



STAR CRUISES LIMITED

(Continued into Bermuda with limited liability – Registration No. 29337)
(Stock Code: 678)

INTERIM REPORT TO SHAREHOLDERS for the three months and six months ended 30 June 2007





STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

Interim Report for the three months and six months ended 30 June 2007

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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 Company about the industry and markets in which the Company and its subsidiaries (the "Group") will operate in the future. 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 results to differ materially from those expressed or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include general economic, political and business conditions, changes in cruise industry competition, weather, force majeure events and/or other factors. Reliance should not be placed on these forward-looking statements, which merely reflect the view of the Company as of the date of this report only. The Company is under no obligation to revise or update publicly these forward-looking statements or any part thereof to reflect events or circumstances resulting from any new information, future events or otherwise on which any such statement was based.

Corporate Information

Board of Directors

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Mr. Alan Howard Smith
*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 of the Company, Deputy Chairman,
President and Chief Executive Officer of
NCL Corporation Ltd.*

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Lim Lay Leng
Independent Non-executive Director

President

Mr. David Chua Ming Huat

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Appleby Corporate Services (Bermuda) Ltd.

Registered Office

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Fax: (441) 2956759

Hong Kong Branch Registrar

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Tel: (852) 28628628
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Transfer Agent

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Tel: (65) 62280507
Fax: (65) 62251452

Auditors

PricewaterhouseCoopers,
Certified Public Accountants
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The Board of Directors (the “Directors”) of STAR CRUISES LIMITED (the “Company”) presents the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2007, as follows:

Consolidated Income Statements

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|--|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| Turnover | 2 | 657,038 | 593,760 | 1,221,919 | 1,107,400 |
| Operating expenses (excluding depreciation, amortisation and impairment loss) | | (466,765) | (432,560) | (902,796) | (809,345) |
| Selling, general and administrative expenses (excluding depreciation) | | (81,202) | (68,666) | (161,661) | (139,152) |
| Depreciation and amortisation | 3 | (61,209) | (53,063) | (119,713) | (104,317) |
| Impairment loss | 4 | (5,165) | — | (5,165) | — |
| | | <u>(614,341)</u> | <u>(554,289)</u> | <u>(1,189,335)</u> | <u>(1,052,814)</u> |
| Operating profit | 2, 3 | 42,697 | 39,471 | 32,584 | 54,586 |
| Interest income | | 1,372 | 2,052 | 2,805 | 3,807 |
| Financial costs | 5 | (58,354) | (41,797) | (114,230) | (88,160) |
| Share of losses of associates | 6 | (676) | (75) | (905) | (729) |
| Other non-operating income / (expenses), net | 7 | 39,710 | (33,141) | 26,970 | (38,589) |
| | | <u>(17,948)</u> | <u>(72,961)</u> | <u>(85,360)</u> | <u>(123,671)</u> |
| Profit / (Loss) before taxation | | 24,749 | (33,490) | (52,776) | (69,085) |
| Taxation | 8 | (1,360) | (456) | (3,226) | 86 |
| Profit / (Loss) for the period and attributable to equity holders of the Company | | <u>23,389</u> | <u>(33,946)</u> | <u>(56,002)</u> | <u>(68,999)</u> |
| Basic earnings / (loss) per share (US cents) | 9 | 0.32 | (0.60) (note 2) | (0.79) | (1.22) (note 2) |
| Diluted earnings / (loss) per share (US cents) | 9 | 0.32 | (0.60) (note 2) | N/A (note 1) | N/A (note 1) |
| <u>Operating data</u> | | | | | |
| Passenger Cruise Days | | 2,890,433 | 2,562,651 | 5,684,994 | 4,944,069 |
| Capacity Days | | 2,757,251 | 2,478,588 | 5,576,623 | 4,878,369 |
| Occupancy as a percentage of total capacity days | | 105% | 103% | 102% | 101% |

Notes:

1. Diluted loss per share for the six months ended 30 June 2007 and 2006 are not shown as the diluted loss per share is less than the basic loss per share.
2. The weighted average outstanding ordinary shares and basic and diluted loss per share for the three months and six months ended 30 June 2006 have been adjusted to reflect the effects of December 2006 rights issue.

Consolidated Balance Sheet

| | | As at | |
|--|-------------|------------------|------------------|
| | | 30 June | 31 December |
| | | 2007 | 2006 |
| | | <i>US\$'000</i> | <i>US\$'000</i> |
| | <i>Note</i> | <i>unaudited</i> | <i>audited</i> |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 10 | 590,994 | 598,994 |
| Deferred tax assets | | 14 | 573 |
| Property, plant and equipment | | 4,752,835 | 4,863,047 |
| Lease prepayments | 11 | 289,528 | 2,259 |
| Investments in associates | 12 | — | 5,860 |
| Restricted cash | | 1,682 | 1,650 |
| Other assets | 13 | 63,894 | 68,284 |
| | | 5,698,947 | 5,540,667 |
| CURRENT ASSETS | | | |
| Consumable inventories | | 41,725 | 38,451 |
| Trade receivables | 14 | 17,910 | 21,408 |
| Prepaid expenses and others | | 58,785 | 68,997 |
| Derivative financial instruments | 19 | 1,328 | — |
| Amounts due from related companies | 21 | — | 99 |
| Restricted cash | | 1,712 | 1,226 |
| Cash and cash equivalents | | 156,363 | 468,827 |
| | | 277,823 | 599,008 |
| Non-current assets classified as held for sale | 15 | 94,722 | — |
| TOTAL ASSETS | | 6,071,492 | 6,139,675 |

Consolidated Balance Sheet (Continued)

| | | As at | |
|---|-------------|--|--|
| | | 30 June 2007 <i>US\$'000</i> <i>unaudited</i> | 31 December 2006 <i>US\$'000</i> <i>audited</i> |
| | <i>Note</i> | | |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | 16 | 720,475 | 678,439 |
| Reserves: | | | |
| Share premium | | 1,429,828 | 1,324,829 |
| Additional paid-in capital | | 94,513 | 94,513 |
| Convertible bonds - equity component | 18 | 10,128 | 14,400 |
| Foreign currency translation adjustments | | (22,455) | (22,522) |
| Unamortised share option expense | | (566) | (818) |
| Cash flow hedge reserve | | 1,675 | (1,598) |
| Accumulated losses | | (199,946) | (143,944) |
| | | <u>2,033,652</u> | <u>1,943,299</u> |
| Minority interest | | 66,860 | — |
| TOTAL EQUITY | | <u>2,100,512</u> | <u>1,943,299</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | 17 | 2,959,660 | 3,184,399 |
| Derivative financial instruments | 19 | 822 | 1,729 |
| Other long-term liabilities | | 4,454 | 1,744 |
| Deferred tax liabilities | | 121 | 295 |
| | | <u>2,965,057</u> | <u>3,188,167</u> |
| CURRENT LIABILITIES | | | |
| Trade creditors | 20 | 88,724 | 139,274 |
| Current income tax liabilities | | 560 | 1,069 |
| Provisions, accruals and other liabilities | | 283,289 | 324,135 |
| Current portion of long-term borrowings | 17 | 218,557 | 218,804 |
| Derivative financial instruments | 19 | 1,147 | 2,985 |
| Amounts due to related companies | 21 | 180 | — |
| Advance ticket sales | | 413,466 | 321,942 |
| | | <u>1,005,923</u> | <u>1,008,209</u> |
| TOTAL LIABILITIES | | <u>3,970,980</u> | <u>4,196,376</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>6,071,492</u> | <u>6,139,675</u> |
| NET CURRENT LIABILITIES | | <u>633,378</u> | <u>409,201</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,065,569</u> | <u>5,131,466</u> |

Consolidated Cash Flow Statements

| | Three months ended | | Six months ended | |
|---|--------------------|------------------|------------------|------------------|
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| <i>Note</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| OPERATING ACTIVITIES | | | | |
| Cash generated from operations | 142,438 | 174,312 | 202,640 | 283,850 |
| Interest paid | (38,970) | (38,265) | (86,370) | (86,369) |
| Interest received | 1,401 | 2,720 | 2,874 | 4,128 |
| Income tax paid | (1,679) | (468) | (3,390) | (2,171) |
| | | | | |
| Net cash inflow from operating activities | 103,190 | 138,299 | 115,754 | 199,438 |
| INVESTING ACTIVITIES | | | | |
| Acquisition of a subsidiary, net of cash acquired | (a) — | — | (206,619) | — |
| Purchase of property, plant and equipment | (49,254) | (190,300) | (82,448) | (250,264) |
| Proceeds from sale of property, plant and equipment | 12 | 17 | 12 | 14,067 |
| Proceeds from disposal of a subsidiary | — | — | 14,686 | — |
| Proceeds from disposal of an associate | 166,696 | — | 166,696 | — |
| Acquisition of additional equity investment in an associate | — | — | (107,992) | — |
| Proceeds from an equity investment and a loan from a minority shareholder of a subsidiary | — | — | 7,523 | — |
| Acquisition of additional shares in a subsidiary, including repayment of loan to a minority shareholder | — | — | (7,523) | — |
| Others | — | — | — | (154) |
| | | | | |
| Net cash inflow / (outflow) from investing activities | 117,454 | (190,283) | (215,665) | (236,351) |

Consolidated Cash Flow Statements *(Continued)*

| | Three months ended | | Six months ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |
| | <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> |
| FINANCING ACTIVITIES | | | | |
| Proceeds from long-term borrowings | 125,000 | 232,430 | 1,985,000 | 876,435 |
| Repayments of long-term borrowings | (331,369) | (215,522) | (2,174,414) | (888,238) |
| Proceeds from issuance of ordinary shares and option shares, net of issuance costs | — | — | 83,629 | — |
| Proceeds from issuance of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes | — | 33 | 477 | 33 |
| Refund of excess rights issue application | — | — | (98,843) | — |
| Restricted cash, net | (49) | 53,416 | (518) | 42,964 |
| Others | 2,454 | (2,729) | (5,358) | (4,605) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash inflow / (outflow) from financing activities | (203,964) | 67,628 | (210,027) | 26,589 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Effect of exchange rate changes on cash and cash equivalents | (143) | 509 | (860) | 1,899 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net increase / (decrease) in cash and cash equivalents and bank overdraft | 16,537 | 16,153 | (310,798) | (8,425) |
| Cash and cash equivalents and bank overdraft at beginning of the period | 139,826 | 163,120 | 467,161 | 187,698 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of the period | <u>156,363</u> | <u>179,273</u> | <u>156,363</u> | <u>179,273</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NON-CASH INVESTING ACTIVITY | | | | |
| Acquisition of motor vehicles by means of finance lease | — | 1,017 | — | 5,530 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NON-CASH FINANCING ACTIVITY | | | | |
| Conversion of convertible bonds | — | — | 62,929 | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Note to Consolidated Cash Flow Statements

(a) Acquisition of a subsidiary, net of cash acquired

On 19 March 2007, the Company through an indirect wholly-owned subsidiary, New Orisol Investments Limited (“New Orisol”), acquired 75% of the share capital of Macau Land Investment Corporation (“MLIC”). An indirect subsidiary of MLIC has been granted by the Government of Macau with a lease over a piece of land in Macau (subject to such grant of lease being published in the Gazette of Macau). The purchase price was approximately US\$200.6 million. The acquisition of MLIC Group did not have a material impact on the Group’s income statement for the three months and six months ended 30 June 2007.

