Star Cruises Limited

(Continued into Bermuda with limited liability)

ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2003

The Directors of Star Cruises Limited ("Company") announce the unaudited consolidated results of the Company and its subsidiary companies ("Group") for the three months ended 31 March 2003 together with the comparative figures for the previous period as follow:

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

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

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 of a catamaran to a third party customer.

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

	TURNOVER		OPERATING PROFIT / (LOSS)	
	Three months ended 31 March		Three months ended 31 March	
	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	411,962	367,782	22,093	31,613
Charter hire	-	260	(760)	(256)
	411,962	368,042	21,333	31,357

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

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

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

2. Taxation

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

3. Earnings / (Loss) per share

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Turnover

The Group's revenue for the three months ended 31 March 2003 was US$412.0 million, up 11.9% from US$368.0 million for the three months ended 31 March 2002. During this quarter, capacity increase and higher yield drove the revenue growth. Net yield for the three months ended 31 March 2003 increased by 2.3% as compared with the same quarter of 2002. Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs.

Star Cruises Asia Pacific operated with 4.9% more capacity days in the three months ended 31 March 2003 compared to the three months ended 31 March 2002. A 0.5% higher net yield was achieved in first quarter this year as compared with first quarter last year.

NCL Group (which consists of Norwegian Cruise Line and Orient Lines brands) recorded an increase in capacity days of 11.3% for the three months ended 31 March 2003 as compared to the three months ended 31 March 2002. The increase in capacity days was primarily due to the introduction into service of the purpose built "Freestyle Cruising" m.v. Norwegian Dawn in December 2002. Net yield increased by 3.6% as compared with the same quarter of last year.

Cost and expenses

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

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

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

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

Operating profit

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

Non-operating income/(expense)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Profit / (Loss) before taxation

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

Taxation

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

Net loss attributable to shareholders

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

Liquidity and capital resources

Sources and uses of funds

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

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

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

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

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

Contingent liabilities

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2002.

Significant subsequent event

On 4 April 2003, Ship Holding LLC, an indirect wholly-owned subsidiary of the Company, as borrower entered into agreements with a bank syndicate to provide secured term loans of the equivalent amount in United States Dollars of up to €298 million (equivalent to approximately US$321.4 million based on the exchange rate of US$1.0784 to €1 as at 31 March 2003) to part finance the construction of the first "Project America" vessel acquired in 2002.

Prospects

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

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

For NCL Group, the number of bookings taken during the first quarter exceeded the number taken during first quarter last year, but not by as much as capacity is increasing for the year. Consequently the booked load factor at the end of the first quarter for Q2 onwards was significantly down on the position at the end of Q1 last year. Average booked per diems also declined significantly throughout the first quarter, with the forward impact being most pronounced in Q2.

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the three months ended 31 March 2003, save for the issue of 39,500 new ordinary shares of US$0.10 each at an aggregate price of US$10,712 pursuant to the exercise of options granted under the Pre-Listing Employee Share Option Scheme.

CORPORATE GOVERNANCE

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

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external and internal audit and of internal controls and risk evaluation. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely, Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng. 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 three months ended 31 March 2003, 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 Bye-laws of the Company.

PUBLICATION OF FINANCIAL INFORMATION

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

On behalf of the Board

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

Hong Kong, 20 May 2003

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