STAR CRUISES

STAR CRUISES LIMITED

(Continued into Bermuda with limited liability – Registration No. 29337)

Interim Report To Shareholders

for the three months ended 31 March 2003

® STAR CRUISES

STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

Interim Report for the three months ended 31 March 2003

CONTENTS

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
Cedar House, 41 Cedar Avenue, 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.starcruises.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@starcruises.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@starcruises.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 ended 31 March 2003, as follows:

Consolidated Profit and Loss Account

		Three months ended 31 March	
		2003	2002
		US$'000	*US$'000*
	Note	*unaudited*	*unaudited*
Turnover	2	411,962	368,042
Operating expenses (excluding depreciation and amortisation)		(279,402)	(237,180)
Selling, general and administrative expenses (excluding depreciation)		(63,106)	(56,839)
Depreciation and amortisation	3	(48,121)	(42,666)
		(390,629)	(336,685)
Operating profit	2	21,333	31,357
Interest income		941	373
Financial costs		(24,372)	(24,599)
Other non-operating expenses, net		(2,686)	(6,366)
		(26,117)	(30,592)
(Loss) / Profit before taxation		(4,784)	765
Taxation	4	(256)	(84)
Net (loss) / profit for the period		(5,040)	681
Basic (loss) / earnings per share after adjusting for the effect of rights issue (US cents)	5	(0.10)	0.02
Fully diluted earnings per share after adjusting for the effect of rights issue (US cents) *	5	N/A	0.02
Operating data			
Passenger Cruise Days		2,129,284	1,962,682
Capacity Days		2,286,507	2,088,942
Occupancy as a percentage of total capacity days		93%	94%

* Diluted loss per share for the three months ended 31 March 2003 is not shown as the diluted loss per share is less than the basic loss per share.

Consolidated Balance Sheet

	Note	As at 31 March 2003 US$'000 *unaudited*	As at 31 December 2002 US$'000 *audited*
Intangible assets		605,632	609,733
Fixed assets		3,555,900	3,558,448
Restricted cash		150	150
Other assets		18,034	17,902
CURRENT ASSETS			
Fair value of hedged firm commitments	10	155	—
Consumable inventories		42,411	40,302
Trade receivables	6	14,463	16,424
Prepaid expenses and others		52,058	48,018
Amounts due from related companies	9	181	—
Restricted cash		102,848	50,762
Cash and cash equivalents		298,010	416,958
		510,126	572,464
CURRENT LIABILITIES			
Trade creditors	7	92,276	108,774
Provisions, accruals and other liabilities		176,998	190,962
Current portion of long-term bank loans	8	332,563	340,187
Amounts due to related companies	9	—	133
Advance ticket sales		197,022	196,219
		798,859	836,275
Net current liabilities		(288,733)	(263,811)
Total assets less current liabilities		3,890,983	3,922,422
Financed by:			
Share capital		494,618	494,614
Reserves		1,325,571	1,324,916
Shareholders' funds		1,820,189	1,819,530
Long-term bank loans	8	2,061,950	2,093,838
Other long-term liabilities		8,677	8,876
Deferred taxation		167	178
		3,890,983	3,922,422

Consolidated Cash Flow Statement

	Three months ended 31 March	
	2003	2002
	US$'000	*US$'000*
	unaudited	*unaudited*
OPERATING ACTIVITIES		
Cash generated from operations	51,504	67,498
Interest paid	(33,693)	(25,559)
Interest received	922	373
Income tax paid	(228)	(295)
Net cash inflow from operating activities	18,505	42,017
INVESTING ACTIVITIES		
Purchase of fixed assets	(47,468)	(16,429)
Proceeds from sale of fixed assets	21	73
Net cash outflow from investing activities	(47,447)	(16,356)
FINANCING ACTIVITIES		
Proceeds from long-term bank loans	—	450,000
Principal repayments of long-term bank loans	(39,512)	(467,387)
Proceeds from issuance of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	10	156
Restricted cash	(52,086)	230
Others, net	(347)	(9,856)
Net cash outflow from financing activities	(91,935)	(26,857)
Effect of exchange rate changes on cash and cash equivalents	1,929	(20)
Net decrease in cash and cash equivalents	(118,948)	(1,216)
Cash and cash equivalents at 1 January	416,958	171,575
Cash and cash equivalents at 31 March	298,010	170,359