The net assets acquired and cash flow arising from the acquisition of MLIC Group are as follows:

| | Fair value of net assets acquired <i>US\$'000</i> |
|--|---|
| Cash and bank balances | 357 |
| Prepaid expenses and others | 3 |
| Lease prepayments | 287,270 |
| Property, plant and equipment | 1,360 |
| Accruals and other liabilities | (21,550) |
| | <hr/> |
| Net assets | 267,440 |
| Minority interest (25%) | (66,860) |
| | <hr/> |
| Net assets acquired | <u>200,580</u> |
| | <hr/> |
| Purchase consideration settled in cash | 200,580 |
| Assignment of loans from minority shareholders | 6,396 |
| Cash and bank balances in subsidiary acquired | (357) |
| | <hr/> |
| Cash outflow on acquisition | <u><u>206,619</u></u> |

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company

| | Share Capital US\$'000 | Share premium US\$'000 | Additional paid-in capital US\$'000 | Convertible bonds - equity component US\$'000 | Foreign currency translation adjustments US\$'000 | Unamortised share option expense US\$'000 | Cash flow hedge reserve US\$'000 | Accumulated losses US\$'000 | Total US\$'000 | Minority interest US\$'000 | Total equity US\$'000 |
|---|------------------------------|------------------------------|--|---|---|---|--|-----------------------------------|-------------------|----------------------------------|-----------------------------|
| Six months ended | | | | | | | | | | | |
| 30 June 2007 | | | | | | | | | | | |
| <i>unaudited</i> | | | | | | | | | | | |
| At 1 January 2007 | 678,439 | 1,324,829 | 94,513 | 14,400 | (22,522) | (818) | (1,598) | (143,944) | 1,943,299 | — | 1,943,299 |
| Exchange translation differences | — | — | — | — | 67 | — | — | — | 67 | — | 67 |
| Cash flow hedge: | | | | | | | | | | | |
| - Gain on financial instruments | — | — | — | — | — | — | 3,843 | — | 3,843 | — | 3,843 |
| - Transferred to consolidated income statement | — | — | — | — | — | — | (570) | — | (570) | — | (570) |
| Net amounts not recognised in the consolidated income statement | — | — | — | — | 67 | — | 3,273 | — | 3,340 | — | 3,340 |
| Loss for the period | — | — | — | — | — | — | — | (56,002) | (56,002) | — | (56,002) |
| Total recognised income / (expense) for the period | — | — | — | — | 67 | — | 3,273 | (56,002) | (52,662) | — | (52,662) |
| Issue of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes | 195 | 282 | — | — | — | — | — | — | 477 | — | 477 |
| Issue of ordinary shares to the independent third parties, net of issuance costs | 25,500 | 49,086 | — | — | — | — | — | — | 74,586 | — | 74,586 |
| Issue of option shares to the independent third parties, net of issuance costs | — | 9,043 | — | — | — | — | — | — | 9,043 | — | 9,043 |
| Issue of ordinary shares upon conversion of convertible bonds | 16,341 | 46,588 | — | (4,272) | — | — | — | — | 58,657 | — | 58,657 |
| Minority interest arising from acquisition of a subsidiary | — | — | — | — | — | — | — | — | — | 66,860 | 66,860 |
| Amortisation of share option expense | — | — | — | — | — | 252 | — | — | 252 | — | 252 |
| At 30 June 2007 | <u>720,475</u> | <u>1,429,828</u> | <u>94,513</u> | <u>10,128</u> | <u>(22,455)</u> | <u>(566)</u> | <u>1,675</u> | <u>(199,946)</u> | <u>2,033,652</u> | <u>66,860</u> | <u>2,100,512</u> |

Consolidated Statement of Changes in Equity (Continued)

Attributable to equity holders of the Company

| | Share capital US\$'000 | Share premium US\$'000 | Additional paid-in capital US\$'000 | Convertible bonds - equity component US\$'000 | Foreign currency translation adjustments US\$'000 | Unamortised share option expense US\$'000 | Cash flow hedge reserve US\$'000 | Retained earnings/ (Accumulated losses) US\$'000 | Total US\$'000 |
|--|------------------------------|------------------------------|--|---|---|---|--|--|-------------------|
| Six months ended | | | | | | | | | |
| 30 June 2006 | | | | | | | | | |
| <i>unaudited</i> | | | | | | | | | |
| At 1 January 2006 | 530,018 | 1,269,089 | 93,893 | 14,400 | (24,052) | (1,087) | 5,368 | 12,252 | 1,899,881 |
| Exchange translation differences | — | — | — | — | 1,709 | — | — | — | 1,709 |
| Cash flow hedge: | | | | | | | | | |
| - Gain on financial instruments | — | — | — | — | — | — | 5,302 | — | 5,302 |
| - Transferred to consolidated income statement | — | — | — | — | — | — | (7,757) | — | (7,757) |
| Net amounts not recognised in the consolidated income statement | — | — | — | — | 1,709 | — | (2,455) | — | (746) |
| Loss for the period | — | — | — | — | — | — | — | (68,999) | (68,999) |
| Total recognised income / (expense) for the period | — | — | — | — | 1,709 | — | (2,455) | (68,999) | (69,745) |
| Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme | 12 | 21 | — | — | — | — | — | — | 33 |
| Amortisation of share option expense | — | — | — | — | — | 454 | — | — | 454 |
| At 30 June 2006 | 530,030 | 1,269,110 | 93,893 | 14,400 | (22,343) | (633) | 2,913 | (56,747) | 1,830,623 |

Notes to the Consolidated Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The preparation of the unaudited consolidated financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The unaudited consolidated financial statements are prepared under the historical cost convention, as modified by the revaluations of available-for-sale financial assets and certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

The Group's operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2006.

The accounting policies and methods of computation used in the preparation of these unaudited financial statements are consistent with those used in the annual report for the year ended 31 December 2006.

On 1 January 2007, the Group revised the estimated useful life of the jetties from 90 and 99 years to 50 years to more realistically reflect its remaining estimated useful life. The change in the useful life of the jetties did not have any material effect on the results and financial position of the Group for the three months and six months ended 30 June 2007.

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

2. TURNOVER AND OPERATING PROFIT

The Group is principally engaged in the operation of passenger cruise ships. Cruise and cruise related revenues comprise sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from onboard services and other related services, including gaming, food and beverage. Cruise and cruise related revenues consist of passenger ticket revenue of approximately US\$436.8 million and US\$394.9 million for the three months ended 30 June 2007 and 2006, respectively and approximately US\$811.0 million and US\$727.4 million for the six months ended 30 June 2007 and 2006, respectively. The remaining portion relates to revenues from onboard and other related services.

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 | | Six months ended | |
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |
| | <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> |
| Asia Pacific | 122,873 | 99,339 | 204,857 | 194,086 |
| North America ¹ | 478,181 | 434,178 | 922,038 | 810,863 |
| Europe and others | 55,984 | 60,243 | 95,024 | 102,451 |
| | <u>657,038</u> | <u>593,760</u> | <u>1,221,919</u> | <u>1,107,400</u> |
| | OPERATING PROFIT | | | |
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |

Notes:

- Substantially, all the turnover and operating profit arise in the United States of America.
- Included in the operating profit of North America for the three months and six months ended 30 June 2007 was a net impairment loss of US\$5.2 million.

Notes to the Consolidated Financial Statements (Continued)

3. OPERATING PROFIT

Operating profit is stated after charging the following:

| | Three months ended 30 June | | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| Total depreciation and amortisation analysed into: | 61,209 | 53,063 | 119,713 | 104,317 |
| - relating to operating function | 57,780 | 50,021 | 113,055 | 98,310 |
| - relating to selling, general and administrative function | 3,429 | 3,042 | 6,658 | 6,007 |
| Fuel costs | 53,644 | 52,984 | 105,715 | 99,552 |
| Advertising expenses | 18,618 | 16,927 | 41,418 | 34,045 |
| Impairment loss (see note 4) | 5,165 | — | 5,165 | — |

4. IMPAIRMENT LOSS

On 25 May 2007, the Group entered into a sale and leaseback arrangement of m.v. Marco Polo with a third party. m.v. Marco Polo has been delivered to its new owner in late July 2007. As a result of this disposal, the Group recorded a reversal of previously recognised impairment loss in the amount of US\$5.4 million, being the amount by which the sale proceeds exceeded the carrying value of m.v. Marco Polo. At the same time, the Group wrote off the carrying value of Orient Lines trade name in the amount of US\$8.0 million.

In July 2007, the Group finalised the sale of Oceanic, formerly known as Independence. As a result, the Group recorded an impairment loss of US\$2.6 million during the six months ended 30 June 2007, being the excess of the carrying value of this vessel over its net selling price.

