



Star Cruises Limited
(Continued into Bermuda with limited liability)

ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2002

The Directors of Star Cruises Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiary companies (the "Group") for the three months and nine months ended 30 September 2002 together with the comparative figures for the previous periods as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
Turnover	1	447,373	379,834	1,205,171	1,042,447
Operating expenses (excluding depreciation and amortisation)		(264,266)	(221,289)	(735,673)	(636,448)
Selling, general and administrative expenses (excluding depreciation)		(62,555)	(59,314)	(180,647)	(177,309)
Depreciation and amortisation		(43,950)	(38,411)	(130,154)	(112,287)
		<u>(370,771)</u>	<u>(319,014)</u>	<u>(1,046,474)</u>	<u>(926,044)</u>
Operating profit	1	76,602	60,820	158,697	116,403
Interest income		1,266	1,020	2,264	6,313
Financial costs		(25,022)	(25,247)	(74,243)	(92,205)
Other non-operating income / (expenses), net		3,391	1,046	(6,980)	8,222
		<u>(20,365)</u>	<u>(23,181)</u>	<u>(78,959)</u>	<u>(77,670)</u>
Profit before taxation		56,237	37,639	79,738	38,733
Taxation	2	(600)	(341)	(1,135)	(807)
Net profit for the period		<u>55,637</u>	<u>37,298</u>	<u>78,603</u>	<u>37,926</u>
Basic earnings per share (US cents)	3	1.28	0.90	1.86	0.92
Fully diluted earnings per share (US cents)	3	1.28	0.90	1.86	0.91
<u>Operating data</u>					
Passenger Cruise Days		2,225,359	1,894,158	6,248,438	5,353,701
Capacity Days		2,133,505	1,864,419	6,323,797	5,485,527
Occupancy as a percentage of capacity days		104%	102%	99%	98%

NOTES TO THE ACCOUNTS

1. Turnover and Operating Profit

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

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

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

	TURNOVER			
	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	446,053	375,648	1,202,090	1,031,395
Charter hire	1,320	4,186	3,081	11,052
	447,373	379,834	1,205,171	1,042,447

	OPERATING PROFIT			
	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	75,976	58,559	157,519	110,202
Charter hire	626	2,261	1,178	6,201
	76,602	60,820	158,697	116,403

1. Turnover and Operating Profit (Continued)

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

	TURNOVER			
	Three months ended 30 September		Nine months ended 30 September	
	2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
Asia Pacific	120,648	119,790	352,208	372,678
North America (note)	306,149	223,369	785,551	582,880
Others	20,576	36,675	67,412	86,889
	<u>447,373</u>	<u>379,834</u>	<u>1,205,171</u>	<u>1,042,447</u>

	OPERATING PROFIT			
	Three months ended 30 September		Nine months ended 30 September	
	2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
Asia Pacific	26,788	25,752	77,220	79,485
North America (note)	48,326	32,255	81,287	37,507
Others	3,767	4,881	7,027	5,614
	<u>78,881</u>	<u>62,888</u>	<u>165,534</u>	<u>122,606</u>
Amortisation of goodwill	(2,279)	(2,068)	(6,837)	(6,203)
	<u>76,602</u>	<u>60,820</u>	<u>158,697</u>	<u>116,403</u>

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

2. Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
	Overseas taxation - Current taxation	600	341	1,135

3. Earnings per share

Earnings per share has been calculated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2002 US\$'000 unaudited	2001 US\$'000 unaudited	2002 US\$'000 unaudited	2001 US\$'000 unaudited
<u>BASIC</u>				
Net profit	55,637	37,298	78,603	37,926
Average outstanding ordinary shares in thousands	4,337,691	4,144,802	4,224,691	4,144,060
Basic earnings per share in US cents	1.28	0.90	1.86	0.92
<u>FULLY DILUTED</u>				
Net profit	55,637	37,298	78,603	37,926
Average outstanding ordinary shares in thousands	4,337,691	4,144,802	4,224,691	4,144,060
Effect of dilutive ordinary shares in thousands	11,612	15,118	12,481	21,990
Average outstanding ordinary shares after assuming dilution in thousands	4,349,303	4,159,920	4,237,172	4,166,050
Fully diluted earnings per share in US cents	1.28	0.90	1.86	0.91

INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the nine months ended 30 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months ended 30 September 2002 as compared with three months ended 30 September 2001

Turnover

The Group's revenue for the three months ended 30 September 2002 was US\$447.4 million, up 17.8% from US\$379.8 million for the three months ended 30 September 2001. During this quarter, capacity increase with higher occupancy drove the revenue growth. Net yield in the third quarter increased marginally by less than 1% despite the generally downward trend in net revenues in the industry since 11 September 2001. Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs.