Consolidated Statement of Changes in Equity

	Share capital US$'000	Share premium US$'000	Additional paid-in capital US$'000	Foreign currency translation adjustments US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings US$'000	Total US$'000
Three months ended 31 March 2003								
unaudited								
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	—	—	—	104	—	—	—	104
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(1,958)	—	(1,958)
- Transferred to profit and loss account	—	—	—	—	—	7,094	—	7,094
Net profits not recognised in the profit and loss account	—	—	—	104	—	5,136	—	5,240
Net loss for the period	—	—	—	—	—	—	(5,040)	(5,040)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	4	6	—	—	—	—	—	10
Amortisation of share option expense	—	—	—	—	449	—	—	449
At 31 March 2003	494,618	1,203,410	93,436	(25,738)	(3,463)	(39,434)	97,360	1,820,189

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

As at 31 March 2003, the Group has applied approximately US$68.3 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 31 March 2003, the balance of unapplied proceeds of approximately US$159.3 million was on deposit with banks.

Consolidated Statement of Changes in Equity

	Share capital *US$'000*	Share premium *US$'000*	Additional paid-in capital *US$'000*	Foreign currency translation adjustments *US$'000*	Unamortised share option expense *US$'000*	Cash flow hedge reserve *US$'000*	Retained earnings *US$'000*	Total *US$'000*
Three months ended 31 March 2002								
unaudited								
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	—	—	—	44	—	—	—	44
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(1,247)	—	(1,247)
- Transferred to profit and loss account	—	—	—	—	—	3,925	—	3,925
Net profits not recognised in the profit and loss account	—	—	—	44	—	2,678	—	2,722
Net profit for the period	—	—	—	—	—	—	681	681
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	58	98	—	—	—	—	—	156
Amortisation of share option expense	—	—	—	—	585	—	—	585
At 31 March 2002	414,731	1,054,943	93,952	(26,145)	(5,865)	(5,381)	52,150	1,578,385

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 ("SSAP") 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	2002	2003	2002	2003	2002
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Three months ended 31 March						
unaudited						
Turnover	411,962	367,782	—	260	411,962	368,042
Operating profit / (loss)	22,093	31,613	(760)	(256)	21,333	31,357
Interest income					941	373
Financial costs					(24,372)	(24,599)
Other non-operating expenses, net					(2,686)	(6,366)
(Loss) / Profit before taxation					(4,784)	765
Taxation					(256)	(84)
Net (loss) / profit for the period					(5,040)	681

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 31 March		OPERATING PROFIT Three months ended 31 March	
	2003	2002	2003	2002
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	*unaudited*	*unaudited*	*unaudited*
Asia Pacific	113,050	110,482	13,142	19,619
North America (note)	267,892	230,557	9,314	12,528
Others	31,020	27,003	1,156	1,489
	411,962	368,042	23,612	33,636
Amortisation of goodwill			(2,279)	(2,279)
			21,333	31,357

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

Notes to the Accounts *(Continued)*

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 31 March	
	2003	2002
	US$'000	*US$'000*
	unaudited	*unaudited*
Depreciation of fixed assets	43,911	38,076
Amortisation of software development costs	108	488
Amortisation of goodwill	2,279	2,279
Amortisation of trade names and trademarks	1,823	1,823
Total depreciation and amortisation	48,121	42,666
- relating to operating function	45,249	39,510
- relating to selling, general and administrative function	2,872	3,156

4. TAXATION

	Three months ended 31 March	
	2003	2002
	US$'000	*US$'000*
	unaudited	*unaudited*
Overseas taxation		
- Current taxation	256	84

5. EARNINGS / (LOSS) PER SHARE

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

	Three months ended 31 March	
	2003	2002
	US$'000	*US$'000*
	unaudited	*unaudited*
BASIC		
Net (loss) / profit	(5,040)	681
Average outstanding ordinary shares in thousands after adjusting for the effect of rights issue	5,095,783	4,290,124
Basic (loss) / earnings per share in US cents	(0.10)	0.02
FULLY DILUTED		
Net (loss) / profit	(5,040)	681
Average outstanding ordinary shares in thousands after adjusting for the effect of rights issue	5,095,783	4,290,124
Effect of dilutive ordinary shares in thousands after adjusting for the effect of rights issue	1,591	12,415
Average outstanding ordinary shares in thousands after adjusting for the effect of rights issue and assuming dilution	5,097,374	4,302,539
Fully diluted earnings per share in US cents*	N/A	0.02

* Diluted loss per share for the three months ended 31 March 2003 is not shown as the diluted loss per share is less than the basic loss per share.

