



Star Cruises Limited
(Continued into Bermuda with limited liability)

**ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2001**

The Directors of Star Cruises Limited ("Company") announce the unaudited consolidated results of the Company and its subsidiary companies ("Group") for the three months and six months ended 30 June 2001 together with the comparative figures for the previous periods as follows:

	Note	Three months ended 30 June 2001		Six months ended 30 June 2001	
		2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Turnover	1	327,231	361,790	662,613	552,545
Operating expenses (excluding depreciation and amortisation)		(202,603)	(216,489)	(415,159)	(320,288)
Selling, general and administrative expenses (excluding depreciation)		(57,380)	(55,942)	(117,995)	(86,927)
Depreciation and amortisation		(37,784)	(36,661)	(73,876)	(60,433)
		<u>(297,767)</u>	<u>(309,092)</u>	<u>(607,030)</u>	<u>(467,648)</u>
Operating profit	1	29,464	52,698	55,583	84,897
Interest income		2,086	697	5,293	1,104
Financial costs		(30,172)	(50,086)	(66,958)	(81,729)
Other non-operating income / (loss), net		2,291	(21)	7,176	1,610
Share of losses of associated company		—	—	—	(748)
		<u>(25,795)</u>	<u>(49,410)</u>	<u>(54,489)</u>	<u>(79,763)</u>
Profit before taxation		3,669	3,288	1,094	5,134
Taxation	2	(2,885)	(2,317)	(466)	(4,430)
Profit after taxation		784	971	628	704
Minority interests		—	(1,911)	—	(2,248)
Net profit/ (loss) for the period		<u>784</u>	<u>(940)</u>	<u>628</u>	<u>(1,544)</u>
Basic earnings/ (loss) per share (US cents)	3	0.02	(0.03)	0.02	(0.05)
Fully diluted earnings per share (US cents) *	3	0.02	N/A	0.02	N/A
Operating data					
Passenger Cruise Days		1,765,362	1,892,788	3,459,543	2,881,640
Capacity Days		1,812,404	1,913,627	3,621,108	2,986,199
Occupancy as a percentage of total capacity		97%	99%	96%	96%

* Diluted loss per share for the three months and six months ended 30 June 2000 are not shown as the diluted loss per share is less than the basic loss per share.

NOTES TO THE ACCOUNTS

1. 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 revenue from onboard services and other related services, including gaming, food and beverage. Charter hire revenue includes the lease operation of one passenger cruise ship and a catamaran to third party customers.

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

	Three months ended 30 June 2001		Six months ended 30 June 2001	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Cruise and cruise related activities	323,041	357,604	655,747	545,625
Charter hire	4,190	4,186	6,866	6,920
	<u>327,231</u>	<u>361,790</u>	<u>662,613</u>	<u>552,545</u>

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

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

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

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

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

2. Taxation

	Three months ended 30 June 2001		Six months ended 30 June 2001	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 audited
Overseas taxation				
- Current taxation	245	360	466	579
- Deferred taxation	2,640	1,957	—	3,851
	<u>2,885</u>	<u>2,317</u>	<u>466</u>	<u>4,430</u>

3. Earnings/ (Loss) Per Share

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

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

(i) The loss per share for the three months and six months ended 30 June 2000 have been restated to reflect the bonus issue of new ordinary share of US\$0.10 each credited as fully paid up on the basis of four new ordinary shares for every one existing ordinary share in August 2000.

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

INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the six months ended 30 June 2001 (2000: Nil).

FINANCIAL REVIEW

For the second quarter ended 30 June 2001, the Group recorded a net profit of US\$0.8 million on revenue of US\$327.2 million, as compared to a net loss of US\$0.9 million on revenue of US\$361.8 million for the same quarter in 2000. Net profit for the six months ended 30 June 2001 was US\$0.6 million on revenue of US\$662.6 million, compared to a net loss of US\$1.5 million on revenue of US\$552.5 million for the same period in 2000.

Results for six months ended 30 June 2001 as compared with proforma results for six months ended 30 June 2000

The results for the six months ended 30 June 2001 are not directly comparable to the six months ended 30 June 2000 as the Group consolidated the results of NCL Holding ASA ("NCL") which was acquired over the period December 1999 to February 2000, with effect from 1 March 2000. On a proforma basis, including NCL's results for January and February 2000, the Group recorded a net profit of US\$0.6 million compared to a proforma net profit of US\$0.9 million in the same period in 2000.

Proforma results for the six months ended 30 June 2000 is as follows:

	Six months ended 30 June 2000	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited
Reported operating profit	55,583	84,897
Proforma adjustments		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	15,243
Proforma operating profit	<u>55,583</u>	<u>100,140</u>
Reported net profit / (loss)	628	(1,544)
Proforma adjustments		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	2,451
Proforma net profit	<u>628</u>	<u>907</u>

	Operating data	
	Actual	Proforma
Passenger Cruise Days	3,459,543	3,541,756
Capacity Days	3,621,108	3,703,587
Occupancy as a percentage of total capacity	96%	96%

Note: The above unaudited proforma results for the six months ended 30 June 2000 have been prepared for illustrative purposes only and exclude any proforma adjustments for increased interest expense on borrowings to fund the acquisition.

In the second quarter this year, on a quarter on quarter comparison, the Group experienced a decrease in revenue of 9.6% from US\$361.8 million to US\$327.2 million. This is a direct result of a 5.3% decrease in capacity days and an overall 4.5% decrease in yield. Total costs and expenses, excluding non-operating expenses decreased 3.7% from US\$309.1 million to US\$297.8 million. Operating profit decreased 44.1% from US\$52.7 million to US\$29.5 million. Non-operating expenses decreased 47.8% from US\$49.4 million to US\$25.8 million as a result of lower interest expenses, higher interest income and gains on foreign exchange contracts for the period.