5. FINANCIAL COSTS

| | Three months ended 30 June | | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| Amortisation of: | | | | |
| - bank loans arrangement fees | 4,542 | 4,328 | 9,068 | 7,952 |
| - issuance costs of convertible bonds and US\$250 million unsecured Senior Notes | 400 | 444 | 807 | 881 |
| Interest on: | | | | |
| - bank loans | 45,559 | 28,769 | 87,912 | 64,058 |
| - convertible bonds and US\$250 million unsecured Senior Notes | 9,197 | 9,917 | 18,663 | 19,932 |
| Loans arrangement fees written off | — | — | 422 | — |
| Total borrowing costs incurred | 59,698 | 43,458 | 116,872 | 92,823 |
| Less: interest capitalised in property, plant and equipment | (1,344) | (1,661) | (2,642) | (4,663) |
| Total financial costs | 58,354 | 41,797 | 114,230 | 88,160 |

Notes to the Consolidated Financial Statements (Continued)

6. SHARE OF LOSSES OF ASSOCIATES

In May 2007, the Group completed the disposal of its 25% equity interest in Resorts World at Sentosa Pte. Ltd. ("RWS") for a total consideration of S\$255 million. The completion of the disposal has resulted in the Group ceasing to have any interest in RWS.

During the six months ended 30 June 2007, the Group accounted for its share of loss from RWS of approximately US\$0.9 million, being the Group's portion of RWS's results from 1 January 2007 to the date when the Group ceased to have any interest in RWS.

7. OTHER NON-OPERATING INCOME / (EXPENSES), NET

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2007 US\$'000 <i>unaudited</i> | 2006 US\$'000 <i>unaudited</i> | 2007 US\$'000 <i>unaudited</i> | 2006 US\$'000 <i>unaudited</i> |
| Gain / (Loss) on derivative instruments | 1,246 | (766) | 1,699 | (2,300) |
| Loss on foreign exchange | (4,027) | (1,881) | (4,418) | (972) |
| Loss on translation of debts | (11,276) | (20,204) | (20,541) | (24,868) |
| Gain on disposal of an associate, RWS | 53,749 | — | 53,749 | — |
| Impairment of non-cruise related investment | — | (10,285) | — | (10,285) |
| Other non-operating income / (expenses), net | 18 | (5) | (3,519) | (164) |
| | <u>39,710</u> | <u>(33,141)</u> | <u>26,970</u> | <u>(38,589)</u> |

8. TAXATION

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2007 US\$'000 <i>unaudited</i> | 2006 US\$'000 <i>unaudited</i> | 2007 US\$'000 <i>unaudited</i> | 2006 US\$'000 <i>unaudited</i> |
| Overseas taxation | | | | |
| - Current taxation | (1,165) | (455) | (1,951) | (803) |
| - Deferred taxation | — | — | 14 | 900 |
| | <u>(1,165)</u> | <u>(455)</u> | <u>(1,937)</u> | <u>97</u> |
| Over / (Under) provision in respect of prior years | | | | |
| - Current taxation | (65) | (58) | (888) | (68) |
| - Deferred taxation | (130) | 57 | (401) | 57 |
| | <u>(1,360)</u> | <u>(456)</u> | <u>(3,226)</u> | <u>86</u> |

The Company, which is domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions. However, the Group has incurred a tax charge, as illustrated in the table above, based on the income which is subject to local tax in certain of the jurisdictions where it operates. The appropriate local tax rate has been applied, in such circumstances, to determine the applicable tax charge.

Notes to the Consolidated Financial Statements (Continued)

9. EARNINGS / (LOSS) PER SHARE

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

| | Three months ended 30 June | | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| BASIC | | | | |
| Profit / (Loss) for the period | 23,389 | (33,946) | (56,002) | (68,999) |
| Weighted average outstanding ordinary shares, in thousands | 7,204,753 | 5,646,625 | 7,123,440 | 5,646,563 |
| Basic earnings / (loss) per share in US cents | 0.32 | (0.60) (note 2) | (0.79) | (1.22) (note 2) |
| DILUTED | | | | |
| Profit / (Loss) for the period | 23,389 | (33,946) | (56,002) | (68,999) |
| Weighted average outstanding ordinary shares, in thousands | 7,204,753 | 5,646,625 | 7,123,440 | 5,646,563 |
| Effect of dilutive ordinary shares, in thousands | 4,812 | — | 6,106 | 901 |
| Weighted average outstanding ordinary shares after assuming dilution, in thousands | 7,209,565 | 5,646,625 | 7,129,546 | 5,647,464 |
| Diluted earnings / (loss) per share in US cents | 0.32 | (0.60) (note 2) | N/A (note 1) | N/A (note 1) |

Notes:

- Diluted loss per share for the six months ended 30 June 2007 and 2006 are not shown as the diluted loss per share is less than the basic loss per share.
- The weighted average outstanding ordinary shares and basic and diluted loss per share for the three months and six months ended 30 June 2006 have been adjusted to reflect the effects of December 2006 rights issue.

10. INTANGIBLE ASSETS

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

| | Goodwill arising on acquisition of 84.5% of NCLH US\$'000 | Trade names US\$'000 | Total US\$'000 |
|------------------------------|--|-------------------------|-------------------|
| unaudited | | | |
| At 1 January 2007 | 368,104 | 230,890 | 598,994 |
| Impairment loss (see note 4) | — | (8,000) | (8,000) |
| At 30 June 2007 | 368,104 | 222,890 | 590,994 |
| audited | | | |
| At 1 January 2006 | 368,104 | 237,890 | 605,994 |
| Impairment loss | — | (7,000) | (7,000) |
| At 31 December 2006 | 368,104 | 230,890 | 598,994 |

Notes to the Consolidated Financial Statements (Continued)

11. LEASE PREPAYMENTS

| | As at | |
|---|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Carrying amount at the beginning of period / year | 2,259 | 1,739 |
| Addition during the period / year | — | 1,190 |
| Acquisition of a subsidiary (see note below) | 287,270 | — |
| Disposal of a subsidiary | — | (780) |
| Amortisation of prepaid operating lease for the period / year | (19) | (59) |
| Translation differences | 18 | 169 |
| | <hr/> | <hr/> |
| Carrying amount at the end of period / year | <u>289,528</u> | <u>2,259</u> |

Note:

The leasehold land is situated outside Hong Kong with a lease term of 25 years commencing on the date of the gazette of the land by the Government of Macau, and renewable for further terms thereafter.

12. INVESTMENTS IN ASSOCIATES

The movements of the investments in associates are as follows:

| | As at | |
|---|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| At beginning of period / year | 5,860 | — |
| Additional investments during the period / year | 107,992 | 5,857 |
| Disposal of an associate | (112,947) | — |
| Share of profit / (loss) of associates | (905) | 3 |
| | <hr/> | <hr/> |
| At the end of period / year | <u>—</u> | <u>5,860</u> |

13. OTHER ASSETS

| | As at | |
|---|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Loan arrangement fees | 45,976 | 48,239 |
| Convertible bonds and senior notes issuance costs | 6,606 | 7,555 |
| Others | 11,312 | 12,490 |
| | <hr/> | <hr/> |
| | <u>63,894</u> | <u>68,284</u> |

Notes to the Consolidated Financial Statements (Continued)

14. TRADE RECEIVABLES

| | As at | |
|-------------------|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Trade receivables | 21,138 | 24,571 |
| Less: Provisions | (3,228) | (3,163) |
| | <u>17,910</u> | <u>21,408</u> |

At 30 June 2007 and 31 December 2006, the ageing analysis of the trade receivables is as follows:

| | As at | |
|----------------------|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Current to 30 days | 8,342 | 16,124 |
| 31 days to 60 days | 3,936 | 1,961 |
| 61 days to 120 days | 2,059 | 2,459 |
| 121 days to 180 days | 2,453 | 1,759 |
| 181 days to 360 days | 3,883 | 2,125 |
| Over 360 days | 465 | 143 |
| | <u>21,138</u> | <u>24,571</u> |

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

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In May 2007, the Group entered into a sale and leaseback arrangement of m.v. Marco Polo with a third party and in July 2007, the Group finalised the sale of Oceanic, formerly known as Independence. During the six months ended 30 June 2007, the Group had also decided to dispose one of its vessels and the disposal is expected to take place in the second half of 2007. As the carrying amounts of these vessels will be recovered through sale transactions, they have been presented as non-current assets held for sale as at 30 June 2007.

As at 30 June 2007, the Group's non-current assets classified as held for sale were also included as part of the total security for the Group's long-term bank loans.

16. SHARE CAPITAL

| | Authorised share capital | | | |
|---|---------------------------------------|-----------------|-------------------------------------|------------------|
| | Preference shares of US\$0.10 each | | Ordinary shares of US\$0.10 each | |
| | <i>No. of shares</i> | <i>US\$'000</i> | <i>No. of shares</i> | <i>US\$'000</i> |
| <u>unaudited</u> | | | | |
| At 1 January 2007 | 10,000 | 1 | 9,999,990,000 | 999,999 |
| Addition during the period | — | — | 5,000,000,000 | 500,000 |
| At 30 June 2007 | <u>10,000</u> | <u>1</u> | <u>14,999,990,000</u> | <u>1,499,999</u> |
| <u>audited</u> | | | | |
| At 1 January 2006 and 31 December 2006 | <u>10,000</u> | <u>1</u> | <u>9,999,990,000</u> | <u>999,999</u> |

Notes to the Consolidated Financial Statements (Continued)

16. SHARE CAPITAL (Continued)

| | Issued and fully paid ordinary shares of US\$0.10 each | |
|--|---|-----------------|
| | <i>No. of shares</i> | <i>US\$'000</i> |
| <u>unaudited</u> | | |
| At 1 January 2007 | 6,784,386,135 | 678,439 |
| Issuance of shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes | 1,953,026 | 195 |
| Issuance of ordinary shares to the independent third parties, net of issuance costs (note (i)) | 255,000,000 | 25,500 |
| Issuance of ordinary shares upon conversion of convertible bonds | 163,414,009 | 16,341 |
| | <u>7,204,753,170</u> | <u>720,475</u> |
| <u>audited</u> | | |
| At 1 January 2006 | 5,300,177,247 | 530,018 |
| Issuance of shares pursuant to the Pre-listing Employee Share Option Scheme | 124,421 | 12 |
| Issuance of 7 ordinary shares for every 25 existing ordinary shares pursuant to a rights issue, net of issuance costs of approximately US\$2.0 million (note (ii)) | 1,484,084,467 | 148,409 |
| At 31 December 2006 | <u>6,784,386,135</u> | <u>678,439</u> |

Notes:

- (i) In February 2007, the Company issued 255 million new ordinary shares of US\$0.10 each at the subscription price of HK\$2.29 (US\$0.29) per share, with an aggregate proceeds, net of issuance costs, of approximately US\$74.6 million, to the independent third parties. The net proceeds from the issuance of 255 million ordinary shares have been used for part funding of the acquisition of interest in MLIC Group.

