, President and Chief Executive Officer

Mr. Alan Howard Smith, J.P.
Deputy Chairman and Independent Non-executive Director

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. William Ng Ko Seng
Executive Director and Executive Vice President

Mr. David Colin Sinclair Veitch
Executive Director, President and Chief Executive Officer of Norwegian Cruise Line Limited

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Lim Lay Leng
Independent Non-executive Director

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Mr. Tan Wooi Meng
A.S. & K. Services Ltd.

Registered Office

Canon's Court, 22 Victoria Street, Hamilton HM 12,
Bermuda

Corporate Headquarters

Suite 1501, Ocean Centre, 5 Canton Road,
Tsimshatsui, Kowloon, Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809

Bermuda Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke, Bermuda
Tel: (441) 2951111
Fax: (441) 2956759

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905,
19th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong SAR
Tel: (852) 28628628
Fax: (852) 28650990/25296087

Transfer Agent

M & C Services Private Limited
138 Robinson Road #17-00,
The Corporate Office, Singapore 068906
Tel: (65) 62280507
Fax: (65) 62251452

Auditors

Messrs PricewaterhouseCoopers,
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong SAR

Internet Homepage

www.starcruses.com

Investor Relations

Enquiries may be directed to:

Ms. Louisa Tam Suet Lin
Company Secretary
Hong Kong SAR
Tel: (852) 23782000
Fax: (852) 23143809
E-mail: louisatam@starcruses.com.hk

Mr. Gerard Lim Ewe Keng
Senior Vice President, Chief Executive Office
Kuala Lumpur, Malaysia
Tel: (603) 20306013
Fax: (603) 21613621
E-mail: gerard@starcruses.com.my

The Board of Directors (the “Directors”) of Star Cruises Limited (the “Company”) presents the unaudited consolidated accounts of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2003, as follows:

Consolidated Profit and Loss Accounts

	Note	Three months ended 30 September		Nine months ended 30 September	
		2003 US\$'000 unaudited	2002 US\$'000 unaudited	2003 US\$'000 unaudited	2002 US\$'000 unaudited
Turnover	2	437,518	447,373	1,218,176	1,205,171
Operating expenses (excluding depreciation and amortisation)		(253,513)	(264,266)	(799,233)	(735,673)
Selling, general and administrative expenses (excluding depreciation)		(57,307)	(62,555)	(182,949)	(180,647)
Depreciation and amortisation	3	(49,966)	(43,950)	(147,277)	(130,154)
		<u>(360,786)</u>	<u>(370,771)</u>	<u>(1,129,459)</u>	<u>(1,046,474)</u>
Operating profit	2	76,732	76,602	88,717	158,697
Interest income		388	1,266	2,054	2,264
Financial costs		(22,694)	(25,022)	(70,332)	(74,243)
Other non-operating income / (expenses), net		(2,247)	3,391	(4,674)	(6,980)
		<u>(24,553)</u>	<u>(20,365)</u>	<u>(72,952)</u>	<u>(78,959)</u>
Profit before taxation		52,179	56,237	15,765	79,738
Taxation	4	(568)	(600)	(1,261)	(1,135)
Net profit for the period		<u>51,611</u>	<u>55,637</u>	<u>14,504</u>	<u>78,603</u>
Basic earnings per share after adjusting for the effect of the 2002 rights issue (US cents)	5	1.04	1.24	0.29	1.80
Fully diluted earnings per share after adjusting for the effect of the 2002 rights issue (US cents)	5	1.04	1.24	0.29	1.79
<u>Operating data</u>					
Passenger Cruise Days		2,176,090	2,225,359	6,358,900	6,248,438
Capacity Days		2,168,005	2,133,505	6,643,851	6,323,797
Occupancy as a percentage of total capacity days		100%	104%	96%	99%

Consolidated Balance Sheet

		30 September 2003 <i>US\$'000</i> <i>unaudited</i>	As at	31 December 2002 <i>US\$'000</i> <i>audited</i>
	<i>Note</i>			
Intangible assets		597,960		609,733
Fixed assets		3,609,955		3,558,448
Restricted cash		150		150
Other assets		33,070		17,902
CURRENT ASSETS				
Consumable inventories		39,295		40,302
Trade receivables	6	16,311		16,424
Prepaid expenses and others		51,163		48,018
Amounts due from related companies	9	84		—
Restricted cash		94,634		50,762
Cash and cash equivalents		165,541		416,958
		<u>367,028</u>		<u>572,464</u>
CURRENT LIABILITIES				
Trade creditors	7	74,275		108,774
Provisions, accruals and other liabilities		179,335		190,962
Current portion of long-term bank loans	8	317,707		340,187
Amounts due to related companies	9	—		133
Advance ticket sales		182,424		196,219
		<u>753,741</u>		<u>836,275</u>
Net current liabilities		<u>(386,713)</u>		<u>(263,811)</u>
Total assets less current liabilities		<u>3,854,422</u>		<u>3,922,422</u>
Financed by:				
Share capital		494,684		494,614
Reserves		1,350,897		1,324,916
Shareholders' funds		<u>1,845,581</u>		<u>1,819,530</u>
Long-term bank loans	8	2,000,430		2,093,838
Other long-term liabilities		8,215		8,876
Deferred taxation		196		178
		<u>3,854,422</u>		<u>3,922,422</u>

Consolidated Cash Flow Statements

	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
OPERATING ACTIVITIES				
Cash generated from operations	55,439	86,721	182,112	285,157
Interest paid	(25,051)	(21,311)	(75,174)	(63,866)
Interest received	386	1,231	2,046	2,190
Income tax paid	(273)	(335)	(1,227)	(1,517)
	<u>30,501</u>	<u>66,306</u>	<u>107,757</u>	<u>221,964</u>
INVESTING ACTIVITIES				
Purchase of fixed assets	(44,779)	(26,110)	(183,159)	(58,212)
Proceeds from sale of fixed assets	153	1	188	87
	<u>(44,626)</u>	<u>(26,109)</u>	<u>(182,971)</u>	<u>(58,125)</u>
FINANCING ACTIVITIES				
Proceeds from long-term bank loans	267,470	—	303,664	450,000
Principal repayments of long-term bank loans	(316,263)	(17,387)	(419,552)	(495,223)
Proceeds from issuance of ordinary shares, net of issuance cost of approximately US\$3 million in 2002	—	—	—	77,329
Proceeds from issuance of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	179	200	189	674
Restricted cash, net	10,565	2	(43,872)	(3,193)
Payment of loan arrangement fees	(13,647)	(1,038)	(17,090)	(10,627)
Others, net	(151)	(108)	(442)	(1,042)
	<u>(51,847)</u>	<u>(18,331)</u>	<u>(177,103)</u>	<u>17,918</u>
Net cash inflow / (outflow) from financing activities	<u>(51,847)</u>	<u>(18,331)</u>	<u>(177,103)</u>	<u>17,918</u>
Effect of exchange rate changes on cash and cash equivalents	<u>794</u>	<u>(887)</u>	<u>900</u>	<u>1,807</u>
Net increase / (decrease) in cash and cash equivalents	(65,178)	20,979	(251,417)	183,564
Cash and cash equivalents at the beginning of the period	<u>230,719</u>	<u>334,160</u>	<u>416,958</u>	<u>171,575</u>
Cash and cash equivalents at the end of the period	<u><u>165,541</u></u>	<u><u>355,139</u></u>	<u><u>165,541</u></u>	<u><u>355,139</u></u>