Quarter on quarter, revenue for the Group's Asia Pacific operations decreased 5.9% on the back of a 5.8% decrease in capacity days while yield was maintained at the same level. The decline in capacity days compared to the same period last year was due to the sale of m.v. Star Aquarius, m.v. MegaStar Capricorn and m.v. MegaStar Sagittarius. The reduction in capacity days was partially offset by the introduction of m.v. Norwegian Star I for the Group's Taiwan operations in November 2000. Ship operating cost per capacity day for the Group's Asia Pacific Operations reduced 0.6% in second quarter this year, resulting in a net first half increase of 5.5%. Selling, general and administrative cost per capacity day reduced 3.0% in second quarter this year, bringing the first half movement to an overall increase of 5.5% over 2000.

Capacity days in second quarter for NCL decreased by 4.9% over the same period in 2000. The decrease in capacity days was mainly due to a more extensive dry dock schedule, cancellation of a 7 day Caribbean cruise on s/s Norway and the transfer of Norwegian Star 1 into the Star Cruises Asia Pacific operations. Net revenue yields for Norwegian Cruise Line Limited (excluding Norwegian Capricorn operations in Australia), the combination of Norwegian Cruise Line and Orient Lines brands, declined 11.1% in second quarter, resulting in an overall 8.1% decline in the first half of 2001. Ship operating costs per capacity day rose by 6.3% in the second quarter and an overall increase of 11.1% in the first half of this year compared to last year. Selling, general and administrative costs per capacity day increased by 6.5% in second quarter which results in an overall first half increase of 7.5% over 2000.

Foreign exchange and interest rate swaps

The Group entered into several amortising interest rate swaps to effectively convert the interest rate on US\$148.5 million of the US\$21.6 million term loan obtained to finance the construction of m.v. SuperStar Leo and m.v. SuperStar Virgo from a floating rate obligation to a fixed rate obligation in the six months ended 30 June 2001. As at 30 June 2001, the Group has effectively converted the interest rate of aggregate US\$268.5 million of this term loan to a fixed rate obligation, and the estimated fair market value of these interest rate swaps was approximately US\$0.6 million, which was favourable to the Group. The changes in the fair value of these interest rate swaps are included as a separate component of reserve.

Liquidity and capital resources

In the six months ended 30 June 2001, operating activities generated cash inflow of US\$194.3 million.

The Group made principal repayments of US\$206.8 million in relation to its long-term bank loans in the six months ended 30 June 2001, of which US\$150 million was made from the proceeds of the disposal of m.v. Star Aquarius of US\$75 million with the balance from the proceeds of the convertible notes issued to Resorts World Limited and the share placement. In addition, the Group drew down the remaining balance of US\$53.2 million under the 1999 KfW loan to part finance the construction of the M/S Norwegian Sun.

In the six months ended 30 June 2001, the Group incurred approximately US\$152.5 million of capital expenditure on fixed assets. Capital expenditure for the six months ended 30 June 2001 were primarily associated with the payments for ships under construction as well as for the refurbishment of the Group's existing fleet. Approximately US\$90.5 million was received mainly from the disposal of m.v. Star Aquarius and m.v. MegaStar Sagittarius during the period.

Prospects

Within the Asia Pacific market, the Group continues to expand its distribution network to market fly cruise packages to the major cruise hubs in Asia Pacific. The Group's plan moving forward is to continue to extend its marketing network through appointment of more agents to increase cruising awareness in this region which is still relatively low compared with other leisure options or cruising in the West. The Group also continues its program to expand its network into China, which it believes, will be a very significant emerging market. The Group has increased staffing in its China offices to cater for the increasing number of fly cruise passengers from China.

On the American and European front, with the introduction of Freestyle Cruising on Norwegian Dream during second quarter this year, the Group now has this innovative product on all of its ships except s/s Norway. To ensure the success of the Freestyle Cruising, the Group increased hotel staffing and significantly improve the food quality. Now that the product is well established and well received, the Group is concentrating on achieving efficiencies to maintain a reasonable cost structure. Similarly, most of the marine operational initiatives have now been undertaken and the ships are undoubtedly operating to a higher standard than was the case prior to Star Cruises' involvement. The Group is now focusing on achieving efficiencies in this area just as in the hotel area. It is expected that the ship operations costs per capacity day in third and fourth quarter this year to be in line with third and fourth quarter of last year and possibly slightly lower.

Other than as disclosed above, 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 2000 and in the quarterly report for the three months ended 31 March 2001.

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 six months ended 30 June 2001, save for the issue of 2,987,500 new ordinary shares of US\$0.10 each at an aggregate price of US\$832,817 pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme.

CORPORATE GOVERNANCE

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference. 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. These unaudited interim results have been reviewed by the Audit Committee.

None of the Directors is aware of information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice at any time during the six months ended 30 June 2001 except that 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 Bye-laws of the Company.

PUBLICATION OF FINANCIAL INFORMATION

All the information required by paragraphs 46(1) to 46(6) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be available for publication in the website of the Stock Exchange as soon as practicable.

By order of the Board
DATO' LIM KOK THAY
Chairman, President and Chief Executive Officer

Hong Kong, 27 August 2001

Note: The Group now prepares financial statements in accordance with Hong Kong GAAP given its listing on the Stock Exchange of Hong Kong. Management continues to prepare financial statements in accordance with US GAAP given that this was the basis historically, most global cruise companies prepare their financial statements in accordance with US GAAP and financial analysts' preference for US GAAP. For information on the Group's US GAAP announcement, kindly visit the Group's website at www.starcruires.com