Star Cruises Asia Pacific operated with 9.7% less capacity days in the three months ended 30 September 2002 compared to the three months ended 30 September 2001. The decline in capacity days was primarily due to the return of chartered ships, SuperStar Taurus and Norwegian Star 1 this year. This was partially offset by the introduction of Wasa Queen in September 2001 and the rejoining of SuperStar Capricorn into the fleet in January this year. SuperStar Capricorn was previously chartered to a third party. A 6.8% higher net yield was achieved in third quarter this year as compared with third quarter last year.

NCL Group (which consists of Norwegian Cruise Line and Orient Lines brands) recorded an increase in capacity days of 28.6% for the three months ended 30 September 2002 as compared to the three months ended 30 September 2001. The increase in capacity days was primarily due to the introduction into service of the purpose built "Freestyle Cruising" ships M/S Norwegian Sun and m.v. Norwegian Star in second half of last year. Net yield was lower by 2.0%.

Cost and expenses

Total costs and expenses before interest and non-operating items for the three months ended 30 September 2002 amounted to US\$370.8 million as compared with US\$319.0 million for the three months ended 30 September 2001.

Excluding fuel cost, ship operating expenses (excluding costs such as commissions, air tickets and other direct costs as they are already factored into the net yield) was 2.8% lower on a per capacity day basis for the three months ended 30 September 2002 as compared with the same period in 2001. The ship operating expenses on a per capacity day basis dropped mainly attributable to the savings from cost control initiatives implemented in 2001, and the rationalisation of its cruise operations in November 2001 following the 11 September events.

Selling, general and administrative (SG&A) expenses also reduced on a per capacity day basis for the three months ended 30 September 2002 as compared with the same period in 2001. Included in SG&A expenses was a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan. The Group continued to enjoy the benefits from the economies of scale as a result of increased capacity with the introduction of Norwegian Sun and Norwegian Star in the second half of 2001. Furthermore, the Group merged the shoreside operations of Orient Lines and NCL during the last quarter of 2001 which together with cost control measures drove the selling, general and administrative costs down by 7.8% on a per capacity day basis in this quarter from the same quarter a year ago.

Depreciation and amortisation expenses increased US\$5.5 million from US\$38.4 million for the three months ended 30 September 2001 to US\$43.9 million for the three months ended 30 September 2002. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment expenditure during the period.

Operating profit

With a 14.4% higher capacity and a higher occupancy at 104%, as well as a lower cost structure during the quarter, operating profit increased 25.9% from US\$60.8 million for the three months ended 30 September 2001 to US\$76.6 million for the three months ended 30 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-operating income/(expense)

Non-operating expenses lowered by 12.1% at US\$20.4 million for the three months ended 30 September 2002 compared with US\$23.2 million for the three months ended 30 September 2001. During the three months ended 30 September 2002, the Group has a non-cash gain on foreign exchange amounting to US\$4.8 million as compared to a non-cash gain on foreign exchange of US\$1.6 million in the third quarter of 2001. The non-cash gain resulted primarily from the softening of the Singapore dollar against the US dollar during the quarter. Net interest expenses for the three months ended 30 September 2002 reduced compared with the same period last year as the Group benefited from the lower interest rates.

Profit before taxation

Profit before taxation for the three months ended 30 September 2002 was US\$56.2 million, as compared to US\$37.6 million for the three months ended 30 September 2001.

Taxation

The Group incurred taxation expenses of US\$0.6 million for the three months ended 30 September 2002 as compared with US\$0.3 million for the same period in 2001.

Net profit attributable to shareholders

As a result, the Group recorded a net profit attributable to shareholders of US\$55.6 million for the three months ended 30 September 2002.

Liquidity and capital resources

Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. For the three months ended 30 September 2002, cash and cash equivalents increased to US\$355.1 million from US\$334.2 million as at 30 June 2002. The Group's business provided US\$66.3 million of net cash from operations for the three months ended 30 September 2002 as compared to US\$29.1 million for the three months ended 30 September 2001.

During the three months ended 30 September 2002, the Group's capital expenditure was approximately US\$26.1 million. A substantial portion of capital expenditure was for vessel refurbishments and onboard assets.