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended								
30 September 2003								
<u>unaudited</u>								
At 1 January 2003	494,614	1,203,404	93,436	(25,842)	(3,912)	(44,570)	102,400	1,819,530
Exchange translation differences	—	—	—	2,250	—	—	—	2,250
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(7,339)	—	(7,339)
- Transferred to profit and loss account	—	—	—	—	—	15,347	—	15,347
Net profits not recognised in the profit and loss account	—	—	—	2,250	—	8,008	—	10,258
Net profit for the period	—	—	—	—	—	—	14,504	14,504
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	70	119	—	—	—	—	—	189
Amortisation of share option expense	—	—	—	—	1,100	—	—	1,100
At 30 September 2003	<u>494,684</u>	<u>1,203,523</u>	<u>93,436</u>	<u>(23,592)</u>	<u>(2,812)</u>	<u>(36,562)</u>	<u>116,904</u>	<u>1,845,581</u>

The net proceeds of approximately US\$227.6 million from the placement of shares and rights issue, both of which occurred in 2002, are being used for the acquisition or construction of vessel(s) and as general working capital.

As at 30 September 2003, the Group has applied approximately US\$142.1 million to fund the newbuilding programme and the acquisition of ships as well as for general working capital, of which US\$45.6 million was incurred in year 2002. As at 30 September 2003, the balance of unapplied proceeds of approximately US\$85.5 million was on deposit with banks.

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended								
30 September 2002								
<u>unaudited</u>								
At 1 January 2002	414,673	1,054,845	93,952	(26,189)	(6,450)	(8,059)	51,469	1,574,241
Exchange translation differences	—	—	—	247	—	—	—	247
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(41,104)	—	(41,104)
- Transferred to profit and loss account	—	—	—	—	—	9,506	—	9,506
Net profits / (losses) not recognised in the profit and loss account	—	—	—	247	—	(31,598)	—	(31,351)
Net profit for the period	—	—	—	—	—	—	78,603	78,603
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	222	452	—	—	—	—	—	674
Issue of ordinary shares to an existing shareholder, net of issuance costs of approximately US\$3 million	18,909	58,420	—	—	—	—	—	77,329
Amortisation of share option expense	—	—	—	—	1,649	—	—	1,649
At 30 September 2002	<u>433,804</u>	<u>1,113,717</u>	<u>93,952</u>	<u>(25,942)</u>	<u>(4,801)</u>	<u>(39,657)</u>	<u>130,072</u>	<u>1,701,145</u>

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited accounts of the Group have been prepared in compliance with the revised Statement of Standard Accounting Practice 25 “Interim Financial Reporting”, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2002.

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current financial period.

2. TURNOVER AND OPERATING PROFIT

The Group is principally engaged in the operation of passenger cruise ships.

Turnover consists of revenues earned from cruise and cruise related activities and charter hire. Cruise and cruise related revenue comprises sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from onboard services and other related services, including gaming, food and beverage. Charter hire revenue includes the lease of a catamaran to a third party customer.

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

	Cruise and cruise related activities		Charter Hire		Total	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Three months ended 30 September						
<i>unaudited</i>						
Turnover	436,318	446,053	1,200	1,320	437,518	447,373
Operating profit	76,094	75,976	638	626	76,732	76,602
Interest income					388	1,266
Financial costs					(22,694)	(25,022)
Other non-operating income / (expenses), net					(2,247)	3,391
Profit before taxation					52,179	56,237
Taxation					(568)	(600)
Net profit for the period					51,611	55,637
Nine months ended 30 September						
<i>unaudited</i>						
Turnover	1,215,692	1,202,090	2,484	3,081	1,218,176	1,205,171
Operating profit	88,153	157,519	564	1,178	88,717	158,697
Interest income					2,054	2,264
Financial costs					(70,332)	(74,243)
Other non-operating expenses, net					(4,674)	(6,980)
Profit before taxation					15,765	79,738
Taxation					(1,261)	(1,135)
Net profit for the period					14,504	78,603

Notes to the Accounts (Continued)

2. TURNOVER AND OPERATING PROFIT (Continued)

The Group's turnover and operating profit in its principal markets of North America and Asia Pacific are analysed as follows:

	TURNOVER			
	Three months ended 30 September		Nine months ended 30 September	
	2003	2002	2003	2002
	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>
Asia Pacific	112,675	120,648	306,069	352,208
North America (note)	299,633	306,149	826,796	785,551
Others	25,210	20,576	85,311	67,412
	<u>437,518</u>	<u>447,373</u>	<u>1,218,176</u>	<u>1,205,171</u>
	OPERATING PROFIT			
	Three months ended 30 September		Nine months ended 30 September	
	2003	2002	2003	2002
	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>
Asia Pacific	19,960	26,788	18,117	77,220
North America (note)	53,215	48,326	69,294	81,287
Others	5,659	3,767	7,612	7,027
	<u>78,834</u>	<u>78,881</u>	<u>95,023</u>	<u>165,534</u>
Amortisation of goodwill	(2,102)	(2,279)	(6,306)	(6,837)
	<u>76,732</u>	<u>76,602</u>	<u>88,717</u>	<u>158,697</u>

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

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 30 September		Nine months ended 30 September	
	2003	2002	2003	2002
	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>unaudited</i>
Depreciation of fixed assets	45,933	39,697	135,179	116,896
Amortisation of software development costs	108	151	324	953
Amortisation of goodwill	2,102	2,279	6,306	6,837
Amortisation of trade names and trademarks	1,823	1,823	5,468	5,468
	<u>49,966</u>	<u>43,950</u>	<u>147,277</u>	<u>130,154</u>
Total depreciation and amortisation				
- relating to operating function	47,291	40,972	138,951	120,766
- relating to selling, general and administrative function	2,675	2,978	8,326	9,388

Notes to the Accounts (Continued)

4. TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	2003 US\$'000 unaudited	2002 US\$'000 unaudited	2003 US\$'000 unaudited	2002 US\$'000 unaudited
Overseas taxation				
- Current taxation	568	600	1,243	1,135
- Deferred taxation	—	—	18	—
	<u>568</u>	<u>600</u>	<u>1,261</u>	<u>1,135</u>

