Star Cruises Limited

(Continued into Bermuda with limited liability)

(Stock Code: 678)

ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2005

The Directors of Star Cruises Limited ("Company") announce the unaudited consolidated results of the Company and its subsidiary companies ("Group") for the three months and six months ended 30 June 2005, together with the comparative figures for the previous periods as follows:

	Note	Three months ended 30 June		Six months ended 30 June	
		2005 US$'000 unaudited	2004 US$'000 unaudited	2005 US$'000 unaudited	2004 US$'000 unaudited
Turnover	2	438,760	376,928	843,243	767,675
Operating expenses (excluding depreciation and amortisation)		(301,302)	(253,668)	(568,843)	(508,030)
Selling, general and administrative expenses (excluding depreciation)		(71,058)	(61,112)	(137,623)	(130,751)
Depreciation and amortisation		(40,256)	(45,116)	(80,630)	(93,395)
Impairment loss		(2,700)	-	(2,700)	-
		(415,316)	(359,896)	(789,796)	(732,176)
Operating profit	2	23,444	17,032	53,447	35,499
Interest income		2,782	631	4,212	1,275
Financial costs		(34,553)	(22,902)	(66,314)	(44,989)
Share of loss of an associated company		(1,800)	-	(1,951)	-
Other non-operating income / (expenses), net		16,863	(2,867)	22,132	(9,260)
		(16,708)	(25,138)	(41,921)	(52,974)
Profit / (Loss) before taxation		6,736	(8,106)	11,526	(17,475)
Taxation	3	(536)	(895)	(923)	(706)
Net profit / (loss) for the period		6,200	(9,001)	10,603	(18,181)
Basic earnings / (loss) per share (US cents)	4	0.12	(0.17)	0.20	(0.34)
Fully diluted earnings per share (US cents)	4	0.12	N/A*	0.20	N/A*
<u>Operating data</u>					
Passenger Cruise Days		2,157,961	2,010,013	4,220,051	4,075,323
Capacity Days		2,045,705	1,888,881	4,063,899	4,010,899
Occupancy as a percentage of total capacity days		105%	106%	104%	102%

* Diluted loss per share for the three months and six months ended 30 June 2004 are not shown as the diluted loss per share is less than the basic loss per share.

CONSOLIDATED BALANCE SHEET

	As at	
		(Restated)
	30 June 2005	31 December 2004
	US$'000	US$'000
	unaudited	audited
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	605,994	605,286
Deferred tax asset	375	387
Property, plant and equipment	4,114,308	3,821,484
Lease prepayments	1,752	1,818
Investment in an associated company	13,197	15,148
Restricted cash	150	150
Other assets	81,928	85,095
	4,817,704	4,529,368
CURRENT ASSETS		
Consumable inventories	48,606	42,059
Trade receivables	16,919	12,089
Prepaid expenses and others	47,340	29,684
Derivative financial instruments	4,484	2,241
Amounts due from related companies	41	125
Restricted cash	95,044	28,520
Cash and cash equivalents	366,521	341,027
	578,955	455,745
TOTAL ASSETS	5,396,659	4,985,113

CONSOLIDATED BALANCE SHEET (CONTINUED)

	As at	
		(Restated)
	30 June 2005	31 December 2004
	US$'000	US$'000
	unaudited	audited
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	529,636	529,320
Reserves:		
Share premium	1,268,445	1,267,913
Additional paid-in capital	94,245	94,018
Convertible bonds - equity component	14,400	14,400
Foreign currency translation adjustments	(24,224)	(23,197)
Unamortised share option expense	(1,698)	(2,300)
Cash flow hedge reserve	(2,794)	(20,564)
Retained earnings / (Accumulated losses)	7,811	(31,218)
	1,885,821	1,828,372
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term borrowings	2,648,232	2,412,854
Derivative financial instruments	15,550	22,361
Other long-term liabilities	5,176	5,734
Deferred tax liabilities	679	539
	2,669,637	2,441,488
CURRENT LIABILITIES		
Trade creditors	63,810	83,481
Current income tax liabilities	1,054	1,227
Provisions, accruals and other liabilities	200,934	209,281
Current portion of long-term borrowings	229,288	179,159
Derivative financial instruments	469	1,392
Advance ticket sales	345,646	240,713
	841,201	715,253
TOTAL LIABILITIES	3,510,838	3,156,741
TOTAL EQUITY AND LIABILITIES	5,396,659	4,985,113

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

The unaudited results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 accounts in conformity with generally accepted accounting principles 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 results are prepared under the historical cost convention.