The Group made scheduled principal repayments of US\$17.4 million in relation to its long-term bank loans during the three months ended 30 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nine months ended 30 September 2002 as compared with nine months ended 30 September 2001

Turnover

The Group's revenue for the nine months ended 30 September 2002 was US\$1,205.2 million, up 15.6% from US\$1,042.4 million for the nine months ended 30 September 2001. During the first nine months, capacity increased 15.3% with the addition of two new ships in Norwegian Cruise Line. Net yield deterioration for the nine months ended 30 September 2002 following the 11 September incident was at 1.9% compared with same period last year.

Star Cruises Asia Pacific operated with 12.1% less capacity days in the nine months ended 30 September 2002 compared to the nine months ended 30 September 2001. The decline in capacity days was primarily due to the return of chartered ships, SuperStar Taurus and Norwegian Star 1 this year. In addition, the reduction in capacity days was also due partly to the disposal of Star Aquarius, MegaStar Sagittarius and MegaStar Capricorn in the first quarter last year. This was partially offset by the introduction of Wasa Queen in September 2001 and the rejoining of SuperStar Capricorn into the fleet in January this year. Net yield increased 1.6% as compared with the same period a year ago.

NCL Group recorded an increase in capacity days of 33.1% for the nine months ended 30 September 2002 as compared to the nine months ended 30 September 2001. The increase in capacity days was primarily due to the introduction into service of M/S Norwegian Sun and m.v. Norwegian Star in second half of last year. Net yield was down by 1.9%.

Cost and expenses

Total costs and expenses before interest and non-operating items for the nine months ended 30 September 2002 amounted to US\$1,046.5 million as compared with US\$926.0 million for the nine months ended 30 September 2001.

Excluding fuel cost, ship operating expenses was 5.7% lower on a per capacity day basis for the nine months ended 30 September 2002 as compared with the same period in 2001. The ship operating expenses on a per capacity day basis dropped mainly attributable to the savings accrue from cost control initiatives implemented in 2001, and the rationalisation of its cruise operations in November 2001 following the 11 September events.

Included in the selling, general and administrative (SG&A) expenses for the nine months ended 30 September 2002 was a net other expense of US\$2.9 million. This amount was primarily consisted of an additional liability of US\$5.4 million mainly in relation to the arbitration settlement award for damages relating to the re-delivery of M/S Leeward and the write back of US\$2.5 million in over-provision relating to the early re-delivery of M/S Norwegian Star 1. In addition, a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan was made.

The selling, general and administrative expenses also reduced on a per capacity day basis for the nine months ended 30 September 2002 as compared with the same period of 2001. The Group continued to enjoy the benefits from the economies of scale from the increased capacity. Furthermore, the Group merged the shoreside operations of Orient Lines and NCL during the last quarter of 2001 which together with cost control measures drove the selling, general and administrative costs down by 13.1% on a per capacity day basis in this first nine months of 2002 against the same period a year ago.

Depreciation and amortisation expenses increased US\$17.9 million from US\$112.3 million for the nine months ended 30 September 2001 to US\$130.2 million for the nine months ended 30 September 2002. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment expenditure during the period.

Operating profit

Operating profit increased 36.3% from US\$116.4 million for the nine months ended 30 September 2001 to US\$158.7 million for the nine months ended 30 September 2002. The results for the nine months were achieved on the back of a 15.3% higher capacity despite a reduction of 1.9% in net yield. In addition, operating, selling, general and administrative expenses (excluding the net other expenses) per capacity day was 6.8% lower through greater economies of scale from the increased capacity and as cost savings accrue from stringent cost control measures taken in 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-operating income/(expense)

Non-operating expenses was marginally higher by 1.7% to US\$79.0 million for the nine months ended 30 September 2002 from US\$77.7 million for the nine months ended 30 September 2001. During the nine months ended 30 September 2002, the Group has a non-cash gain on foreign exchange amounted to US\$1.5 million as compared to a non-cash gain on foreign exchange of US\$9.0 million in the same period last year. These non-cash gains were primarily due to the weakening of the Singapore dollar against the US dollar. The Group also recorded losses on extinguishment of debts of approximately US\$5.9 million in the nine months ended 30 September 2002. Net interest expenses for the nine months ended 30 September 2002 reduced compared with same period last year as the Group benefited from the lower interest rates.

Profit before taxation

Profit before taxation for the nine months ended 30 September 2002 was US\$79.7 million, as compared to US\$38.7 million for the nine months ended 30 September 2001.

Taxation

The Group incurred taxation expenses of US\$1.1 million for the nine months ended 30 September 2002, as compared US\$0.8 million in the same period in 2001.