5. EARNINGS PER SHARE

Earnings per share has been calculated as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2003 US\$'000 unaudited	2002 US\$'000 unaudited	2003 US\$'000 unaudited	2002 US\$'000 unaudited
<u>BASIC</u>					
Net profit		<u>51,611</u>	<u>55,637</u>	<u>14,504</u>	<u>78,603</u>
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		<u>4,946,489</u>	<u>4,487,267</u>	<u>4,946,279</u>	<u>4,370,370</u>
Basic earnings per share in US cents	(i)	<u>1.04</u>	<u>1.24</u>	<u>0.29</u>	<u>1.80</u>
<u>FULLY DILUTED</u>					
Net profit		<u>51,611</u>	<u>55,637</u>	<u>14,504</u>	<u>78,603</u>
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		<u>4,946,489</u>	<u>4,487,267</u>	<u>4,946,279</u>	<u>4,370,370</u>
Effect of dilutive ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		<u>4,223</u>	<u>12,012</u>	<u>198</u>	<u>12,911</u>
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue and assuming dilution		<u>4,950,712</u>	<u>4,499,279</u>	<u>4,946,477</u>	<u>4,383,281</u>
Fully diluted earnings per share in US cents	(i)	<u>1.04</u>	<u>1.24</u>	<u>0.29</u>	<u>1.79</u>

Note:

- (i) In December 2002, the Company issued 607,420,455 rights shares of US\$0.10 each in the proportion of 7 rights shares for every 50 shares held. Accordingly, the Group retroactively restated its basic and diluted earnings per share for the three months and nine months ended 30 September 2002 to reflect the effect of the rights issue.

Notes to the Accounts *(Continued)*

6. TRADE RECEIVABLES

	As at	
	30 September 2003 <i>US\$'000</i> <i>unaudited</i>	31 December 2002 <i>US\$'000</i> <i>audited</i>
Trade receivables	20,761	20,156
Less: Provisions	(4,450)	(3,732)
	<u>16,311</u>	<u>16,424</u>

At 30 September 2003 and 31 December 2002, the ageing analysis of the trade receivables were as follows:

	As at	
	30 September 2003 <i>US\$'000</i> <i>unaudited</i>	31 December 2002 <i>US\$'000</i> <i>audited</i>
Current to 30 days	8,886	8,950
31 days to 60 days	3,397	2,287
61 days to 120 days	2,284	2,935
121 days to 180 days	2,562	1,922
181 days to 360 days	1,959	1,762
Over 360 days	1,673	2,300
	<u>20,761</u>	<u>20,156</u>

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

7. TRADE CREDITORS

The ageing of trade creditors as at 30 September 2003 and 31 December 2002 were as follows:

	As at	
	30 September 2003 <i>US\$'000</i> <i>unaudited</i>	31 December 2002 <i>US\$'000</i> <i>audited</i>
Current to 60 days	68,564	98,351
61 days to 120 days	4,516	9,551
121 days to 180 days	690	638
Over 180 days	505	234
	<u>74,275</u>	<u>108,774</u>

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

Notes to the Accounts (Continued)

8. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

	As at	
	30 September 2003 US\$'000 unaudited	31 December 2002 US\$'000 audited
US\$521.6 million syndicated term loan	364,906	399,680
US\$626.9 million syndicated term loan	585,127	606,025
US\$450 million term loan	412,500	450,000
US\$210 million M/S Norwegian Sky Loan	164,500	182,000
US\$623 million Fleet Loan	487,440	526,320
US\$225 million M/S Norwegian Sun Post-delivery Loan (note i)	—	225,000
US\$225 million term loan (note i)	225,000	—
US\$45 million term loan (note i)	—	45,000
€298 million secured term loan (note ii)	78,664	—
Total liabilities	2,318,137	2,434,025
Less: Current portion	(317,707)	(340,187)
Long-term portion	<u>2,000,430</u>	<u>2,093,838</u>

All the above long-term loans are denominated in U.S. dollars.

- (i) On 9 July 2003, Norwegian Sun Limited (“NSL”), an indirect wholly-owned subsidiary of the Company, as borrower signed an agreement with a syndicate of banks to provide up to US\$225 million (“US\$225 million term loan”) to refinance the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan. On 16 July 2003, the Group drewdown US\$225 million and fully repaid the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan and the balance of US\$9.4 million was paid to the Group. The US\$225 million term loan bears interest at rate which varies according to London Interbank Offer Rate (“LIBOR”), and is repayable in 16 equal half yearly installments with a balloon payment due in July 2011.

This US\$225 million term loan is secured by primarily a first priority mortgage over M/S Norwegian Sun, a debenture granted by NSL, a charge over shares of NSL and a guarantee from the Company. The guarantee contains certain undertakings requiring compliance with certain financial ratios.

On 16 July 2003, the Group also fully repaid the outstanding balance of US\$45 million term loan.

- (ii) On 4 April 2003, Ship Holding LLC, an indirect wholly-owned subsidiary of the Company, as borrower entered into agreements with a bank syndicate to provide secured term loans of the equivalent amount in United States Dollars of up to €298 million (equivalent to approximately US\$347.9 million based on the exchange rate of US\$1.1733 to €1 as at 30 September 2003 on the undrawn amount) to part finance the completion of the Pride of America vessel (the “Vessel”) acquired in 2002. For the nine months ended 30 September 2003, the Group drewdown €68.5 million (equivalent to approximately US\$78.7 million) to pay the shipyard.

The €298 million secured term loan bears interest at rate, which varies according to LIBOR, is repayable in 24 equal half yearly installments in US dollars commencing 6 months from the earlier of the redelivery date or 29 October 2004.

This facility is secured by primarily a guarantee given by the Company, mortgages over the Vessel, assignments of interests over building contract, the earnings and insurances of the Vessel and certain other assignments of interests in relation to the management of the Vessel. Part of this facility is also secured by a guarantee given by the Federal Republic of Germany acting through Hermes Kreditversicherungs-AG for up to €245 million and interest thereunder. The guarantee by the Company contains certain financial undertakings requiring compliance with certain financial ratios.

- (iii) On 25 September 2003, the Company entered into two letters of credit facilities in an aggregate amount not exceeding US\$100 million (the “L/C Facilities”) to secure the risk in processing NCL Group credit card sales transactions. The letters of credit pursuant to the L/C Facilities were issued on 26 September 2003.

The L/C Facilities contain provisions that affect the liquidity and capital resources of the Company including compliance with financial covenants.

Notes to the Accounts (Continued)

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various discretionary trusts established for the benefit of certain members of Tan Sri Lim Goh Tong's family, is a substantial shareholder of the Company.

Tan Sri 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 ("KHD") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and which is listed on the Kuala Lumpur Stock Exchange, controls Resorts World Bhd ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn indirectly controls Resorts World Limited which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange.

A description of certain significant related party transactions between the Group and these companies are set out below:

- (a) KHD, together with its related companies, was involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. No amounts were charged to the Group in respect of these services for the three months and nine months ended 30 September 2003. Amounts charged to the Group for the three months and nine months ended 30 September 2002 were approximately US\$- and US\$0.2 million respectively.
- (b) GB and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and other support services. The Group also purchases air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled approximately US\$0.1 million and US\$0.3 million for the three months ended 30 September 2003 and 2002 and approximately US\$0.5 million and US\$0.7 million for the nine months ended 30 September 2003 and 2002 respectively.
- (c) The Group provides certain administrative support services to GIPLC internationally and the amounts charged to GIPLC were approximately US\$- and US\$0.1 million for the three months ended 30 September 2003 and 2002 and US\$0.1 million and US\$0.3 million for the nine months ended 30 September 2003 and 2002 respectively.