As at 30 June 2007, there were no unapplied proceeds from these issuance of shares.

- (ii) As at 30 June 2007, the Group has applied approximately US\$93.1 million of the net proceeds from the rights issue for funding the construction of vessels (all of which were incurred in 2006). As at 30 June 2007, the balance of unapplied proceeds of approximately US\$111.0 million was placed with banks.

17. LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

| | As at | |
|---|--|--|
| | 30 June 2007 <i>US\$'000</i> <i>unaudited</i> | 31 December 2006 <i>US\$'000</i> <i>audited</i> |
| <u>SECURED:</u> | | |
| US\$750 million secured term loan and revolving credit facility | 478,750 | 645,000 |
| €298 million secured Pride of America loans | 292,728 | 307,365 |
| US\$334.1 million secured Norwegian Jewel loan | 283,728 | 297,239 |
| €308.1 million secured Pride of Hawaii loan | 371,166 | 378,209 |
| US\$800 million secured loan facility | 447,500 | 510,000 |
| €624 million secured Norwegian Pearl / Gem facility | 407,379 | 410,753 |
| US\$610 million revolving credit facility | 490,000 | 390,000 |
| <u>UNSECURED:</u> | | |
| US\$250 million unsecured Senior Notes | 250,000 | 250,000 |
| Convertible bonds (see note 18) | 142,095 | 196,542 |
| Bank overdraft | — | 1,666 |
| Others | 14,871 | 16,429 |
| | <u>3,178,217</u> | <u>3,403,203</u> |
| Total liabilities | | |
| Less: Current portion | (218,557) | (218,804) |
| | <u>2,959,660</u> | <u>3,184,399</u> |

All the outstanding balances of the long-term borrowings are denominated in U.S. dollars except for the outstanding balance of €274.1 million, US\$371.2 million equivalent (2006: €286.5 million, US\$378.2 million equivalent) of the €308.1 million secured Pride of Hawaii loan and the outstanding balance of €300.8 million, US\$407.4 million equivalent (2006: €311.2 million, US\$410.8 million equivalent) of the €624 million secured Norwegian Pearl / Gem facility which are denominated in Euro.

Notes to the Consolidated Financial Statements (Continued)

18. CONVERTIBLE BONDS

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible bonds (the "Bonds").

The liability component included in long-term borrowings (see note 17) was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included as a component of reserves in shareholders' equity. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain as a separate line item within equity until the conversion option is exercised (in which case the balance stated in equity component will be transferred to share premium).

The analysis of the Bonds recorded in the consolidated balance sheet is as follows:

| | As at | |
|---|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Face value of the Bonds issued on 20 October 2003 | 180,000 | 180,000 |
| Remaining equity component | (10,128) | (14,400) |
| Equity component transferred to share premium | (4,272) | — |
| Equity component | (14,400) | (14,400) |
| Liability component on initial recognition | 165,600 | 165,600 |
| Interest accrued as at 1 January | 30,942 | 20,721 |
| Interest expense for the period / year | 5,476 | 13,821 |
| Interest paid during the period / year | (1,266) | (3,600) |
| Conversion of the Bonds to ordinary shares | (58,657) | — |
| Liability component | 142,095 | 196,542 |

The fair value of the liability component of the Bonds at 30 June 2007 amounted to US\$142.4 million. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.1%. The interest expense on the Bonds is calculated using the effective interest method by applying an effective interest rate of 7.4% to the liability component.

During the six months ended 30 June 2007, approximately US\$53.4 million of the US\$180 million Bonds have been converted into ordinary shares of the Company. None of the Bonds were redeemed or purchased by the Company.

19. FINANCIAL INSTRUMENTS

- (i) The Group has several interest rate swaps with an aggregate notional amount of US\$430.4 million (as at 30 June 2007, the outstanding notional amount was approximately US\$246.1 million) to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. 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 30 June 2007, the estimated fair market value of the interest rate swaps was approximately US\$0.9 million, which was unfavourable to the Group. This amount has been recorded within the non-current portion of the derivative financial instruments in the consolidated balance sheet.

These interest rate swaps have been designated as cash flow hedges. The changes in the fair value of these interest rate swaps are included as a separate component of reserves and are recognised in the consolidated income statement as the underlying hedged items are recognised.

- (ii) The Group has a series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of approximately US\$140.8 million (as at 30 June 2007, the outstanding notional amount was approximately US\$53.0 million) to limit its exposure to fluctuations in interest rate movements if the interest 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 5 years from August 2003.

As at 30 June 2007, the estimated fair market value of these interest rate swaps was approximately US\$0.1 million, which was favourable to the Group. This amount has been recorded within the non-current portion of the derivative financial instruments in the consolidated balance sheet. The changes in the fair value of these interest rate swaps were included in interest expense in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

19. FINANCIAL INSTRUMENTS (Continued)

- (iii) The Group has various Singapore dollars forward contracts and the notional amount of these contracts was approximately US\$206.7 million (as at 30 June 2007, the outstanding notional amount was approximately US\$36.7 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 30 June 2007, the estimated fair market value of these forward contracts was approximately US\$1.1 million, which was unfavourable to the Group. The changes in the fair value of these forward contracts were recognised as other expense in the consolidated income statement. This amount has been recorded within the current portion of the derivative financial instruments in the consolidated balance sheet.
- (iv) During the six months ended 30 June 2007, the Group entered into additional fuel swap agreements with an aggregate notional amount of US\$9.0 million, to pay fixed price for fuel. As at 30 June 2007, the outstanding notional amount was approximately US\$4.4 million, maturing through the third quarter of 2007. As at 30 June 2007, the estimated fair market value of the fuel swap was approximately US\$1.3 million, which was favourable to the Group. This amount has been recorded within the current portion of the derivative instruments in the consolidated balance sheet. These fuel swaps have been designated and qualified as cash flow hedges. The changes in the fair value of these fuel swaps are included as a separate component of reserves and are recognised in the consolidated income statement as the underlying hedged items are recognised.

The fair values of these instruments have been estimated using public market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 30 June 2007.

20. TRADE CREDITORS

The ageing of trade creditors as at 30 June 2007 and 31 December 2006 is as follows:

| | As at | |
|----------------------|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Current to 60 days | 86,128 | 137,275 |
| 61 days to 120 days | 892 | 1,037 |
| 121 days to 180 days | 597 | 144 |
| Over 180 days | 1,107 | 818 |
| | <u>88,724</u> | <u>139,274</u> |

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

21. 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 which is held directly and indirectly by GZ Trust Corporation as trustee of a discretionary trust 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 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 wholly-owned indirectly by a brother of Tan Sri Lim Kok Thay.

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and which is listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"), controls Resorts World Bhd ("RWB"), a company also listed on Bursa Malaysia which in turn indirectly controls Resorts World Limited ("RWL"), which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

WorldCard International Limited ("WCIL") is a company in which a subsidiary of each of the Group and GIPLC has a 50% interest. The Group's share of profits from WCIL amounted to US\$8,000 for the three months ended 30 June 2007 and an insignificant loss during the three months ended 30 June 2006. The Group's share of losses from WCIL amounted to US\$24,000 and US\$30,000 for the six months ended 30 June 2007 and 2006, respectively. As at 30 June 2007, the Group's share of losses in WCIL has exceeded its interest in WCIL by US\$92,000 and this has been recorded in accruals and other liabilities as the Group has constructive obligations towards WCIL.

VXL Capital Limited ("VXL Capital") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest and is listed on The Stock Exchange of Hong Kong Limited. Each of the Group and VXL Capital has a 30% interest in a joint venture company, a company set up for the purpose of preparing for an expression of interest submitted to Hong Kong Government for development of a cruise terminal.

Notes to the Consolidated Financial Statements (Continued)

21. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Significant related party transactions entered into or subsisting between the Group and these companies during the three months and six months ended 30 June 2007 and 2006 are set out below:

- (a) KHD, together with its related companies, are involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities.

During the three months and six months ended 30 June 2007 and 2006, the following transactions took place:

| | Three months ended 30 June | | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| Amounts charged to the Group | — | 4 | — | 4 |
| Amounts paid by KHD on behalf of the Group to third party contractors | — | 71 | 381 | 71 |

- (b) GB and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services, purchasing and administrative assistance services, leasing of office space 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 were approximately US\$675,000 and US\$517,000 for the three months ended 30 June 2007 and 2006, respectively and approximately US\$1,120,000 and US\$819,000 for the six months ended 30 June 2007 and 2006, respectively.

- (c) WCIL, together with its related companies, operate and administer the WorldCard programme on an international basis. The Group also implemented joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

During the three months and six months ended 30 June 2007 and 2006, the following transactions took place:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited | 2007 US\$'000 unaudited | 2006 US\$'000 unaudited |
| Amounts charged from the GB Group to the Group | 112 | 64 | 175 | 143 |
| Amounts charged to the GB Group by the Group | 37 | 17 | 68 | 41 |

- (d) During the three months ended 31 March 2007, the Group engaged VXL Financial Services Limited ("VXLFS"), a wholly-owned subsidiary of VXL Capital, to provide financial advisory services in relation to the acquisition of MLIC Group. The amount paid to VXLFS during the three months ended 31 March 2007 was US\$1.8 million. In May 2007, VXL Capital entered into a conditional agreement to dispose of its entire equity interest in VXLFS to a third party. Upon completion, VXL Capital will cease to hold any interests in VXLFS.