Notes to the Accounts *(Continued)*

6. TRADE RECEIVABLES

	As at 31 March 2003 US$'000 unaudited	As at 31 December 2002 US$'000 audited
Trade receivables	18,331	20,156
Less: Provisions	(3,868)	(3,732)
	14,463	16,424

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

	As at 31 March 2003 US$'000 unaudited	As at 31 December 2002 US$'000 audited
Current to 30 days	6,718	8,950
31 days to 60 days	2,031	2,287
61 days to 120 days	4,595	2,935
121 days to 180 days	3,304	1,922
181 days to 360 days	201	1,762
Over 360 days	1,482	2,300
	18,331	20,156

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

7. TRADE CREDITORS

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

	As at 31 March 2003 US$'000 unaudited	As at 31 December 2002 US$'000 audited
Current to 60 days	84,809	98,351
61 days to 120 days	5,010	9,551
121 days to 180 days	2,198	638
Over 180 days	259	234
	92,276	108,774

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 31 March 2003 *US$'000* *unaudited*	As at 31 December 2002 *US$'000* *audited*
US$521.6 million syndicated term loan	382,293	399,680
US$626.9 million syndicated term loan	606,025	606,025
US$450 million term loan	450,000	450,000
US$210 million M/S Norwegian Sky Loan	173,250	182,000
US$623 million Fleet Loan	526,320	526,320
US$225 million M/S Norwegian Sun Post-delivery Loan	215,625	225,000
US$45 million term loan	41,000	45,000
Total liabilities	2,394,513	2,434,025
Less: Current portion	(332,563)	(340,187)
Long-term portion	2,061,950	2,093,838

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

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee for the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various trusts established for the benefit of Tan Sri Lim Goh Tong, and certain members of his family, 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 ("Kien Huat") 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 material transactions between the Group and these companies is set out below:

(a) Kien Huat, together with its related companies, is involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. Amounts charged to the Group in respect of these services were approximately US$- and US$0.1 million in the three months ended 31 March 2003 and 2002 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$0.2 million each in the three months ended 31 March 2003 and 2002 respectively.

(c) The Group provides certain administrative support services to GIPLC internationally and the amounts charged to GIPLC were approximately US$0.1 million each in the three months ended 31 March 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.

Notes to the Accounts *(Continued)*

10. FINANCIAL INSTRUMENTS

(i) The Group entered into 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 will be reduced six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 31 March 2003, the estimated fair market value of the interest rate swaps was approximately US$39.4 million, which was unfavourable to the Group. The changes in the fair value of the interest rate swaps were included as a separate component of reserves and recognised in the profit and loss account as the underlying hedged items were recognised.

(ii) The Group entered into various Singapore dollars forward contracts and the notional amount of these contracts was approximately US$206.7 million. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 31 March 2003, the estimated fair market value of these forward contracts was approximately US$10.6 million, which was favourable to the Group. The changes in the fair value of these forward contracts were recognised as other income in the profit and loss account.

(iii) The Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. The notional amount of these contracts was approximately US$60.7 million and will reduce monthly in fixed amounts for a period of 3 years from December 2002. As at 31 March 2003, the estimated market value of these contracts was approximately US$0.5 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) In the quarter ended 31 March 2003, the Group entered into a series of bi-monthly forward contracts to hedge against the Euro denominated currency shipbuilding commitments on the construction of the “Project America” vessel. These forward contracts amounted to approximately US$160.7 million and will mature bi-monthly up to April 2004. The changes in the fair value of these forward contracts were offset against the changes in fair value of the underlying hedged firm commitment and the ineffective portion has been recognised in the profit and loss account. As at 31 March 2003, the fair value of the hedged firm commitment assets recorded in the balance sheet amounted to approximately US$0.2 million.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

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

	As at	
	31 March 2003 *US$'000 unaudited*	31 December 2002 *US$'000 audited*
Contracted but not provided for		
- Cruise ship under construction and other related costs	319,000	—

(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.

12. SIGNIFICANT SUBSEQUENT EVENT

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$321.4 million based on the exchange rate of US$1.0784 to €1 as at 31 March 2003) to part finance the construction of the first “Project America” vessel acquired in 2002.