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

10. FINANCIAL INSTRUMENTS

- (i) The Group has several interest rate swaps to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. The Group has effectively converted the interest rate of aggregate US\$430.4 million of these term loans to a fixed rate obligation and the notional amount reduces six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 30 September 2003, the estimated fair market value of the interest rate swaps was approximately US\$36.6 million, which was unfavourable to the Group. The changes in the fair value of the interest rate swaps are included as a separate component of reserves and are recognised in the profit and loss account as the underlying hedged items are recognised.

In July 2003, the Group entered into a series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of approximately US\$90.8 million to limit its exposure to fluctuations in interest rate movements if rate moves beyond the cap level of 5.5%. The notional amount for each interest period will be reduced six-monthly in varying amounts over 6 years from August 2003. As at 30 September 2003, the estimated fair market value of these interest rate swaps was approximately US\$8,000, which was favourable to the Group. The changes in the fair value of these interest rate swaps are also included as a separate component of reserves and are recognised in the profit and loss account as the underlying hedged items are recognised.

In October 2003, the Group entered into additional series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of US\$50 million. The notional amount for each interest period will be reduced six-monthly in varying amounts over 5 years from February 2004.

- (ii) The Group has various Singapore dollars forward contracts and the notional amount of these contracts was approximately US\$206.7 million. The notional amount reduces six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 30 September 2003, the estimated fair market value of these forward contracts was approximately US\$9.5 million, which was favourable to the Group. The changes in the fair value of these forward contracts are recognised as other income in the profit and loss account.

Notes to the Accounts *(Continued)*

10. FINANCIAL INSTRUMENTS *(Continued)*

- (iii) The Group has a series of monthly forward contracts to buy US dollars for Hong Kong dollars. The notional amount of these contracts was approximately US\$60.7 million and reduces monthly in fixed amounts for a period of 3 years from December 2002. As at 30 September 2003, the estimated market value of these contracts was approximately US\$0.9 million, which was unfavourable to the Group. The changes in the fair value of these contracts were recognised as other expense in the profit and loss account.
- (iv) As at 30 September 2003, the Group has forward contracts maturing every two months up to April 2004 with a total notional amount of US\$160.7 million to hedge against the Euro denominated currency shipbuilding commitments on the completion of the Pride of America vessel.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 30 September 2003 and 31 December 2002:

	As at	
	30 September 2003 <i>US\$'000</i> <i>unaudited</i>	31 December 2002 <i>US\$'000</i> <i>audited</i>
Contracted but not provided for		
- Cruise ships and other related costs	<u>1,013,262</u>	<u>—</u>

(ii) Material Litigation

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2002 and the interim reports for the three months ended 31 March 2003 and the three months and six months ended 30 June 2003.

12. SIGNIFICANT SUBSEQUENT EVENTS

On 17 October 2003, the Company announced a rights issue proposal of not less than 346,279,166 right shares of US\$0.10 each in the proportion of 7 rights shares for every 100 shares held on 4 November 2003 at HK\$2.25 (US\$0.29) per rights share payable in full on acceptance as well as a US\$180 million of convertible bonds issue. The convertible bonds issue was completed on 20 October 2003. The net proceeds of approximately US\$276 million will be used for the acquisition or construction of vessels, as general working capital and/or to reduce certain of the Group's outstanding bank loans. The details of the rights issue are set out in a prospectus to shareholders dated 12 November 2003.

Interim Dividend

The Directors do not recommend the declaration of any interim dividend in respect of the nine months ended 30 September 2003.

Management's Discussion and Analysis

Three months ended 30 September 2003 as compared with three months ended 30 September 2002

Turnover

The Group's revenue for the three months ended 30 September 2003 was US\$437.5 million, dropped 2.2% from US\$447.4 million for the three months ended 30 September 2002. Despite a slight capacity increase, revenue was lower primarily due to lower cruise ticket prices and overall occupancy level. As a result, net yield for the three months ended 30 September 2003 decreased 3.4% as compared with the same quarter of 2002. The lower net yield and occupancy level were mainly the result of the tail-end effect of the Severe Acute Respiratory Syndrome ("SARS") on the Asia-Pacific business. The capacity increase of 1.6% was primarily due to the introduction of Norwegian Dawn, which was substantially offset by the out of service of s/s Norway following its incident in May 2003. Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs.

Star Cruises Asia Pacific operated with 2.9% more capacity days in the three months ended 30 September 2003 compared to the three months ended 30 September 2002. Occupancy level and net yield in third quarter was 10.8% and 12.5% lower respectively as compared with third quarter last year. Net yield weakened as pricing was used to stimulate demand after the containment of SARS when both the SuperStar Virgo and SuperStar Leo were relocated back to their homeport in Singapore and Hong Kong respectively in the latter half of July this year.

NCL Group recorded an increase in capacity days of 1.1% for the three months ended 30 September 2003 as compared to the three months ended 30 September 2002. The increase in capacity days was primarily due to the introduction into service of the purpose built "Freestyle Cruising" m.v. Norwegian Dawn in December 2002 offset substantially by the withdrawal of s/s Norway. Occupancy rates were slightly down, at 106.8% for the three months ended 30 September 2003 versus 107.8% for the same quarter last year. Net yield was up 1.6% over the third quarter last year. NCL Group had a good third quarter, reflecting a relatively strong summer season for domestic North American cruising. Most domestic trades performed well from a revenue standpoint and the three Europe-based ships all experienced a more challenging pricing environment.

Costs and expenses

Total costs and expenses before interest and non-operating items for the three months ended 30 September 2003 amounted to US\$360.8 million as compared with US\$370.8 million for the three months ended 30 September 2002.

Ship operating expenses (excluding costs such as commissions, air tickets and other direct costs as they are already factored into the net yield) increased by 1.2% for the three months ended 30 September 2003 as compared with the same period in 2002. This was in large due to the 1.6% capacity expansion, expenses of s/s Norway and higher fuel costs. Included in operating expenses for the three months ended 30 September 2003 was proceeds from the loss of hire coverage net of related expenses of US\$9.2 million arising from s/s Norway boiler accident.

Selling, general and administrative ("SG&A") expenses decreased 8.4% as compared with the same period last year due primarily to further cost reduction initiatives taken in Asia Pacific during the SARS outbreak period. Included in the SG&A expenses for the three months ended 30 September 2002 was a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan.

Depreciation and amortisation expenses increased US\$6.0 million from US\$44.0 million for the three months ended 30 September 2002 to US\$50.0 million for the three months ended 30 September 2003. The increase was primarily due to additional depreciation associated with the introduction of Norwegian Dawn in December 2002 and ship refurbishment and drydocking expenditure during the period.

Operating profit

The Group recorded an operating profit of US\$76.7 million for the three months ended 30 September 2003, essentially unchanged from the third quarter last year.