Amounts outstanding at the end of each fiscal period in respect of the above transactions were included in the consolidated balance sheet within amounts due from / (to) related companies. The related party transactions described above were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

- (e) On 27 March 2007, the Group entered into a sale and purchase agreement with GIPLC to dispose of its 25% interest in RWS for a total consideration of S\$255 million. The disposal of 25% interest in RWS was completed on 29 May 2007. As a result, the shareholders' agreement with GIPLC in relation to RWS entered into on 15 December 2006 was terminated and the Group ceased to have any interest in RWS. The Group recorded a gain of US\$53.7 million on the disposal of its equity interest in RWS during the six months ended 30 June 2007.

- (f) On 16 January 2007, the Group entered into a shareholders' agreement with GIPLC in relation to the management and operation of a newly formed joint venture company ("JV"), New Orisol Investments Limited. The JV was owned as to 75% by the Group and 25% by GIPLC. The purpose of the JV is to carry out the acquisition of MLIC Group and to develop and build on a piece of land a hotel that will house, inter alia, a casino which will be subject to receiving the relevant authorisation from the Government of Macau. On 2 March 2007, the Group completed its acquisition of GIPLC's 25% indirect interest in the JV at its investment cost of HK\$58.5 million ("New Orisol Acquisition"). Upon completion of the New Orisol Acquisition on 2 March 2007, the shareholders' agreement with GIPLC was terminated and the JV became a wholly-owned subsidiary of the Group. Completion of the acquisition of MLIC Group by the JV took place on 19 March 2007.

Notes to the Consolidated Financial Statements (Continued)

22. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The aggregate cost of the ships under construction and on firm order (based on the Euro/U.S. dollar exchange rate at the balance sheet dates) as at 30 June 2007 and 31 December 2006 are as follows:

| | As at | |
|--|--|--|
| | 30 June 2007 US\$'000 unaudited | 31 December 2006 US\$'000 audited |
| Contracted but not provided for | | |
| - Cruise ships and other related costs | <u>2,505,850</u> | <u>2,398,454</u> |

(ii) Material litigation and contingencies

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2006 and the interim report for the three months ended 31 March 2007, except that the Group has settled three litigation cases. The settlements of these cases did not have a material impact on the results of operation, cash flows, and financial position of the Group.

23. SIGNIFICANT SUBSEQUENT EVENTS

- (i) Subsequent to the balance sheet date and up to the date of this report, approximately US\$61.8 million of the US\$180 million 2% Convertible Bonds due in 2008 have been converted to ordinary shares of the Company.
- (ii) In July 2007, the Group finalised the sale of Oceanic, formerly known as Independence.

Interim Dividend

The Directors do not recommend the declaration of any interim dividend in respect of the six months ended 30 June 2007.

Management's Discussion and Analysis

The following discussion is based on, and should be read in conjunction with, the financial statements and the notes thereto included elsewhere in this interim report and the annual report of the Group for the year ended 31 December 2006.

Terminology

Capacity Days represent double occupancy per cabin multiplied by the number of cruise days for the period.

Net Revenue Yield represents total revenues less commissions, transportation and other expenses, and onboard and other expenses per Capacity Day. The Group utilises Net Revenue Yield to manage its business on a day-to-day basis and believes that it is the most relevant measure of the pricing performance and is commonly used in the cruise industry to measure pricing performance.

Ship Operating Expenses represent operating expenses excluding commissions, transportation and other expenses and onboard and other expenses.

Passenger Cruise Days represent the number of passengers carried for the period, multiplied by the number of days in their respective cruises.

Occupancy Percentage, in accordance with cruise industry practice, represents the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

Management's Discussion and Analysis *(Continued)*

Three months ended 30 June 2007 ("2Q 2007") compared with three months ended 30 June 2006 ("2Q 2006")

Turnover

The Group's revenue for 2Q 2007 was US\$657.0 million, increased by 10.7% from US\$593.8 million for 2Q 2006. Net revenue increased by 11.5% primarily due to an 11.2% capacity increase coupled with a 0.2% increase in net revenue yield. The capacity increase in 2Q 2007 was mainly due to the addition of m.v. Pride of Hawaii and m.v. Norwegian Pearl, which entered service in May 2006 and November 2006, respectively. Occupancy was at 104.8% in 2Q 2007 compared to 103.4% in 2Q 2006.

For Star Cruises Asia, net revenue and net revenue yield increased by 13.0% and 13.4%, respectively on a slight 1.9% increase in capacity. The increase in net revenue yield was registered throughout Star Cruises Asia fleet as a result of higher cruise ticket revenue and onboard gaming revenue. The increase in capacity was mainly due to the addition of m.v. SuperStar Aquarius which commenced operation in June 2007, partially offset by the decrease in capacity of m.v. SuperStar Libra and m.v. Star Pisces which were out of service during their drydock period. Occupancy levels for 2Q 2007 increased to 92.8% from 87.6% in 2Q 2006.

For NCLC Group, net revenue increased 10.7% in 2Q 2007 primarily due to a 13.6% increase in capacity partially offset by a 2.5% decrease in net revenue yield. The increase in capacity was the result of the addition of m.v. Pride of Hawaii and m.v. Norwegian Pearl which entered service in May 2006 and November 2006, respectively, partially offset by the return of m.v. Norwegian Wind (renamed m.v. SuperStar Aquarius) to Star Cruises Asia in April 2007. The decrease in net revenue yield in 2Q 2007 was mainly the result of a decrease in passenger ticket prices and onboard revenues. The decrease in passenger ticket prices was primarily due to significant downward pricing pressure related to NCLC Group's inter-island cruises in Hawaii. The decrease in onboard revenues was primarily due to generally lower amounts spent per passenger primarily for shore excursions and the introduction of a new art concessionaire. Occupancy level for NCLC Group remained relatively unchanged, at 107% for both quarters.

Cost and expenses

Total costs and expenses before interest and non-operating items for 2Q 2007 amounted to US\$614.3 million compared with US\$554.3 million for 2Q 2006, an increase of US\$60.0 million.

Operating expenses increased by US\$34.2 million to US\$466.8 million in 2Q 2007 from US\$432.6 million in 2Q 2006. Ship operating expenses was 7.6% higher compared with 2Q 2006. However, ship operating expenses per capacity day were 3.3% lower compared with 2Q 2006. The lower ship operating expenses per capacity day was primarily due to lower payroll and related costs of NCL America, lower fuel costs and receipt of certain insurance proceeds. This decrease in the ship operating expenses per capacity day was partially offset by the charter hire fee for m.v. Norwegian Crown as well as start-up costs associated with the introduction of m.v. SuperStar Aquarius in Hong Kong. In 2Q 2007, average fuel prices, including the impact of fuel hedges, decreased by approximately 1.3% from 2Q 2006. Fuel costs accounted for approximately 18.2% of ship operating expenses in 2Q 2007 compared with 19.4% in 2Q 2006.

Selling, general and administrative ("SG&A") expenses increased by US\$12.5 million to US\$81.2 million in 2Q 2007 from US\$68.7 million in 2Q 2006. SG&A expenses per capacity day for 2Q 2007 were 6.3% higher compared with 2Q 2006 primarily due to higher advertising and promotional costs in the Star Cruises Asia fleet and the increased shoreside expenses to support the expanded operations in China as well as timing of certain SG&A expenses for NCLC Group. In June 2007, Star Cruises Asia commenced operations of its first budget inn in Hangzhou and started the construction of a second one in Suzhou which is expected to be completed in 2Q 2008.

Depreciation and amortisation expenses increased by US\$8.1 million to US\$61.2 million for 2Q 2007 from US\$53.1 million for 2Q 2006. The increase in depreciation and amortisation was primarily due to the additions of Pride of Hawaii and Norwegian Pearl.

In 2Q 2007, the Group recorded a net impairment loss of US\$5.2 million in respect of the ships and the Orient Lines trade name.

Operating profit

Operating profit increased by US\$3.2 million from US\$39.5 million in 2Q 2006 to US\$42.7 million in 2Q 2007.

Management's Discussion and Analysis *(Continued)*

Non-operating expense

Non-operating expense decreased by US\$55.0 million to US\$17.9 million for 2Q 2007 compared with US\$72.9 million for 2Q 2006. The decrease was mainly due to the net effect of the following items:

- (a) Interest expense, net of interest income and capitalised interest increased by US\$17.2 million to US\$57.0 million for 2Q 2007 compared to US\$39.8 million for 2Q 2006 as a result of higher average outstanding debts.
- (b) The Group recorded a non-cash foreign currency debts translation loss of US\$11.3 million for 2Q 2007 compared to US\$20.2 million in 2Q 2006.
- (c) During 2Q 2007, the Group recorded a gain on disposal of an associate, Resorts World at Sentosa Pte. Ltd. ("RWS"), of US\$53.7 million.
- (d) During 2Q 2006, the Group wrote off its non-cruise investment in Orangestar Investment Holdings Pte. Ltd. of US\$10.3 million.

Profit / (Loss) before taxation

Profit before taxation for 2Q 2007 was US\$24.7 million compared to a loss before taxation of US\$33.5 million for 2Q 2006.

Taxation

The Group incurred taxation expense of US\$1.4 million for 2Q 2007 compared with US\$0.5 million for 2Q 2006. Star Cruises Asia recorded a tax expense of US\$1.2 million for 2Q 2007 compared to US\$0.4 million for 2Q 2006 primarily due to higher shipping income tax for India operation as a result of revised tax rate commencing April 2006.

Net profit / (loss) attributable to shareholders

The Group recorded a net profit attributable to shareholders of US\$23.4 million for 2Q 2007 compared with a net loss attributable to shareholders of US\$33.9 million in 2Q 2006.