These unaudited results should be read where relevant, in conjunction with the annual accounts of the Group for the year ended 31 December 2004.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

As at 1 January 2005, the Group adopted these new HKFRSs as listed below, which are relevant to its operations. The comparative figures in respect of 2004 have been amended as required and where necessary, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

1. Principal Accounting Policies (continued)

The Group revalued certain of the properties in conjunction with the listing of the entire share capital on The Stock Exchange of Hong Kong Limited in 2000. On 1 January 2005, the Group applied the exemptions under HKFRS 1 whereby it elected to use the revalued amount of these properties under HK GAAP as deemed cost at the date of transition to HKFRSs.

The adoption of these new HKFRSs did not have any significant impact on its results of operations and financial position, except for the adoption of HKFRS 2, HKFRS 3, HKAS 38, HKAS 17, HKAS 32 and HKAS 39.

HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share options granted after 7 November 2002 and to be vested after 1 January 2005. The Group has also applied HKFRS 2 retrospectively for share options granted after 7 November 2002 and vested before 1 January 2005. Prior to 1 January 2005, the Group accounted for compensation expense in respect of these share options to employees based on the excess, if any, of the quoted market price of the share at the date of the grant over the exercise price of the option. Effective from 1 January 2005, the Group accounts for the compensation cost of these share options based on the fair value of the employee services received in exchange for the grant of these options.

This change in accounting policy has been accounted for retrospectively as follows:

	As previously reported	Effect of adoption of HKFRS	As restated
	US$'000	US$'000	US$'000
Group			
At 31 December 2004			
Reserves:			
Additional paid-in capital	92,689	1,329	94,018
Accumulated losses	(31,079)	(139)	(31,218)
Unamortised share option expense	(1,110)	(1,190)	(2,300)

HKAS 17

The adoption of HKAS 17 requires the Group to classify the land held under a long-term lease as an operating lease if the risks and rewards incidental to ownership will not be transferred to the lessee. The comparative in respect of the property, plant and equipment have been restated whereby the land held under operating lease is now presented as lease prepayments. The effect of the reclassification of the comparative is as follows:

	As previously reported	Effect of adoption of HKFRS	As restated
	US$'000	US$'000	US$'000
Group			
At 31 December 2004			
Property, plant and equipment	3,823,302	(1,818)	3,821,484
Lease prepayments	-	1,818	1,818

1. Principal Accounting Policies (continued)

HKAS 32

The adoption of HKAS 32 requires the Group to analyse the compound financial instruments into debt and equity components based on the circumstances at the inception of the instrument. The comparative in respect of the convertible bonds have been restated whereby the equity conversion option is now presented as a component of reserves. The effect of reclassification of comparatives has been accounted for retrospectively as follows:

	As previously reported	Effect of adoption of HKFRS	As restated
	US$'000	US$'000	US$'000
Group			
At 31 December 2004			
Convertible bonds	180,000	(6,050)	173,950
Provision, accruals and other liabilities	217,631	(8,350)	209,281
Reserves:			
Convertible bonds - equity component	-	14,400	14,400

HKFRS 3 and HKAS 38

The adoption of HKFRS 3 and HKAS 38 resulted in a change in the accounting policy for goodwill and trade names. Prior to 1 January 2005, goodwill and trade names were amortised over useful lives of 40 years and negative goodwill was amortised over 26 years, the remaining weighted average useful life of the non-monetary assets acquired. In addition, the goodwill and trade names were assessed for impairment annually or where there were indications of possible impairment.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill and trade names from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill and trade names;
- The carrying amount of previously recognised negative goodwill has been derecognised as at 1 January 2005 with a corresponding adjustment to the opening balance of retained earnings;
- The Group will continue to review goodwill and trade names for impairment annually or where there are indications of possible impairment.