Interim Dividend

The Directors do not recommend the declaration of any interim dividend in respect of the three months ended 31 March 2003.

Management's Discussion and Analysis

Three months ended 31 March 2003 as compared with three months ended 31 March 2002

Turnover

The Group's revenue for the three months ended 31 March 2003 was US$412.0 million, up 11.9% from US$368.0 million for the three months ended 31 March 2002. During this quarter, capacity increase and higher yield drove the revenue growth. Net yield for the three months ended 31 March 2003 increased by 2.3% as compared with the same quarter of 2002. 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 4.9% more capacity days in the three months ended 31 March 2003 compared to the three months ended 31 March 2002. A 0.5% higher net yield was achieved in first quarter this year as compared with first quarter last year.

NCL Group (which consists of Norwegian Cruise Line and Orient Lines brands) recorded an increase in capacity days of 11.3% for the three months ended 31 March 2003 as compared to the three months ended 31 March 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. Net yield increased by 3.6% as compared with the same quarter of last year.

Cost and expenses

Total costs and expenses before interest and non-operating items for the three months ended 31 March 2003 amounted to US$390.6 million as compared with US$336.7 million for the three months ended 31 March 2002.

Ship operating expenses (excluding costs such as commissions, air tickets and other direct costs as they are already factored into the net yield) was 21.9% higher as compared with the same period in 2002. This increase was primarily due to the 9.5% capacity expansion, an increase in the fuel prices and higher environmental and security costs. The increase in fuel prices accounted for approximately 36.0% of the total ship operating cost increase.

Selling, general and administrative (SG&A) expenses increased 11.0% as compared with the same period last year. The increase was primarily due to the 9.5% capacity expansion and the expansion into the China market from the middle of 2002.

Depreciation and amortisation expenses increased US$5.4 million from US$42.7 million for the three months ended 31 March 2002 to US$48.1 million for the three months ended 31 March 2003. The increase was primarily due to additional depreciation associated with the introduction of Norwegian Dawn in December 2002 and ship refurbishment expenditure during the period.

Operating profit

Operating profit dropped 32.0% from US$31.4 million for the three months ended 31 March 2002 to US$21.3 million for the three months ended 31 March 2003.

Non-operating income/(expense)

Non-operating expenses fell by 14.6% to US$26.1 million for the three months ended 31 March 2003 compared with US$30.6 million for the three months ended 31 March 2002. During the three months ended 31 March 2003, the Group had a non-cash gain on foreign exchange amounting to US$1.8 million as compared to a non-cash loss on foreign exchange of US$0.6 million in the first quarter of 2002. The non-cash gain resulted primarily from the softening of the Singapore dollar against the US dollar during the quarter. Net interest expenses for the three months ended 31 March 2003 reduced compared with the same period last year as the Group benefited from lower interest rates despite higher average outstanding debts. Included in the non-operating expenses for the first quarter of 2002 was a loss on extinguishment of debts amounting to US$5.9 million.

Profit / (Loss) before taxation

Loss before taxation for the three months ended 31 March 2003 was US$4.8 million, as compared to a profit before taxation of US$0.8 million for the three months ended 31 March 2002.

Management's Discussion and Analysis *(Continued)*

Taxation

The Group incurred taxation expenses of US$0.3 million for the three months ended 31 March 2003 as compared with US$0.1 million for the same period in 2002.

Net loss attributable to shareholders

As a result, the Group recorded a net loss attributable to shareholders of US$5.0 million for the three months ended 31 March 2003.

Liquidity and capital resources

Sources and uses of funds

The majority of the Group's cash and cash equivalents are held in U.S. dollars. For the three months ended 31 March 2003, cash and cash equivalents decreased to US$298.0 million from US$417.0 million as at 31 December 2002. The Group's business provided US$18.5 million of net cash from operations for the three months ended 31 March 2003 as compared to US$42.0 million for the three months ended 31 March 2002. The decrease in net cash generated from operations was primarily due to higher interest payment and losses during the quarter.

During the three months ended 31 March 2003, the Group's capital expenditure was approximately US$47.5 million. Approximately US$21.9 million of the capital expenditure was related to capacity expansion and the remaining was for the vessel refurbishments and onboard assets.

The Group made scheduled principal repayments of US$39.5 million in relation to its long-term bank loans during the three months ended 31 March 2003. Restricted cash increased approximately US$52.1 million due to amounts withheld by the previous credit card processor and was at approximately US$102.8 million as at 31 March 2003.