Management's Discussion and Analysis *(Continued)*

Non-operating income / (expense)

Non-operating expenses increased 20.6% to US\$24.6 million for the three months ended 30 September 2003 compared with US\$20.4 million for the three months ended 30 September 2002. During the three months ended 30 September 2003, the Group had a non-cash loss on forward contracts amounting to US\$1.3 million as compared to a non-cash gain on forward contracts of US\$4.8 million in the third quarter of 2002. The non-cash loss on forward contracts resulted primarily from the strengthening of the Singapore dollar against the US dollar during the quarter. Net interest expenses for the three months ended 30 September 2003 reduced compared with the same period last year as the Group benefited from lower interest rates despite higher average outstanding debts.

Profit before taxation

Profit before taxation for the three months ended 30 September 2003 was US\$52.2 million as compared to US\$56.2 million for the three months ended 30 September 2002.

Taxation

The Group incurred taxation expenses of US\$0.6 million each for the three months ended 30 September 2003 and 2002.

Net profit attributable to shareholders

As a result, the Group recorded a net profit attributable to shareholders of US\$51.6 million for the three months ended 30 September 2003.

Liquidity and capital resources

Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. For the three months ended 30 September 2003, cash and cash equivalents decreased to US\$165.5 million from US\$230.7 million as at 30 June 2003. The Group's business provided US\$30.5 million of net cash from operating activities for the three months ended 30 September 2003 as compared to US\$66.3 million for the three months ended 30 September 2002. The decrease in net cash generated from operating activities was primarily a result of the changes in operating liabilities during the quarter as compared to the same quarter last year.

During the three months ended 30 September 2003, the Group's capital expenditure was approximately US\$44.8 million. Approximately US\$36.3 million of the capital expenditure was related to capacity expansion and the remaining was mainly for the vessel refurbishments, drydocking and onboard assets.

In July 2003, the Group refinanced the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan through a drawdown of US\$225 million term loan as well as fully repaid the outstanding balance of US\$45 million term loan. Also, the Group made scheduled principal repayments of US\$63.7 million in relation to its long-term bank loans and drewdown €37.5 million (equivalent to approximately US\$42.5 million) under the €298 million secured term loan agreements for completion of the ship, *Pride of America*.

Restricted cash increased approximately US\$52.1 million during the six months ended 30 June 2003 due to amounts withheld by the previous credit card processor and was at approximately US\$102.8 million as at 30 June 2003. The restricted cash is now being released to Norwegian Cruise Line Limited ("NCLL") following the issuance of the letters of credit facilities on 26 September 2003 as security to the bankcard processor. During the three months ended 30 September 2003, approximately US\$10.6 million was released to NCLL by the previous bankcard processor.

During the three months ended 30 September 2003, two additional ships for the NCL brand were ordered at Meyer Werft in Germany for delivery in the fall of 2005 and the spring of 2006. These two ships which costs approximately US\$790 million, are variations on the Norwegian Dawn/Norwegian Star design that is proving so successful and popular.

Management's Discussion and Analysis *(Continued)*

Nine months ended 30 September 2003 as compared with nine months ended 30 September 2002

Turnover

The Group's revenue for the nine months ended 30 September 2003 was US\$1,218 million, up 1.1% from US\$1,205 million for the nine months ended 30 September 2002. During the first nine months of 2003, capacity increased by 5.1%. The increase in the revenue was primarily due to the increased capacity with the Norwegian Dawn entering service at the end of last year which was substantially offset by the weak passenger demand and the withdrawal of s/s Norway at the end of May this year. The continuing security alerts, acts of terrorism, the war in Iraq and the SARS pandemic have all affected negatively the Group's performance in the first nine months this year. As a result, occupancy was 3.1% lower and net yield declined 5.3% in the first nine months of this year compared with the corresponding period last year.

Star Cruises Asia Pacific operated with 1.0% less capacity days in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. Occupancy and net yield decreased 11.8% and 14.5% respectively for the nine months ended 30 September 2003 as compared with the same period a year ago.

NCL Group recorded an increase in capacity days of 7.7% for the nine months ended 30 September 2003 as compared to the nine months ended 30 September 2002. Occupancy and net yield were marginally down.

Cost and expenses

Total costs and expenses before interest and non-operating items for the nine months ended 30 September 2003 amounted to US\$1,129 million as compared with US\$1,046 million for the nine months ended 30 September 2002.

Ship operating expenses increased 11.4% for the nine months ended 30 September 2003 as compared with the same period in 2002. In large part, this was due to the 5.1% capacity expansion and the ship deployment costs incurred substantially in second quarter as a result of business decisions taken to mitigate the impact of SARS and higher fuel prices, especially in the lead-up to the war in Iraq. Included in the operating expenses for the nine months ended 30 September 2003 was the US\$5.3 million of net insurance proceeds related to the s/s Norway boiler accident.

SG&A expenses increased 1.3% as compared with the same period last year. The increase in SG&A expenses for the nine months ended 30 September 2003 was primarily due to the expenses relating to streamlining the Asia Pacific operations and the costs relating to the new Hawaii operations, increased advertising and promotional costs to introduce at short notice the two megaships in Australia. Included in the SG&A expenses for the nine months ended 30 September 2002 was a net other expense of US\$2.9 million for M/S Leeward settlement expenses, net of amount received for the re-delivery of M/S Norwegian Star 1.

Depreciation and amortisation expenses increased US\$17.1 million from US\$130.2 million for the nine months ended 30 September 2002 to US\$147.3 million for the nine months ended 30 September 2003. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment and drydocking expenditure during the period.

Operating profit

As a result of lower passenger demand resulting from negative global events as mentioned above, the Group recorded an operating profit of US\$88.7 million for the nine months ended 30 September 2003 as compared to US\$158.7 million for the nine months ended 30 September 2002.

Non-operating income / (expense)

Non-operating expenses fell 7.6% to US\$73.0 million for the nine months ended 30 September 2003 from US\$79.0 million for the nine months ended 30 September 2002. During the nine months ended 30 September 2003, the Group had a non-cash gain on forward contracts amounted to US\$1.9 million as compared to a non-cash gain on forward contracts of US\$1.5 million in the same period last year. The Group recorded losses on extinguishment of debts of approximately US\$5.9 million in the nine months ended 30 September 2002. Net interest expenses for the nine months ended 30 September 2003 reduced compared with same period last year as the Group benefited from the lower interest rates despite higher average outstanding debts.

Management's Discussion and Analysis *(Continued)*

Profit before taxation

Profit before taxation for the nine months ended 30 September 2003 was US\$15.8 million as compared to US\$79.7 million for the nine months ended 30 September 2002.

Taxation

The Group incurred taxation expenses of US\$1.3 million for the nine months ended 30 September 2003 as compared with US\$1.1 million for the same period in 2002.

Net profit attributable to shareholders

The Group recorded a net profit attributable to shareholders of US\$14.5 million for the nine months ended 30 September 2003.