This change in accounting policy has been accounted for prospectively from 1 January 2005 as follows:

	As previously reported	Effect of adoption of HKFRS	As restated
	US$'000	US$'000	US$'000
Group			
At 1 January 2005			
Intangible assets, net of accumulated amortisation and impairment	605,286	39,769	645,055
Retained earnings / (Accumulated losses)	(31,079)	39,769	8,690

1. Principal Accounting Policies (continued)

HKAS 39

Upon adoption of HKAS 39 on 1 January 2005, the fair value of certain interest rate swaps of US$10.7 million which no longer qualified as hedging instruments as a result of early repayment of certain bank borrowings and which had been included within cash flow hedge reserve, has been adjusted to the opening balance of retained earnings. Similarly, the fair value of the 5.5% capped USD LIBOR-in-arrears interest rate swaps amounting to US$0.6 million which were not effective hedges and had been included within cash flow hedge reserve, has been adjusted to the opening balance of retained earnings.

The effects of the change on the Group's consolidated financial statements have been accounted for prospectively from 1 January 2005 as follows:

	As previously reported	Effect of adoption of HKFRS	As restated
	US$'000	US$'000	US$'000
Group			
At 1 January 2005			
Reserves:			
Cash flow hedge reserve	(20,564)	11,343	(9,221)
Accumulated losses	(31,079)	(11,343)	(42,422)

2. Turnover and Operating Profit

The turnover consists of revenues earned from cruise and cruise related activities and others.

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. Other operations of the Group comprise charter hire and provision of transportation and tour services, none of which are of a sufficient size to be reported separately.

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

	TURNOVER			
	Three months ended 30 June		Six months ended 30 June	
	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities [1]	433,690	375,610	833,490	766,357
Others	5,070	1,318	9,753	1,318
	438,760	376,928	843,243	767,675

	OPERATING PROFIT			
	Three months ended 30 June		Six months ended 30 June	
	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities				
Operating profit	27,417	16,496	58,456	35,690
Others				
Operating profit / (loss)	(1,273)	536	(2,309)	(191)
Impairment loss	(2,700)	-	(2,700)	-
	(3,973)	536	(5,009)	(191)
	23,444	17,032	53,447	35,499

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 June		Six months ended 30 June	
	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	91,291	93,166	165,438	204,880
North America [2]	316,485	251,608	617,070	506,822
Others	30,984	32,154	60,735	55,973
	438,760	376,928	843,243	767,675

2. Turnover and Operating Profit (Continued)

	OPERATING PROFIT			
	Three months ended 30 June		Six months ended 30 June	
	2005 US$'000 unaudited	2004 US$'000 unaudited	2005 US$'000 unaudited	2004 US$'000 unaudited
Asia Pacific [3]	19,876	23,442	33,151	41,525
North America [2]	3,126	(3,925)	18,212	(1,397)
Others	442	(60)	2,084	221
	23,444	19,457	53,447	40,349
Amortisation of goodwill	-	(2,425)	-	(4,850)
	23,444	17,032	53,447	35,499

Notes:

1. Cruise and cruise related revenues consist of passenger ticket revenue of approximately US$278.7 million and US$236.6 million for the three months ended 30 June 2005 and 2004 respectively and approximately US$534.1 million and US$477.8 million for the six months ended 30 June 2005 and 2004 respectively. The remaining portion relates to revenues from onboard and other services.

2. Substantially, all the turnover and operating profit arises in the United States of America.

3. Included in the operating profit of Asia Pacific for the three months and six months ended 30 June 2005 was an impairment loss of US$2.7 million.