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 2Q 2007, cash and cash equivalents increased to US\$156.4 million from US\$139.8 million as at 31 March 2007. The increase of US\$16.6 million in cash and cash equivalents, was mainly due to the net effect of the following items:

- (a) The Group's business provided US\$103.2 million of net cash from operations for 2Q 2007 compared to US\$138.3 million for 2Q 2006. The decrease in net cash generated from operations was primarily due to the changes relating to operating liabilities during 2Q 2007 compared with 2Q 2006.
- (b) The Group's capital expenditure was approximately US\$49.3 million in 2Q 2007.
- (c) In 2Q 2007, the Group received proceeds of approximately US\$166.7 million from the disposal of RWS.
- (d) In 2Q 2007, the Group made a net repayment of US\$206.4 million under the existing bank loans.

Six months ended 30 June 2007 ("1H 2007") compared with six months ended 30 June 2006 ("1H 2006")

Turnover

The Group's revenue for 1H 2007 was US\$1,221.9 million, increased by 10.3% from US\$1,107.4 million for 1H 2006. Net revenue increased by 10.7% primarily due to a 14.3% capacity increase which was partially offset by a 3.2% decrease in net revenue yield. The capacity increase in 1H 2007 was mainly due to the addition of m.v. Pride of Hawaii and m.v. Norwegian Pearl, which entered service in May 2006 and November 2006, respectively. The overall Group occupancy was at 101.9% in 1H 2007 compared with 101.3% in 1H 2006.

For Star Cruises Asia, net revenue remained relatively unchanged and net revenue yield increased by 1.2% compared to 1H 2006 on a 1.4% lower capacity. The lower capacity day was mainly a result of the drydocking of m.v. SuperStar Virgo, m.v. SuperStar Libra and m.v. Star Pisces, partially offset by the addition of m.v. SuperStar Aquarius. Occupancy levels in 1H 2007 were at 84.5% compared to 81.6% in 1H 2006.

For NCLC Group, net revenue increased 13.5% primarily due to a 18.4% increase in capacity days partially offset by a 4.1% decrease in net revenue yield. The increase in capacity was the result of the addition of m.v. Pride of Hawaii and m.v. Norwegian Pearl which entered service in May 2006 and November 2006, respectively, partially offset by the return of m.v. Norwegian Wind (renamed m.v. SuperStar Aquarius) to Star Cruises Asia in April 2007. The decrease in net revenue yield in 1H 2007 was primarily the result of a decrease in passenger ticket prices. The decrease in passenger ticket prices was primarily due to significant downward pricing pressure related to NCLC Group's inter-island cruises in Hawaii. Occupancy level for NCLC Group for 1H 2007 was at 105.7% compared to 106.4% in 1H 2006.

Management's Discussion and Analysis *(Continued)*

Cost and expenses

Total costs and expenses before interest and non-operating items for 1H 2007 amounted to US\$1,189.3 million compared with US\$1,052.8 million in 1H 2006, an increase of US\$136.5 million.

Operating expenses increased by US\$93.5 million to US\$902.8 million in 1H 2007 from US\$809.3 million in 1H 2006. Ship operating expenses was 12.8% higher compared with 1H 2006. However, ship operating expenses per capacity day were 1.3% lower in 1H 2007 compared with 1H 2006. The lower ship operating expenses per capacity day was primarily due to lower payroll and related costs of NCL America, lower fuel costs and receipt of certain insurance proceeds. The decrease in ship operating expenses per capacity day was partially offset by the charter hire fee for m.v. Norwegian Crown as well as start-up costs associated with the introduction of m.v. SuperStar Aquarius in Hong Kong. Average fuel prices in 1H 2007, net of fuel hedges, decreased by approximately 2.9% from 1H 2006. Fuel costs accounted for approximately 18.3% of ship operating expenses in 1H 2007 compared with 19.4% in 1H 2006.

SG&A expenses increased by US\$22.5 million to US\$161.7 million in 1H 2007 from US\$139.2 million in 1H 2006. SG&A expenses per capacity day for 1H 2007 were 1.6% higher compared with 1H 2006 primarily because of the reasons mentioned in the 2Q commentary above, partially offset by lower shore costs per capacity day in the NCLC Group.

Depreciation and amortisation expenses increased by US\$15.4 million to US\$119.7 million for 1H 2007 from US\$104.3 million for 1H 2006. The increase in depreciation and amortisation was primarily due to the addition of Pride of Hawaii and Norwegian Pearl.

In 1H 2007, the Group recorded a net impairment loss of US\$5.2 million in respect of the ships and the Orient Lines trade name.

Operating profit

Operating profit decreased by US\$22.0 million to US\$32.6 million for 1H 2007 from US\$54.6 million in 1H 2006.

Non-operating expense

Non-operating expense decreased by US\$38.3 million to US\$85.4 million for 1H 2007 compared with US\$123.7 million for 1H 2006. The decrease was mainly due to the net effect of the following items:

- (a) Interest expense, net of interest income and capitalised interest increased by US\$27.1 million to US\$111.4 million for 1H 2007 compared to US\$84.3 million for 1H 2006 as a result of higher average outstanding debts.
- (b) The Group recorded a non-cash foreign currency debts translation loss of US\$20.5 million for 1H 2007 compared to US\$24.9 million in 1H 2006.
- (c) During 1H 2007, the Group recorded a gain on disposal of RWS of US\$53.7 million.
- (d) During 1H 2006, the Group wrote off its non-cruise investment in Orangestar Investment Holdings Pte. Ltd. of US\$10.3 million.

Profit / (Loss) before taxation

Loss before taxation for 1H 2007 was US\$52.8 compared to a loss before taxation of US\$69.1 million for 1H 2006.

Taxation

The Group incurred a taxation expense of US\$3.2 million for 1H 2007 compared with a tax benefit of US\$0.1 million for 1H 2006. Star Cruises Asia recorded a tax expense of US\$3.1 million for 1H 2007 compared to US\$0.7 million for 1H 2006 primarily due to higher shipping income tax for India operation as a result of revised tax rate commencing April 2006. For 1H 2006, NCLC Group recorded a tax benefit of US\$0.8 million of its U.S. federal tax for the tour operation in the U.S.

Management's Discussion and Analysis *(Continued)*

Net loss attributable to shareholders

The Group recorded a net loss attributable to shareholders of US\$56.0 million for 1H 2007 compared with US\$69.0 million in 1H 2006.

Liquidity and capital resources

Sources and uses of funds

For 1H 2007, cash and cash equivalents (net of bank overdraft) decreased to US\$156.4 million from US\$467.2 million as at 31 December 2006. The decrease of US\$310.8 million in cash and cash equivalents (net of bank overdraft), was mainly due to the net effect of the following items:

- (a) The Group's business provided US\$115.8 million of net cash from operations for 1H 2007 compared to US\$199.4 million for 1H 2006. The decrease in net cash generated from operations was primarily due to the changes relating to operating liabilities during 1H 2007 compared with 1H 2006.
- (b) The Group's capital expenditure was approximately US\$82.4 million in 1H 2007.
- (c) The Group used approximately US\$206.6 million, including the assignment of loans from minority shareholders, for the acquisition of 75% equity interest in MLIC. In addition, the Group used approximately US\$108.0 million to acquire an additional equity interest in RWS.
- (d) In 1H 2007, the Group received proceeds of approximately US\$166.7 million from the disposal of RWS and US\$14.7 million from the disposal of a subsidiary, Laem Chabang Cruise Centre Co., Ltd.
- (e) In 1H 2007, the Group made a net repayment of US\$189.4 million under the existing bank loans.
- (f) The Group refunded the excess cash received of approximately US\$98.8 million in respect of the unsuccessful applications for excess rights shares pursuant to the rights issue in December 2006. In 1H 2007, the Group issued 255 million ordinary shares of US\$0.10 each at the subscription price of HK\$2.29 (US\$0.29) per share and 255 million option shares at a premium of HK\$0.28 (US\$0.04) per option share to the independent third parties.

Prospects

In the second half of the year, the NCLC Group continues to experience pricing pressure in its Hawaii trade but the Caribbean trade has stabilised. Demand for the summer has been strong, particularly in Europe.

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 2006 and interim report for the three months ended 31 March 2007.

Interests of Directors

As at 30 June 2007, the interests and short positions of the Directors and the 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 Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

(A) Interests in the shares of the Company

| Name of Director | Nature of interests / capacity in which such interests were held | | | | | Total | Percentage of issued ordinary shares |
|---------------------------------|--|---------------------|-------------------------------------|---|---------------|--------|--------------------------------------|
| | Beneficial owner | Interests of spouse | Interests of controlled corporation | Founder / Beneficiary of discretionary trusts | | | |
| | Number of ordinary shares (Notes) | | | | | | |
| Tan Sri Lim Kok Thay | 362,216,893 | 36,298,108 | 582,927,016 | 4,974,882,524 | 5,920,026,433 | 82.168 | |
| | | (1) | (2) | (3 and 4) | (5) | | |
| Mr. Chong Chee Tut | 1,103,605 | — | — | — | 1,103,605 | 0.015 | |
| Mr. William Ng Ko Seng | 750,034 | — | — | — | 750,034 | 0.010 | |
| Mr. David Colin Sinclair Veitch | 335,445 | — | — | — | 335,445 | 0.005 | |

Notes:

As at 30 June 2007:

1. Tan Sri Lim Kok Thay ("Tan Sri KT Lim") had a family interest in the same block of 36,298,108 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which his wife, Puan Sri Wong Hon Yee had a corporate interest.
2. Tan Sri KT Lim was also deemed to have a corporate interest in 582,927,016 ordinary shares (comprising (i) the same block of 36,298,108 ordinary shares directly held by Goldsfine in which each of Tan Sri KT Lim and Puan Sri Wong Hon Yee held 50% of its issued share capital and (ii) the same block of 546,628,908 ordinary shares directly held by Joondalup Limited in which Tan Sri KT Lim held 100% of its issued share capital).
3. Tan Sri KT Lim as founder and a beneficiary of two discretionary trusts (trustees of which are Parkview Management Sdn Bhd and GZ Trust Corporation respectively), had a deemed interest in 4,974,882,524 ordinary shares.
4. Out of 4,974,882,524 ordinary shares, 502,528,000 ordinary shares were pledged shares.
5. There was no duplication in arriving at the total interest.
6. All the above interests represented long positions in the shares of the Company and excluded 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 June 2007, 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 the Post-listing Employee Share Option Scheme:

| Name of Director | Number of underlying ordinary shares | Percentage of issued ordinary shares | Capacity in which such interests were held |
|---------------------------------|--------------------------------------|--------------------------------------|--|
| Tan Sri Lim Kok Thay | 8,923,237 | 0.124 | Beneficial owner |
| Mr. Chong Chee Tut | 1,168,131 | 0.016 | Beneficial owner |
| Mr. William Ng Ko Seng | 868,308 | 0.012 | Beneficial owner |
| Mr. David Colin Sinclair Veitch | 3,115,023 | 0.043 | Beneficial owner |

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 represented 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 the shares of associated corporation of the Company

| Name of associated corporation | Name of Director | No. of issued ordinary shares | Percentage of issued ordinary shares | Capacity in which such interests were held |
|--|----------------------|-------------------------------|--------------------------------------|---|
| WorldCard International Limited ("WCIL") (1) | Tan Sri Lim Kok Thay | 1,000,000 | 100 | Founder and a beneficiary of two discretionary trusts |

Notes:

As at 30 June 2007:

1. WCIL was a company in which a subsidiary of each of the Company and Genting International P.L.C. had a 50% interest.
2. The above interests represented long positions in the shares of WCIL.