Liquidity and capital resources

Sources and uses of funds

For the nine months ended 30 September 2003, cash and cash equivalents decreased to US\$165.5 million from US\$417.0 million as at 31 December 2002. The Group's business provided US\$107.8 million of net cash from operating activities for the nine months ended 30 September 2003 as compared to US\$222.0 million for the nine months ended 30 September 2002. The decrease in net cash generated from operating activities was primarily due to lower profit in the nine months ended 30 September 2003 as compared with the same period in 2002.

During the nine months ended 30 September 2003, the Group's capital expenditure was approximately US\$183.2 million. Approximately US\$120.0 million of the capital expenditure was related to capacity expansion and the remaining was mainly for the vessel refurbishments, drydocking and onboard assets.

In July 2003, the Group refinanced the US\$225 million M/S Norwegian Sun Post-delivery Loan through a drawdown of US\$225 million term loan as well as repaid the US\$45 million term loan. The Group made scheduled principal repayments of US\$149.6 million in relation to its other long-term bank loans during the nine months ended 30 September 2003. The Group drewdown €68.5 million (equivalent to approximately US\$78.7 million) under the €298 million secured term loan agreements for completion of the ship, *Pride of America*.

Restricted cash was at approximately US\$94.6 million as at 30 September 2003. In the nine months ended 30 September 2003, approximately US\$10.6 million of the restricted cash was released to NCLL.

Prospects

In Asia Pacific, bookings from the domestic and inbound Asian markets bounced rapidly back to normal after the containment of the SARS outbreak, however, the inbound Caucasian market from Australia and Europe which presently make up less than 10% of total passenger load has not fully recovered.

Following from the very positive response during the temporary deployment of the two megaships in Australia, Star Cruises announced in late September a regular seasonal deployment of *SuperStar Leo* to Australia in 2004 during the peak summer months (January through March) there. Bookings since have been very encouraging.

For NCL Group, *Norwegian Dawn* has completed her first summer in New York and is now moving into her first winter deployment there. The summer has been very successful and the Group is confident that the winter deployment will turn out to be a strong business too. It is likely, though, that the first winter will be a time of proving to the market that the deployment works operationally. The Hawaii business continues to perform well and forward bookings on next summer's introduction of *Pride of America* are already very encouraging.

Crown Odyssey has now rejoined the NCL fleet as *Norwegian Crown* and is currently sailing to her winter deployment in South America. Orient Lines, therefore, is back to being a one-ship brand: *Marco Polo*.

Other than as disclosed above and elsewhere in this interim report, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its result and financial position published in the annual report for the year ended 31 December 2002 and the interim reports for the three months ended 31 March 2003 and the three months and six months ended 30 June 2003.

Interests of Directors

As at 30 September 2003, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(A) Interests in the shares of the Company

	Personal interests	Number of ordinary shares (Notes)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	7,541,100	4,214,217,453	1,757,703,480	4,187,714,745	4,221,758,553	85.342
		(1)	(2)	(3 and 4)	(5)	
Mr. Chong Chee Tut	426,360	—	—	—	426,360	0.009
Mr. William Ng Ko Seng	160,000	—	—	—	160,000	0.003
Mr. David Colin Sinclair Veitch	313,500	—	—	—	313,500	0.006

Notes:

- Tan Sri Lim Kok Thay ("Tan Sri KT Lim") has a family interest in 4,214,217,453 ordinary shares (comprising (i) the same block of 1,731,200,772 ordinary shares directly held by Resorts World Limited ("RWL") and the same block of 2,456,513,973 ordinary shares directly or indirectly held by Golden Hope Limited ("Golden Hope") as trustee of Golden Hope Unit Trust ("GHUT") in which his children and his wife, Puan Sri Wong Hon Yee ("Puan Sri Wong") have deemed interests and (ii) the same block of 26,502,708 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which Puan Sri Wong has a corporate interest).
- Tan Sri KT Lim is also deemed to have a corporate interest in 1,757,703,480 ordinary shares (comprising (i) the same block of 1,731,200,772 ordinary shares directly held by RWL by virtue of his interest in a chain of corporations holding RWL (details of the percentage interests in such corporations are set out in the section headed "Interests of Substantial Shareholders") and (ii) the same block of 26,502,708 ordinary shares directly held by Goldsfine in which each of Tan Sri KT Lim and Puan Sri Wong holds 50% of its issued share capital).
- Tan Sri KT Lim as a beneficiary of various discretionary trusts, has a deemed interest in 4,187,714,745 ordinary shares (comprising the same block of 1,731,200,772 ordinary shares directly held by RWL and the same block of 2,456,513,973 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT). He is also deemed to have interest in the same block of 2,456,513,973 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT in his capacity as founder of a discretionary trust.
- Out of the same block of 2,456,513,973 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT, 280,000,000 ordinary shares are pledged shares.
- There is no duplication in arriving at the total interest.
- All the above interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective Directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Share options are granted to the Directors 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 (the "Pre-listing Employee Share Option 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 Employee Share Option Scheme").

As at 30 September 2003, the Directors had personal interests in the following underlying shares of the Company held through share options granted under the Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme:

	Number of underlying ordinary shares	Percentage of issued ordinary shares
Tan Sri Lim Kok Thay	18,240,000	0.369
Mr. Chong Chee Tut	1,810,890	0.037
Mr. William Ng Ko Seng	1,410,750	0.029
Mr. David Colin Sinclair Veitch	3,420,000	0.069

Interests of Directors (Continued)

(B) Interests in the underlying shares of the Company through share options or equity derivatives (continued)

Further details of share options granted to the Directors under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme are set out in the section headed "Share Options" below.

These interests in share options represent long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the respective Directors set out in this subsection (B) need to be aggregated with their interests in the shares of the Company set out in subsection (A) above in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Interests in subsidiaries of the Company

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Save as disclosed above and in the sections headed "Share Options" and "Interests of Substantial Shareholders" below:

- as at 30 September 2003, none of the Directors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and
- at no time during the period 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, underlying shares or debentures in the Company or any other body corporate.

Share Options

Details of the Company's Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2002. Share Options are granted to Directors of the Company and employees of the Group under the said schemes. Details of the movement in the share options granted under the Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme during the period and outstanding as at 30 September 2003 are as follows:

(A) Pre-listing Employee Share Option Scheme

	Number of options outstanding at 1/7/2003	Number of shares acquired and exercise of options during the interim period	Number of options lapsed during the interim period	Number of options cancelled during the interim period	Number of options outstanding at 30/9/2003	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	2,280,000	(570,000) ¹	—	—	1,710,000	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	4,132,500	—	—	—	4,132,500	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	1,567,500	—	—	—	1,567,500	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	1,140,000	—	—	—	1,140,000	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	4,132,500	—	—	—	4,132,500	16/11/2000	US\$0.2686	24/3/2002 - 23/3/2009
	1,567,500	—	—	—	1,567,500	16/11/2000	US\$0.4298	24/3/2002 - 23/3/2009
	285,000	—	—	—	285,000	16/11/2000	US\$0.2686	23/10/2003 - 22/8/2010
15,105,000	(570,000)	—	—	14,535,000				
Mr. Chong Chee Tut (Director)	126,540	—	—	—	126,540	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	71,250	—	—	—	71,250	25/5/1998	US\$0.4298	23/6/2000 - 22/6/2007
	387,600	—	—	—	387,600	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	85,500	—	—	—	85,500	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	547,200	—	—	—	547,200	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	22,800	—	—	—	22,800	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
1,240,890	—	—	—	1,240,890				