3. Taxation

	Three months ended 30 June		Six months ended 30 June	
	2005 US$'000 unaudited	2004 US$'000 unaudited	2005 US$'000 unaudited	2004 US$'000 unaudited
Overseas taxation				
- Current taxation	469	433	717	919
- Deferred taxation	-	710	-	(39)
	469	1,143	717	880
Under / (Over) provision in respect of prior years				
- Current taxation	44	(400)	49	(326)
- Deferred taxation	23	152	157	152
	536	895	923	706

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.

4. Earnings / (Loss) per share

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

	Three months ended 30 June		Six months ended 30 June	
	2005 US$'000 unaudited	2004 US$'000 unaudited	2005 US$'000 unaudited	2004 US$'000 unaudited
BASIC				
Net profit / (loss)	6,200	(9,001)	10,603	(18,181)
Weighted average outstanding ordinary shares in thousands	5,296,190	5,293,202	5,294,720	5,293,171
Basic earnings / (loss) per share in US cents	0.12	(0.17)	0.20	(0.34)
FULLY DILUTED				
Net profit / (loss)	6,200	(9,001)	10,603	(18,181)
Weighted average outstanding ordinary shares in thousands	5,296,190	5,293,202	5,294,720	5,293,171
Effect of dilutive ordinary shares in thousands	3,926	438,283	3,602	439,147
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,300,116	5,731,485	5,298,322	5,732,318
Fully diluted earnings per share in US cents	0.12	N/A*	0.20	N/A*

* Diluted loss per share for the three months and six months ended 30 June 2004 are not shown as the diluted loss per share is less than the basic loss per share.

INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the six months ended 30 June 2005.

BUSINESS REVIEW

Key points for the quarter in comparison with 2Q 2004: -

- Capacity increased by 8.3% from 1.9 million to 2.1 million capacity days
- Net cruise revenue increased by 14.0%
- Net cruise revenue yield increased by 5.3%
- EBITDA before impairment loss was US$64.6 million, marginally lower from US$65.3 million
- Operating profit before impairment loss increased by 53.5% from US$17.0 million to US$26.1 million
- Net profit before impairment loss was US$8.9 million, up from a net loss of US$9.0 million
- Ship operating expenses per capacity day were up by 10.6%
- Cruise selling, general and administrative expenses ("SG&A") per capacity day increased by 6.2%

Key points for the first half in comparison with 1H 2004: -

- Capacity increased by 1.3% from 4.0 million to 4.1 million capacity days
- Net cruise revenue increased by 8.2%
- Net cruise revenue yield increased by 6.8%
- EBITDA before impairment loss increased by 1.3% from US$133.2 million to US$134.9 million
- Operating profit before impairment loss increased by 58.2% from US$35.5 million to US$56.1 million
- Net profit before impairment loss was US$13.3 million, up from a net loss of US$18.2 million
- Ship operating expenses per capacity day were up by 11.5%
- Cruise SG&A per capacity day increased by 2.8%

Star Cruises Group

For 2Q 2005, the Group recorded a net profit of US$8.9 million before impairment loss as compared with a net loss of US$9.0 million in 2Q 2004. In 2Q 2005, the Group recorded an impairment loss of US$2.7 million on a recently concluded charter and sale agreement of its catamaran. This disposal is in line with the Star Cruises Asia's overall fleet rationalisation plan. As a result of this impairment charge, the Group's net profit in 2Q 2005 was reduced to US$6.2 million as compared to a net loss of US$9.0 million in 2Q 2004.

The Group's net cruise revenue for 2Q 2005 was 14.0% higher as compared with 2Q 2004 due primarily to a 5.3% increase in net cruise revenue yield and a 8.3% capacity increase. The higher net cruise revenue yield was attributable to an increase in cruise ticket prices and higher onboard spending. Occupancy was slightly lower at 105.5% in 2Q 2005 as compared to 106.4% in 2Q 2004. Capacity increase in 2Q 2005 as compared to 2Q 2004 because of the timing and length of scheduled ship drydocking. Two mid-sized ships were drydocked in 2Q 2005 as compared with three of the largest ships in 2Q 2004.