Norwegian Cruise Line Limited ("NCLL"), a Group subsidiary that owns and operates nine of the Group's ships, has entered into an agreement with a new credit card processor to process the booking of cruise tickets and this is expected to release the restricted cash held by the previous credit card processor. The agreement with the new credit card processor will be for a period of 5 years. Much of the cash raised from the private placement and the rights issue remains unutilised and the Group is still in negotiations with a shipyard on the prospect of building a ship for the NCL brand.

As a result of the above changes, cash and cash equivalents decreased US$119.0 million to approximately US$298.0 million as at 31 March 2003 from US$417.0 million as at 31 December 2002.

Prospects

The results in Asia Pacific were affected by passenger cancellations and greatly reduced forward bookings as a consequence of the outbreak of Severe Acute Respiratory Syndrome ("SARS") especially in the core markets of Hong Kong and Singapore where SuperStar Leo and SuperStar Virgo were hubbed respectively. Capitalising on the flexibility of the ship deployment and the Group's ability to respond quickly to new opportunities, these two megaships were temporarily redeployed to Australia in April for 1 to 3 months. The strong bookings to-date in Australia given the very short lead time to market and the co-operation from the various government authorities and agencies have been encouraging. Meanwhile, the continuing focus on cost reduction will be further heightened.

The SARS crisis continues to impact negatively the profitability of the Group in the second quarter. However, with the disease slowly coming under control in Hong Kong and Singapore, it is expected that the two core markets will slowly return after the second quarter. Our experience in Australia with the SuperStar Leo and SuperStar Virgo opens another market for the Group for a possible seasonal deployment there in the future. The situation the Group is facing in the Asia Pacific region is unprecedented but manageable.

For NCL Group, the number of bookings taken during the first quarter exceeded the number taken during first quarter last year, but not by as much as capacity is increasing for the year. Consequently the booked load factor at the end of the first quarter for the second quarter onwards was significantly down on the position at the end of the first quarter last year. Average booked per diems also declined significantly throughout the first quarter, with the forward impact being most pronounced in the second quarter.

Since the end of hostilities in Iraq there appears to have been a rebound in consumer willingness to book a cruise and the booking volumes during the latter part of April and the first two weeks of May have been well ahead of the same time last year. Pricing remains a challenge though there are some signs of stability returning.

Management's Discussion and Analysis *(Continued)*

Prospects *(continued)*

Regarding SARS, extensive preventative measures have been put in place by NCL, in common with the rest of the North American cruise industry. The US Center for Disease Control (CDC) has been highly pro-active in seeking to contain any incidence of possible SARS and to prevent the spread of the virus into the US. The impact of the SARS crisis has been minimal on NCL's North American business as compared to Star's Asian business. The media focus on SARS generally has certainly had a depressing effect on the public's tendency to feel positive about the future and to make forward-looking vacation plans. However, no redeployment has been necessary and NCL's concentration on its Homeland Cruising program has been timely in this respect. So too has the Homeland deployment been helpful in a geopolitical climate in which North Americans are more reluctant to travel overseas for vacations.

During the first quarter, legislation was passed in the United States Congress permitting NCL to embark upon a course of action that will lead to the company operating three modern cruise ships under US flag in coastwise trades (i.e. no requirement for foreign port calls) in Hawaii. In a related development, and with a view to expanding our eventual US flag operations beyond Hawaii and beyond the three ships provided for by Congress, the Group recently purchased two documented US passenger ships, the s/s United States and the s/s Independence. The intention with these two old passenger liners is to convert them to modern cruise ships in a combination of US and European shipyards in a way that is more feasible, technically and economically, than building new cruise ships in their entirety in US shipyards. The timing of such a major conversion project is under study but the Group remains focused in the immediate term on completing the first Project America ship now under construction in Germany and successfully introducing it and the re-flagged Norwegian Sky to Hawaii next year.

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.

Directors' Interests in Equity Securities

As at 31 March 2003, 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				
	Personal interests	Family Interests	Corporate interests	Other Interests	Total
Tan Sri Lim Kok Thay	6,971,100	26,502,708[1]	26,502,708[1]	4,187,372,745[2]	4,220,846,553
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% 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 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"), details of which are set out in the section headed "Share Options" below.