Share Options (Continued)

(A) Pre-listing Employee Share Option Scheme (continued)

	Number of options outstanding at 1/7/2003	Number of shares acquired and exercise of options during the interim period	Number of options lapsed during the interim period	Number of options cancelled during the interim period	Number of options outstanding at 30/9/2003	Date granted	Exercise price per share	Exercisable Period
Mr. William Ng Ko Seng (Director)	156,750	—	(28,500)	—	128,250	25/5/1998	US\$0.2686	21/8/2000 - 20/8/2005
	28,500	—	—	—	28,500	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	114,000	—	—	—	114,000	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	433,200	—	—	—	433,200	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	22,800	—	—	—	22,800	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
	755,250	—	(28,500)	—	726,750			
Mr. David Colin Sinclair Veitch (Director)	1,140,000	—	—	—	1,140,000	7/1/2000	US\$0.4298	7/1/2003 - 6/1/2010
All other employees	4,192,350	(97,750) ²	(110,300)	—	3,984,300	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	58,140	—	—	—	58,140	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	142,500	—	—	—	142,500	25/5/1998	US\$0.2686	11/3/2000 - 10/3/2007
	213,750	—	—	(213,750)	—	25/5/1998	US\$0.2686	6/1/2000 - 5/1/2007
	598,500	—	—	—	598,500	25/5/1998	US\$0.4298	23/6/2000 - 22/6/2007
	3,619,500	—	(28,500)	(265,050)	3,325,950	25/5/1998	US\$0.4298	6/1/2000 - 5/1/2007
	18,142,049	—	—	(933,490)	17,208,559	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	10,300,381	—	—	(582,710)	9,717,671	24/3/1999	US\$0.4298	24/3/2002 - 23/3/2009
	8,550	—	—	—	8,550	24/3/1999	US\$0.4298	24/3/2003 - 23/3/2005
	222,870	—	—	—	222,870	24/3/1999	US\$0.4298	24/3/2003 - 23/3/2004
	1,334,883	—	—	(39,957)	1,294,926	30/6/1999	US\$0.2686	30/6/2002 - 29/6/2009
	2,824,122	—	—	(92,283)	2,731,839	30/6/1999	US\$0.4298	30/6/2002 - 29/6/2009
	17,100	—	—	—	17,100	30/6/1999	US\$0.4298	30/6/2003 - 29/6/2004
	2,680,026	—	—	(228,000)	2,452,026	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	3,590,829	—	—	(349,980)	3,240,849	23/10/2000	US\$0.4298	23/10/2003 - 22/8/2010
	47,945,550	(97,750)	(138,800)	(2,705,220)	45,003,780			
Grand Total	66,186,690	(667,750)	(167,300)	(2,705,220)	62,646,420			

Notes:

1. Exercise date was 12 August 2003. 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\$2.200.
2. Exercise date was 20 August 2003. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.275.

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

The outstanding share options under the Pre-listing Employee Share Option Scheme vest over a period of 10 years following their respective original dates of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date, with the remaining options exercisable annually in equal tranches over the remaining option period, subject to further terms and conditions set out in the relevant offer letters and provisions of the Pre-listing Employee Share Option Scheme.

Share Options (Continued)

(B) Post-listing Employee Share Option Scheme

	Number of options outstanding at 1/7/2003	Number of shares acquired and exercise of options during the interim period	Number of options lapsed during the interim period	Number of options cancelled during the interim period	Number of options outstanding at 30/9/2003	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	3,705,000	—	—	—	3,705,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. Chong Chee Tut (Director)	570,000	—	—	—	570,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. William Ng Ko Seng (Director)	684,000	—	—	—	684,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
Mr. David Colin Sinclair Veitch (Director)	2,280,000	—	—	—	2,280,000	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
All other employees	89,392,378	—	(3,210,231)	(5,700)	86,176,447	19/8/2002	HK\$3.0465	20/8/2004 - 19/8/2012
	741,000 ¹	—	—	—	741,000	8/9/2003	HK\$3.0465 ²	9/9/2005 - 8/9/2013
Grand Total	97,372,378	—	(3,210,231)	(5,700)	94,156,447			

Notes:

- On 8 September 2003, Share Option Committee of the Board of Directors granted 741,000 options to an employee of the Group entitling him to subscribe for an aggregate of 741,000 shares.
- The closing price per share quoted on the Stock Exchange on 5 September 2003, the trading day immediately before the date on which the options were granted was HK\$2.60.

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 to an employee on 8 September 2003, as the exercise price of the options was higher than 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 input that are 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, the estimated fair value of the options granted on 8 September 2003 was US\$0.23 per share:

Risk-free interest rate	4.57%
Expected option life (in years)	10
Expected volatility	59.21%
Expected dividend per share	—

The outstanding share options granted under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from the date of offer and become exercisable as to 30% and 20% of the amount granted commencing from 20 August 2004 and 20 August 2005 (being two years and three years respectively after the date of offer), with the remaining options exercisable annually in equal tranches of 10% commencing on 20 August of each of the following years from 2006 to 2010, subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Adjustments to outstanding share options upon Rights Issue becoming unconditional

Reference is made to the rights issue proposal (the "Rights Issue") set out in the Company's announcement dated 17 October 2003 and the prospectus dated 12 November 2003 (the "Prospectus"). Upon the Rights Issue being unconditional (which is expected to be 10 December 2003), the exercise price and the number of shares to be issued upon exercise of the share options will be adjusted in the manner as set out in the Prospectus.

Interests of Substantial Shareholders

As at 30 September 2003, the following persons (other than the Directors or the Chief Executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

(A) Interests in the shares of the Company

Name of shareholder (Notes)	Direct/ Personal interests	Number of ordinary shares (Notes)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1)	—	—	1,731,200,772 (9)	1,731,200,772 (10)	1,731,200,772 (19)	34.99
Kien Huat Realty Sdn Bhd (2)	—	—	1,731,200,772 (9)	—	1,731,200,772	34.99
Genting Berhad (3)	—	—	1,731,200,772 (9)	—	1,731,200,772	34.99
Resorts World Bhd (4)	—	—	1,731,200,772 (9)	—	1,731,200,772	34.99
Sierra Springs Sdn Bhd (5)	—	—	1,731,200,772 (9)	—	1,731,200,772	34.99
Resorts World Limited (5)	1,731,200,772	—	—	—	1,731,200,772	34.99
GZ Trust Corporation (as trustee of various discretionary trusts) (6)	—	—	370,191,435 (11)	2,456,513,973 (12, 14 and 18)	2,456,513,973 (19)	49.66
Golden Hope Limited (as trustee of Golden Hope Unit Trust) (7)	—	—	370,191,435 (11)	2,456,513,973 (13 and 18)	2,456,513,973 (19)	49.66
Joondalup Limited (8)	370,191,435	—	—	—	370,191,435	7.48
Puan Sri Wong Hon Yee	—	4,221,758,553 (15(a))	26,502,708 (15(b))	280,000,000 (18)	4,221,758,553 (19)	85.34
Tan Sri Lim Goh Tong	10,446,000	2,461,820,973 (16(a))	—	4,187,714,745 (16(b) and 18)	4,203,467,745 (19)	84.97
Puan Sri Lee Kim Hua	5,307,000	4,198,160,745 (17(a))	—	2,456,513,973 (17(b) and 18)	4,203,467,745 (19)	84.97