The 2Q 2005 ship operating expenses per capacity day were 10.6% higher as compared with 2Q 2004. This was primarily due to an increase in fuel costs and higher cost structure of NCL America that commenced operation in June 2004. Average fuel prices increased approximately 41% as compared with 2Q 2004, with fuel costs reaching 16% of the ship operating expenses in 2Q 2005 as compared with 12% of ship operating expenses in 2Q 2004. Cruise SG&A expenses per capacity day increased by 6.2% as compared with 2Q 2004 mainly due to higher shoreside expenses for the Honolulu office. As a result, EBITDA before impairment loss per capacity day for 2Q 2005 were 8.8% lower as compared with 2Q 2004.

BUSINESS REVIEW (CONTINUED)

Depreciation and amortisation per capacity day decreased 17.6% as compared with 2Q 2004 mainly due to the impact of the cessation of amortisation of goodwill and trade names since beginning of 2005 following the adoption of new accounting standards effective 1 January 2005.

Interest expense, net of interest income and capitalised interest increased by 42.7% to US$31.8 million for 2Q 2005 as compared with US$22.3 million for 2Q 2004 primarily as a result of the impact of higher interest rates. Interests incurred specifically for ships under construction, are capitalised into the ship costs.

Non-operating income for 2Q 2005 was US$16.9 million as compared with US$2.9 million of non-operating expense in 2Q 2004. The non-operating income in 2Q 2005 was mainly the translation gain on Euro denominated debts.

For 1H 2005, the Group net cruise revenue was 8.2% higher as compared with 1H 2004 due primarily to a 6.8% increase in net cruise revenue yield and a 1.3% capacity increase. Occupancy level increased from 101.6% in 1H 2004 to 103.8% in 1H 2005.

On a per capacity day basis, ship operating expenses were 11.5% higher for 1H 2005 as compared with 1H 2004. This was due primarily to higher crew payroll costs and fuel costs. The higher crew costs were primarily attributable to the increased costs associated with the U.S. crew used for NCL Group Hawaii operations which began in June 2004. m.v. Pride of America commenced operations in mid June 2005. Average fuel prices during 1H 2005 increased approximately 30% as compared with 1H 2004. Fuel costs were at 15% of ship operating expenses as compared with 14% in 1H 2004 mainly a result of the higher fuel prices. Cruise SG&A expenses per capacity day were 2.8% higher for 1H 2005 as compared to 1H 2004 mainly due to higher shoreside expenses for the Honolulu office partially offset by lower advertising expenses.

For 1H 2005, EBITDA before impairment loss per capacity day remained relatively unchanged as compared with 1H 2004. An impairment loss of US$2.7 million was recorded in 1H 2005. Depreciation and amortisation per capacity day decreased 14.8% as compared with 1H 2004 due to the impact of cessation of amortisation of goodwill and trade names since beginning of 2005 for the reason mentioned above.

Interest expense, net of interest income and capitalised interest increased by 42.1% to US$62.1 million for 1H 2005 as compared with US$43.7 million for 1H 2004 primarily as a result of the impact of higher interest rates.

Non-operating income for 1H 2005 was US$22.1 million as compared with US$9.3 million of non-operating expense in 1H 2004. The non-operating income in 1H 2005 was mainly the translation gain on Euro denominated debts.

As a result, net profit for 1H 2005 was US$10.6 million as compared to a net loss of US$18.2 million for 1H 2004.

<u>Star Cruises (excluding NCL)</u>

The 2Q 2005 capacity was 8.6% lower as compared with 2Q 2004 because of the transfer of m.v. SuperStar Leo (renamed m.v. Norwegian Spirit) to the NCL Group in May 2004. Despite a lower capacity and occupancy level, net cruise revenue yield in 2Q 2005 was 7.9% higher as compared with 2Q 2004. The higher spending onboard the ships continued to be the main contributor to the increase in net cruise revenue yield in 2Q 2005. Occupancy level for 2Q 2005 was at 100.0% as compared with 109.2% in 2Q 2004. The lower occupancy was due to the transfer of m.v. SuperStar Leo last year and the tail end effect of Tsunami this year.