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

(a) at no time during the period, 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 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 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 31 March 2003 are as follows:

(A) Pre-listing Employee Share Option Scheme

	Number of options outstanding at 1/1/2003	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 31/3/2003	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	2,280,000	—	—	—	2,280,000	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	**—**	**—**	**—**	**15,105,000**			
Mr. Chong Chee Tut (Director)	126,540	—	—	—	126,540	25/5/1998	US$0.2686	20/12/2000 -19/12/2005
	114,000	—	—	—	114,000	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
	1,283,640	**—**	**—**	**—**	**1,283,640**			
Mr. William Ng Ko Seng (Director)	156,750	—	—	—	156,750	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	**—**	**—**	**—**	**755,250**			
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	—	—	—	4,192,350	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
	228,000	—	(85,500)	—	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
	786,600	—	—	—	786,600	25/5/1998	US$0.4298	23/6/2000 - 22/6/2007
	5,896,650	—	(2,225,850)	(37,050)	3,633,750	25/5/1998	US$0.4298	6/1/2000 - 5/1/2007
	18,619,026	—	—	(177,584)	18,441,442	24/3/1999	US$0.2686	24/3/2002 - 23/3/2009
	10,593,759	—	—	(41,296)	10,552,463	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
	1,400,661	—	—	—	1,400,661	30/6/1999	US$0.2686	30/6/2002 - 29/6/2009
	2,900,274	—	—	—	2,900,274	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	—	—	—	2,680,026	23/10/2000	US$0.2686	23/10/2003 - 22/8/2010
	3,595,389	—	—	—	3,595,389	23/10/2000	US$0.4298	23/10/2003 - 22/8/2010
	51,413,145	**—**	**(2,311,350)**	**(255,930)**	**48,845,865**			
Grand Total	**69,697,035**	**—**	**(2,311,350)**	**(255,930)**	**67,129,755**			

Share Options *(Continued)*

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

The outstanding share options under the Pre-listing Employee Share Option Scheme vest over a period of 10 years following their original date of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date and remaining options can be exercised 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.

(B) Post-listing Employee Share Option Scheme

	Number of options outstanding at 1/1/2003	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 31/3/2003	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	101,779,200	—	(9,890,713)	(57,000)	91,831,487	19/8/2002	HK$3.0465	20/8/2004 - 19/8/2012
Grand Total	**109,018,200**	**—**	**(9,890,713)**	**(57,000)**	**99,070,487**			

The outstanding share options under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from the date of offer and becomes exercisable as to 30% and 20% of the amount granted commencing 20 August 2004 and 20 August 2005 (being 2 years and 3 years respectively after the date of offer) and the remaining options are 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.

Substantial Shareholders

As at 31 March 2003, in accordance with the register of substantial shareholders maintained by the Company under section 16(1) of the SDI Ordinance and information received by the Company, the following persons were interested in 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)*	1,730,858,772	34.9
Kien Huat Realty Sdn Bhd *(2 and 8)*	1,730,858,772	34.9
Genting Berhad *(3 and 8)*	1,730,858,772	34.9
Resorts World Bhd *(4 and 8)*	1,730,858,772	34.9
Sierra Springs Sdn Bhd *(5 and 8)*	1,730,858,772	34.9
Resorts World Limited *(5 and 8)*	1,730,858,772	34.9
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)*	4,220,846,553	85.3

Substantial Shareholders *(Continued)*

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. Resorts World Limited is a wholly-owned subsidiary of Sierra Springs Sdn Bhd which is in turn a wholly-owned subsidiary 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 1,730,858,772 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 4,220,846,553 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.

Practice Note 19 to the Listing Rules

As at 31 March 2003, the Company was a party to three loan agreements for an aggregate principal amount of approximately US$1.6 billion. In April 2003, Ship Holding LLC ("SHLLC"), a wholly-owned subsidiary of the Company, signed two agreements with a bank syndicate as lenders to provide secured term loans of the equivalent amount in United States Dollars of up to €298 million (equivalent to approximately US$321.4 million based on the exchange rate of US$1.0784 to €1 as at 31 March 2003) for part financing the construction of the first "Project America" vessel acquired in 2002 by SHLLC. These five agreements carry terms ranging from seven to sixteen years from the dates of agreements and 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 three months ended 31 March 2003, save for the issue of 39,500 new ordinary shares of US$0.10 each at an aggregate price of US$10,712 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 three months ended 31 March 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, 20 May 2003