Notes:

- Parkview Management Sdn Bhd ("Parkview") is a trustee of a discretionary trust (the "Discretionary Trust"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family (the "Lim Family"). As at 30 September 2003, Tan Sri Lim Kok Thay ("Tan Sri KT Lim") controlled 33.33% of the equity interest in Parkview.
- Kien Huat Realty Sdn Bhd ("KHR") is a private company of which the Discretionary Trust, through Info-Text Sdn Bhd and Dataline Sdn Bhd (both of which were 100% held by Parkview as trustee of the Discretionary Trust) controlled an aggregate of 66.06% of its equity interest as at 30 September 2003.
- Genting Berhad ("GB"), a company listed on the Kuala Lumpur Stock Exchange ("KLSE") in Malaysia of which KHR controlled 41.35% of its equity interest as at 30 September 2003.
- Resorts World Bhd ("RWB"), a company listed on KLSE of which GB controlled 56.79% of its equity interest as at 30 September 2003.
- Resorts World Limited ("RWL") is a wholly-owned subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") which is in turn a wholly-owned subsidiary of RWB.
- GZ Trust Corporation ("GZ") is the trustee of various discretionary trusts (the "Various Discretionary Trusts") established for the benefit of certain members of the Lim Family. GZ as trustee of the Various Discretionary Trusts holds 100% of the units in Golden Hope Unit Trust ("GHUT"), a private unit trust.
- Golden Hope Limited ("Golden Hope") is the trustee of GHUT.

Interests of Substantial Shareholders (Continued)

(A) Interests in the shares of the Company (continued)

8. Joondalup Limited ("Joondalup") is wholly-owned by Golden Hope as trustee of GHUT.
9. Each of Parkview as trustee of the Discretionary Trust, KHR, GB, RWB and Sierra Springs has a corporate interest in the same block of 1,731,200,772 ordinary shares held directly by RWL.
10. The interest in 1,731,200,772 ordinary shares is held by Parkview in its capacity as trustee of the Discretionary Trust and it relates to the same block of 1,731,200,772 ordinary shares held directly by RWL.
11. Each of GZ as trustee of the Various Discretionary Trusts and Golden Hope as trustee of GHUT has a corporate interest in the same block of 370,191,435 ordinary shares held directly by Joondalup.
12. GZ in its capacity as trustee of the Various Discretionary Trusts has a deemed interest in the same block of 2,456,513,973 ordinary shares held by Golden Hope as trustee of GHUT (out of which 2,086,322,538 ordinary shares are directly held by Golden Hope as trustee of GHUT and 370,191,435 ordinary shares are held indirectly through Joondalup).
13. The interest in 2,456,513,973 ordinary shares is held by Golden Hope in its capacity as trustee of GHUT (out of which 2,086,322,538 ordinary shares are directly held by Golden Hope as trustee of GHUT and 370,191,435 ordinary shares are held indirectly through Joondalup).
14. GZ as trustee of the Various Discretionary Trusts which holds 100% of the units in GHUT is deemed to have interest in the same block of 2,456,513,973 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
15. (a) Puan Sri Wong Hon Yee ("Puan Sri Wong") as the spouse of Tan Sri KT Lim, has a family interest in the same block of 4,221,758,553 ordinary shares in which Tan Sri KT Lim has a deemed interest. These interests do not include the deemed interests of Puan Sri Wong in the underlying shares of the Company through share options held personally by Tan Sri KT Lim and need to be aggregated with such interests set out in subsection (B) below to give the total interests of Puan Sri Wong pursuant to the SFO.
(b) Puan Sri Wong also has a corporate interest in 26,502,708 ordinary shares held directly by Goldsfine by holding 50% of its equity interest as at 30 September 2003.
16. (a) Tan Sri Lim Goh Tong ("Tan Sri GT Lim") as the spouse of Puan Sri Lee Kim Hua ("Puan Sri Lee"), has a family interest in 2,461,820,973 ordinary shares (comprising 5,307,000 ordinary shares held personally by Puan Sri Lee and the same block of 2,456,513,973 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in which Puan Sri Lee has a deemed interest).
(b) Tan Sri GT Lim as founder of various discretionary trusts, has deemed interests in 4,187,714,745 ordinary shares (comprising the same block of 1,731,200,772 ordinary shares held directly by RWL and the same block of 2,456,513,973 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT).
17. (a) Puan Sri Lee as the spouse of Tan Sri GT Lim, has a family interest in 4,198,160,745 ordinary shares (comprising 10,446,000 ordinary shares held personally by Tan Sri GT Lim and the same block of 4,187,714,745 ordinary shares in which Tan Sri GT Lim has a deemed interest).
(b) Puan Sri Lee is also deemed to have interest in the same block of 2,456,513,973 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in her capacity as founder of a discretionary trust.
18. Out of the same block of 2,456,513,973 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT, 280,000,000 ordinary shares are pledged shares.
19. There is no duplication in arriving at the total interest.
20. All these interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives.

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Name of shareholder	Number of underlying ordinary shares	Percentage of issued ordinary shares
Puan Sri Wong Hon Yee	18,240,000 (Note)	0.369

Note:

Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, is deemed to have a family interest in 18,240,000 underlying ordinary shares of the Company by virtue of the share options granted to Tan Sri KT Lim under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme. These interests represent long positions in the underlying shares in respect of physically settled derivatives of the Company and need to be aggregated with her interests set out in subsection (A) above to give her total interests pursuant to the SFO.

Save as disclosed above and in the sections headed "Interests of Directors" and "Share Options" above, as at 30 September 2003, there were no other persons of the Company who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Practice Note 19 to the Listing Rules

As at 30 September 2003, the Company was a party to five loan agreements for an aggregate principal amount of approximately US\$1.9 billion with terms ranging from seven to sixteen years from the dates of agreements. These agreements require the Lim Family and/or the Lim Family through its indirect shareholding in Resorts World Bhd to retain a direct or indirect ownership interest of 51% or more in the Company during the terms of these loans.

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 nine months ended 30 September 2003, save for the issue of 707,250 new ordinary shares of US\$0.10 each at an aggregate price of US\$190,070 pursuant to the exercise of options granted under the Pre-listing Employee Share Option Scheme.

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 interim report has been reviewed by the Audit Committee.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the nine months ended 30 September 2003, in compliance with the Code of Best Practice, 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.

On behalf of the Board

Tan Sri Lim Kok Thay

Chairman, President and Chief Executive Officer

Hong Kong, 13 November 2003