Net profit attributable to shareholders

As a result of the changes in revenues and expenses, the Group recorded a net profit attributable to shareholders of US\$78.6 million for the nine months ended 30 September 2002.

Liquidity and capital resources

Sources and uses of funds

For the nine months ended 30 September 2002, cash and cash equivalents increased to US\$355.1 million from US\$171.6 million as at 31 December 2001. The Group's business provided US\$222.0 million of net cash from operations for the nine months ended 30 September 2002 as compared to US\$136.5 million for the nine months ended 30 September 2001.

During the nine months ended 30 September 2002, the Group's capital expenditure was approximately US\$58.2 million. A substantial portion of capital expenditure was for vessel refurbishments and onboard assets.

In June 2002, the Group issued approximately 189 million new ordinary shares at the price of HK\$3.30 (US\$0.42) per share to an existing shareholder in a top-up share placement. The net proceeds will be used as general working capital and for the acquisition or construction of vessel(s).

The Group made scheduled principal repayments of US\$45.2 million in relation to its long-term bank loans during the nine months ended 30 September 2002. In March 2002, the Group refinanced the outstanding balance of the 5-year syndicated term loan through a drawdown of US\$450 million under the US\$450 million syndicated term loan agreement signed in February 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Share Options

On 19 August 2002, the Share Option Committee of the Board of Directors approved an offer of options to Directors of the Company and employees of the Group entitling them to subscribe for an aggregate of 100,269,000 shares at an subscription price of HK\$3.20 (US\$0.41) per share under the Post-listing Scheme, a share option scheme that is effective from 30 November 2000, as amended on 22 May 2002.

Contingent liabilities

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2001 and the interim reports for the three months ended 31 March 2002 and the three months and six months ended 30 June 2002.

Significant subsequent events

On 15 October 2002, the Company announced an approximately US\$152 million right issue offering in addition to the approximately US\$80 million already raised by way of share placement in June this year. The Company intends to use the net proceeds of these fund raising exercises for the acquisition or construction of vessels and as general working capital. The details of the rights issue and certain financial and other information of the Group is set out in a prospectus to shareholders dated 14 November 2002.

In November 2002, the Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. These forward contracts amounted to approximately US\$60.7 million and will mature within 3 years from December 2002.

Prospects

The new Norwegian Dawn will be delivered on 3rd December 2002, slightly ahead of schedule. She will enter service on 7th December 2002 with approximately 2000 fare paying passengers on a transatlantic voyage from Southampton to New York. On 16 December she will be christened before a two-night travel agent and press showcase cruise. She will spend the winter based in Miami before moving up to New York in April 2003 to take up a long summer deployment running south to the Bahamas and Florida and back. Forward bookings show good per diems and strong volumes.

Purchase of the Project America assets was completed at the end of October and the hull is now being towed to Germany for completion with a targeted delivery date of April/May 2004. The materials and equipment to complete the ship, together with materials and equipment for the second ship, have largely been removed from the yard and are also en route to Germany.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Prospects (Continued)

In Asia Pacific, with the heightened security concerns in the region following the 12 October 2002 Bali bombing, Star Cruises thankfully experienced few cancellations. Nevertheless, the Group has stepped up security measures to an even higher level.

Star Cruises had a highly successful SuperStar Leo exploratory Hong Kong to Shanghai cruise with more than 2,000 passengers onboard in August this year. Encouraged by this, SuperStar Leo re-embarked on a similar Hong Kong / Shanghai cruise with a stop over in Xiamen in November this year.

For the Group as a whole, in the absence of any unforeseen circumstances, the Group expects that its performance to be satisfactory in the fourth quarter of this year.

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its result and financial position published in the annual report for the year ended 31 December 2001 and in the interim reports for the three months ended 31 March 2002 and the three months and six months ended 30 June 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the nine months ended 30 September 2002, save for the issuance of 189,091,000 new ordinary shares of US\$0.10 each at an aggregate price, net of issuance costs, of US\$77,328,617 to an existing shareholder in a top-up placement, and the issue of 2,221,000 new ordinary shares of US\$0.10 each at an aggregate price of US\$674,844 pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme (Pre-listing Scheme).

CORPORATE GOVERNANCE

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

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

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the nine months ended 30 September 2002, in compliance with the Code of Best Practice, except that Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the By-laws of the Company.

PUBLICATION OF FINANCIAL INFORMATION

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

By order of the Board

TAN SRI LIM KOK THAY
Chairman, President and Chief Executive Officer

Hong Kong, 18 November 2002

Note:

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

Forward-looking statements

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