(D) 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:

- (a) as at 30 June 2007, 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
- (b) at no time during the period was the Company and its 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 2006. Share Options are granted to certain 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 the Post-listing Employee Share Option Scheme during the period and outstanding as at 30 June 2007 were as follows:

(A) Pre-listing Employee Share Option Scheme

| | Number of options outstanding at 01/01/2007 | Number of shares acquired upon exercise of options during the period | Number of options lapsed during the period | Number of options cancelled during the period | Number of options outstanding at 30/06/2007 | Date granted | Exercise price per share | Exercisable period |
|---|---|---|--|---|---|------------------|--------------------------------|-------------------------|
| Tan Sri Lim Kok Thay (Director) | 1,881,992 | (470,499) ¹ | — | — | 1,411,493 | 24/03/1999 | US\$0.2524 | 24/03/2002 – 23/03/2009 |
| | 713,859 | — | (178,466) | — | 535,393 | 24/03/1999 | US\$0.3953 | 24/03/2002 – 23/03/2009 |
| | 648,963 | — | — | — | 648,963 | 23/10/2000 | US\$0.2524 | 23/10/2003 – 22/08/2010 |
| | 1,881,992 | (470,499) ¹ | — | — | 1,411,493 | 16/11/2000 | US\$0.2524 | 24/03/2002 – 23/03/2009 |
| | 713,859 | — | (178,466) | — | 535,393 | 16/11/2000 | US\$0.3953 | 24/03/2002 – 23/03/2009 |
| | 162,241 | — | — | — | 162,241 | 16/11/2000 | US\$0.2524 | 23/10/2003 – 22/08/2010 |
| | 6,002,906 | (940,998) | (356,932) | — | 4,704,976 | | | |
| Mr. Chong Chee Tut (Director) | 32,448 | — | (32,448) | — | — | 25/05/1998 | US\$0.3953 | 23/06/2000 – 22/06/2007 |
| | 220,647 | (55,163) ² | — | — | 165,484 | 24/03/1999 | US\$0.2524 | 24/03/2002 – 23/03/2009 |
| | 38,937 | — | (9,735) | — | 29,202 | 24/03/1999 | US\$0.3953 | 24/03/2002 – 23/03/2009 |
| | 311,502 | — | — | — | 311,502 | 23/10/2000 | US\$0.2524 | 23/10/2003 – 22/08/2010 |
| | 12,979 | — | — | — | 12,979 | 23/10/2000 | US\$0.3953 | 23/10/2003 – 22/08/2010 |
| | 616,513 | (55,163) | (42,183) | — | 519,167 | | | |
| Mr. William Ng Ko Seng (Director) | 12,979 | (6,492) ³ | — | — | 6,487 | 24/03/1999 | US\$0.2524 | 24/03/2002 – 23/03/2009 |
| | 51,918 | — | (12,980) | — | 38,938 | 24/03/1999 | US\$0.3953 | 24/03/2002 – 23/03/2009 |
| | 246,605 | (98,644) ³ | — | — | 147,961 | 23/10/2000 | US\$0.2524 | 23/10/2003 – 22/08/2010 |
| | 12,979 | — | — | — | 12,979 | 23/10/2000 | US\$0.3953 | 23/10/2003 – 22/08/2010 |
| | 324,481 | (105,136) | (12,980) | — | 206,365 | | | |
| Mr. David Colin Sinclair Veitch (Director) | 648,963 | — | (129,793) | — | 519,170 | 07/01/2000 | US\$0.3953 | 07/01/2003 – 06/01/2010 |
| All other employees | 64,897 | — | (64,897) | — | — | 25/05/1998 | US\$0.2524 | 11/03/2000 – 10/03/2007 |
| | 272,567 | — | (272,567) | — | — | 25/05/1998 | US\$0.3953 | 23/06/2000 – 22/06/2007 |
| | 1,226,533 | — | (1,226,533) | — | — | 25/05/1998 | US\$0.3953 | 06/01/2000 – 05/01/2007 |
| | 6,030,668 | (207,651) ⁴ | (1,386,868) | (160,418) | 4,275,731 | 24/03/1999 | US\$0.2524 | 24/03/2002 – 23/03/2009 |
| | 3,269,563 | (6,490) ⁵ | (891,919) | (71,249) | 2,299,905 | 24/03/1999 | US\$0.3953 | 24/03/2002 – 23/03/2009 |
| | 335,624 | (31,515) ⁶ | (62,976) | — | 241,133 | 30/06/1999 | US\$0.2524 | 30/06/2002 – 29/06/2009 |
| | 685,157 | — | (173,956) | — | 511,201 | 30/06/1999 | US\$0.3953 | 30/06/2002 – 29/06/2009 |
| | 1,113,474 | (79,767) ⁷ | — | (82,477) | 951,230 | 23/10/2000 | US\$0.2524 | 23/10/2003 – 22/08/2010 |
| | 1,529,443 | — | — | (86,961) | 1,442,482 | 23/10/2000 | US\$0.3953 | 23/10/2003 – 22/08/2010 |
| | | 14,527,926 | (325,423) | (4,079,716) | (401,105) | 9,721,682 | | |
| Grand Total | 22,120,789 | (1,426,720) | (4,621,604) | (401,105) | 15,671,360 | | | |

Share Options (Continued)

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

Notes:

1. Exercise date was 22 March 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.000.
2. Exercise date was 23 March 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.010.
3. Exercise date was 22 January 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.530.
4. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.567.
5. Exercise date was 25 January 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$3.920.
6. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.766.
7. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.432.

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 become 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 of 10% 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 01/01/2007 | Number of shares acquired upon exercise of options during the period | Number of options lapsed during the period | Number of options cancelled during the period | Number of options outstanding at 30/06/2007 | Date granted | Exercise price per share | Exercisable period |
|--|---|--|--|---|---|--|--|---|
| Tan Sri Lim Kok Thay (Director) | 3,585,521 632,740 | — — | — — | — — | 3,585,521 632,740 | 19/08/2002 23/08/2004 | HK\$2.8142 HK\$1.6202 | 20/08/2004 – 19/08/2012 24/08/2006 – 23/08/2014 |
| | 4,218,261 | — | — | — | 4,218,261 | | | |
| Mr. Chong Chee Tut (Director) | 551,619 97,345 | — — | — — | — — | 551,619 97,345 | 19/08/2002 23/08/2004 | HK\$2.8142 HK\$1.6202 | 20/08/2004 – 19/08/2012 24/08/2006 – 23/08/2014 |
| | 648,964 | — | — | — | 648,964 | | | |
| Mr. William Ng Ko Seng (Director) | 661,943 116,814 | — (116,814) ¹ | — — | — — | 661,943 — | 19/08/2002 23/08/2004 | HK\$2.8142 HK\$1.6202 | 20/08/2004 – 19/08/2012 24/08/2006 – 23/08/2014 |
| | 778,757 | (116,814) | — | — | 661,943 | | | |
| Mr. David Colin Sinclair Veitch (Director) | 2,206,475 389,378 | — — | — — | — — | 2,206,475 389,378 | 19/08/2002 23/08/2004 | HK\$2.8142 HK\$1.6202 | 20/08/2004 – 19/08/2012 24/08/2006 – 23/08/2014 |
| | 2,595,853 | — | — | — | 2,595,853 | | | |
| All other employees | 66,874,639 843,652 10,017,261 | (49,301) ² — (384,206) ³ | (670,876) — — | — — — | 66,154,462 843,652 9,633,055 | 19/08/2002 08/09/2003 23/08/2004 | HK\$2.8142 HK\$2.8142 HK\$1.6202 | 20/08/2004 – 19/08/2012 09/09/2005 – 08/09/2013 24/08/2006 – 23/08/2014 |
| | 77,735,552 | (433,507) | (670,876) | — | 76,631,169 | | | |
| Grand Total | 85,977,387 | (550,321) | (670,876) | — | 84,756,190 | | | |

Share Options (Continued)

(B) Post-listing Employee Share Option Scheme (Continued)

Notes:

1. Exercise date was 22 January 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.530.
2. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.752.
3. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.885.

Other than the share options granted on 23 August 2004 under the Post-listing Employee Share Option Scheme which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer, the outstanding share options under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from their respective dates of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the dates of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years. All the outstanding share options under the Post-listing Employee Share Option Scheme are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Interests of Substantial Shareholders

As at 30 June 2007, 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, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO and in accordance with information received by the Company:

(A) Interests in the shares of the Company

| Name of shareholder (Notes) | Nature of interests / capacity in which such interests were held | | | | | | Total | Percentage of issued ordinary shares |
|---|--|---------------------------------|-------------------------------------|------------------------------|------------------------------|-----------------------|-------|--------------------------------------|
| | Beneficial owner | Interests of spouse | Interests of controlled corporation | Trustee | Beneficiary of trust | | | |
| | Number of ordinary shares (Notes) | | | | | | | |
| Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1) | — | — | 2,463,055,180 (10) | 2,463,055,180 (12) | — | 2,463,055,180 (20) | 34.19 | |
| Kien Huat Realty Sdn Bhd (2) | — | — | 2,463,055,180 (10) | — | — | 2,463,055,180 | 34.19 | |
| Genting Berhad (3) | — | — | 2,463,055,180 (10) | — | — | 2,463,055,180 | 34.19 | |
| Resorts World Bhd (4) | — | — | 2,442,959,180 (11) | — | — | 2,442,959,180 | 33.91 | |
| Sierra Springs Sdn Bhd (5) | — | — | 2,442,959,180 (11) | — | — | 2,442,959,180 | 33.91 | |
| Resorts World Limited (5) | 2,442,959,180 | — | — | — | — | 2,442,959,180 | 33.91 | |
| GZ Trust Corporation (as trustee of a discretionary trust) (6) | — | — | 2,511,827,344 (13) | 2,511,827,344 (14 and 19) | 2,511,827,344 (16) | 2,511,827,344 (20) | 34.86 | |
| Cove Investments Limited (7) | — | — | — | — | 2,511,827,344 (17 and 19) | 2,511,827,344 | 34.86 | |
| Golden Hope Limited (as trustee of Golden Hope Unit Trust) (8) | — | — | — | 2,511,827,344 (15 and 19) | — | 2,511,827,344 | 34.86 | |
| Joondalup Limited (9) | 546,628,908 | — | — | — | — | 546,628,908 | 7.59 | |
| Puan Sri Wong Hon Yee | — | 5,920,026,433 (18(a) and 19) | 36,298,108 (18(b)) | — | — | 5,920,026,433 (20) | 82.17 | |

Interests of Substantial Shareholders *(Continued)*

(A) Interests in the shares of the Company *(Continued)*

Notes:

As at 30 June 2007:

1. Parkview Management Sdn Bhd ("Parkview") was a trustee of a discretionary trust (the "Discretionary Trust 1"), the beneficiaries of which included certain members of Tan Sri Lim Goh Tong's family (the "Lim Family").
2. Kien Huat Realty Sdn Bhd ("KHR") was a private company of which the Discretionary Trust 1, through Aranda Tin Mines Sdn Bhd, Infomark (Malaysia) Sdn Bhd, Inforex Sdn Bhd, Dataline Sdn Bhd and Info-Text Sdn Bhd (all of which were 100% held by Parkview as trustee of the Discretionary Trust 1) controlled an aggregate of 100% of its equity interest.
3. Genting Berhad ("GB"), a company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 39.6% of its equity interest.
4. Resorts World Bhd ("RWB"), a company listed on the Main Board of Bursa Malaysia of which GB controlled 50.3% of its equity interest.
5. Resorts World Limited ("RWL") was a wholly-owned subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") which was in turn a wholly-owned subsidiary of RWB.
6. GZ Trust Corporation ("GZ") was the trustee of a discretionary trust (the "Discretionary Trust 2") established for the benefit of certain members of the Lim Family. GZ as trustee of the Discretionary Trust 2 held 99.99% of the units in Golden Hope Unit Trust ("GHUT"), a private unit trust directly and 0.01% of the units in GHUT indirectly through Cove (as defined below).
7. Cove Investments Limited ("Cove") was wholly-owned by GZ as trustee of the Discretionary Trust 2.
8. Golden Hope Limited ("Golden Hope") was the trustee of GHUT.
9. Joondalup Limited was wholly-owned by Tan Sri Lim Kok Thay ("Tan Sri KT Lim").
10. Each of Parkview as trustee of the Discretionary Trust 1, KHR and GB had a corporate interest in 2,463,055,180 ordinary shares (comprising the same block of 2,442,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by Genting Overseas Holdings Limited ("GOHL"), a wholly-owned subsidiary of GB).
11. Each of RWB and Sierra Springs had a corporate interest in the same block of 2,442,959,180 ordinary shares held directly by RWL.
12. The interest in 2,463,055,180 ordinary shares was held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprised the same block of 2,442,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by GOHL.
13. GZ as trustee of the Discretionary Trust 2 had a corporate interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.
14. GZ in its capacity as trustee of the Discretionary Trust 2 had a deemed interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.
15. The interest in 2,511,827,344 ordinary shares was held directly by Golden Hope in its capacity as trustee of GHUT.
16. GZ as trustee of the Discretionary Trust 2 was deemed to have interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
17. Cove which held 0.01% of the units in GHUT was deemed to have interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
18. (a) Puan Sri Wong Hon Yee ("Puan Sri Wong") as the spouse of Tan Sri KT Lim, had a family interest in the same block of 5,920,026,433 ordinary shares in which Tan Sri KT Lim had a deemed interest. These interests did 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 had a corporate interest in 36,298,108 ordinary shares held directly by Goldsfine by holding 50% of its equity interest.
19. Out of the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT, 502,528,000 ordinary shares were pledged shares.
20. There was no duplication in arriving at the total interest.
21. All these interests represented long positions in the shares of the Company and excluded those in the underlying shares through share options or equity derivatives.

Interests of Substantial Shareholders (Continued)

(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 | Nature of interests |
|-----------------------|--------------------------------------|--------------------------------------|---------------------|
| Puan Sri Wong Hon Yee | 8,923,237 (Note) | 0.124 | Interests of spouse |

Note:

Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, was deemed to have a family interest in 8,923,237 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 represented 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 June 2007, there were no other persons 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.

General Disclosure pursuant to the Listing Rules

Pursuant to Rules 13.18 and 13.21 of the Listing Rules, the Company discloses the following information.

(i) Loan Agreements of the Group

The Group is a party to eleven loan agreements for an aggregate principal amount of approximately US\$5.88 billion, of which US\$3.04 billion has been drawdown, with terms ranging from five to sixteen years from the dates of these agreements. As at 30 June 2007, the outstanding loan balances was approximately US\$2.77 billion. The Euro denominated loans had been translated into US dollars based on the exchange rate of US\$1.3542 to €1 as at 30 June 2007.

One of these agreements requires the Lim Family to control (directly or indirectly) together or individually, the Company and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in the Company during the term of the loan. The other ten agreements require the Lim Family to control (directly or indirectly) together or individually, NCL Corporation Ltd. (“NCLC”), a direct wholly-owned subsidiary of the Company, and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in, NCLC during the terms of these loans.

In the event that the shares of NCLC are listed on an approved stock exchange, if: (i) a third party owns or gains control of more than 33% of the voting stock of NCLC and the Lim Family ceases together or individually, to control (directly or indirectly) NCLC and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in, NCLC; or (ii) without the prior written consent of the agent, NCLC ceases to be listed on an approved stock exchange (in the case of the US\$800 million loan facility, the US\$100 million letters of credit facility, the €624 million revolving loan facility, the two €662,905,320 credit facilities and the US\$610 million revolving credit facility, in the event that the shares of NCLC are listed on an approved stock exchange, if: (i) any individual or any third party (being any person or group of persons acting in concert who is not a member of the Lim Family) (a) owns legally and/or beneficially and either directly or indirectly at least 33% of the ordinary share capital of NCLC or (b) has the right or the ability to control, either directly or indirectly, the affairs or the composition of the majority of the board of directors (or equivalent) of NCLC; and the Lim Family together or individually, directly or indirectly, ceases to beneficially own at least 51% of the issued share capital of, and equity interest in, NCLC; or (ii) NCLC ceases to be listed on an approved stock exchange without the prior written consent of the lenders), this will constitute an event of default under the relevant loan agreements.

(ii) Convertible Bonds of the Company

Pursuant to the Trust Deed dated 20 October 2003 constituting the US\$180 million 2% Convertible Bonds of the Company, the Convertible Bonds may be redeemed at the option of the Bondholders prior to their maturity on 20 October 2008 when any person or persons, other than Genting Berhad, Golden Hope Limited, Resorts World Bhd or any of their affiliates, acquires control of more than 50% of the voting rights of the issued share capital of the Company.

(iii) Senior Notes of NCL Corporation Ltd.

Pursuant to the Indenture dated 15 July 2004 constituting the US\$250 million 10.625% Senior Notes of NCLC, holders of the Senior Notes have the right to require NCLC to repurchase all or a portion of the Senior Notes prior to their maturity on 15 July 2014 when any person or group of related persons, other than Tan Sri Lim Goh Tong, Golden Hope Limited as trustee of the Golden Hope Unit Trust or Genting Berhad and any affiliate or related person thereof (together the “Permitted Holders”), beneficially owns or controls more than 40% of the voting stock of NCLC if at such time the Permitted Holders beneficially own or control less of the voting stock of NCLC than such person.

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 2007, save for the issue of new ordinary shares of US\$0.10 each by the Company as follows:

- (a) the issue of 1,402,705 new ordinary shares of US\$0.10 each at an aggregate price of US\$354,970 pursuant to the exercise of options granted under the Pre-listing Employee Share Option Scheme;
- (b) the issue of 550,321 new ordinary shares of US\$0.10 each at an aggregate price of HK\$950,495 pursuant to the exercise of options granted under the Post-listing Employee Share Option Scheme;
- (c) the issue of 163,414,009 new ordinary shares of US\$0.10 each upon conversion of an aggregate amount of US\$53,395,000 of the US\$180,000,000 2% Convertible Bonds due 2008 at the conversion price of HK\$2.53 per share; and
- (d) the issue of 255,000,000 new ordinary shares of US\$0.10 each at the subscription price of HK\$2.29 (US\$0.29) per share, with an aggregate price, net of issuance costs, of approximately US\$75,000,000 to independent third parties pursuant to the share subscription agreements dated 17 January 2007.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period from 1 January 2007 to 30 June 2007 (both dates inclusive).

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2007, save for the deviation from Code Provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Considered reasons for the deviation from Code Provision A.2.1 were set out in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2006 issued in March 2007.

Review by Audit Committee

This interim report has been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant provisions of the CG Code. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely, Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng.

On behalf of the Board

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Hong Kong, 14 August 2007