Ship operating expenses per capacity day increased 8.0% in 2Q 2005 as compared with 2Q 2004 primarily due to higher fuel costs. On a per capacity day basis, fuel costs increased 45.1% to account for nearly 3 quarter of the 8.0% increase in 2Q 2005.

SG&A expenses per capacity day increased as a result of the negative scale economy impact of the capacity reduction.

For 1H 2005, capacity was 26.8% lower as compared with 1H 2004 because of the disposals of two older and less cost efficient ships m.v. SuperStar Capricorn and m.v. SuperStar Aries and the transfer of m.v. SuperStar Leo (renamed m.v Norwegian Spirit) to the NCL Group.

BUSINESS REVIEW (CONTINUED)

Net cruise revenue yield was 13.4% higher as compared with 1H 2004. The occupancy level increased to 96.2% in 1H 2005 from 91.6% for 1H 2004. Ship operating expenses per capacity day increased 10.7% as compared with 1H 2004 mainly due to higher crew payroll expenses associated with higher staffing levels as a result of higher occupancies and higher fuel costs. SG&A expenses per capacity day increased 28.2% as compared with 1H 2004 for the reasons mentioned above.

<u>NCL Group</u>

The 2Q 2005 capacity increased 13.1% as compared with 2Q 2004 due to the additions of m.v. Norwegian Spirit (formerly m.v. SuperStar Leo) and m.v. Pride of America, which entered service in May 2004 and June 2005, respectively.

Net cruise revenue yield increased 7.2% in 2Q 2005 as compared with 2Q 2004. This increase was due to increased cruise ticket prices, higher onboard spending and increased occupancy. Occupancy for 2Q 2005 was 106.8% as compared with 105.6% in 2Q 2004.

Ship operating expenses per capacity day increased 6.4% in 2Q 2005 as compared with 2Q 2004. Increased fuel costs accounted for approximately 4.6% of this increase.

SG&A expenses per capacity day increased 3.3% in 2Q 2005 as compared with 2Q 2004. This increase was primarily the result of shoreside expenses for the Honolulu office and marketing costs related to the introduction of the m.v. Pride of America in June 2005.

For 1H 2005, capacity increased 11.1% as compared with 1H 2004 due to the additions of m.v. Norwegian Spirit (formerly m.v. SuperStar Leo) and m.v. Pride of America, which entered service in May 2004 and June 2005, respectively.

Net cruise revenue yield increased 8.5% in 1H 2005 as compared with 1H 2004. This increase was due to increased cruise ticket prices and higher onboard spending. Occupancy for 1H 2005 was 105.6% as compared to 105.1% for 1H 2004.

Ship operating expenses per capacity day increased 8.3% as compared with 1H 2004 mainly due to higher crew expenses related to the U.S. crew used for Hawaii itineraries which began operations in June 2004 and higher fuel costs. Fuel costs accounted for approximately 3.5% of this increase.

SG&A expenses per capacity day decreased 3.2% in 1H 2005 as compared with 1H 2004. This decrease was a result of economies of scales achieved in connection with increased capacity.

NCL Group continues to renew its fleet with the delivery of m.v. Pride of America during 2Q 2005. NCL Group furthered this programme with the addition of m.v. Norwegian Jewel earlier this month. In addition, m.v. Norwegian Sea (renamed m.v. SuperStar Libra) left NCL fleet and transferred over to Star Cruises just a few weeks ago. Unfortunately, NCL Group continues to be impacted by the rising costs of fuel. On a per capacity day basis, fuel costs increased 38% in 2Q 2005 and represented 7.7% of revenues.

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 2004 and the interim report for the three months ended 31 March 2005.

<u>Terminology</u>

- *Net cruise revenue yield represents net cruise revenue per capacity day after deducting such costs as commissions, air ticket costs and other direct costs.*
- *Ship operating expenses represent operating expenses excluding such costs as commissions, air ticket costs and other direct costs.*
- *EBITDA represents earnings before interest, taxation, depreciation and amortisation and excluding non-recurring income or expenses but including non-cruise segment generated by the recently acquired tour company in Hawaii.*

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 2005, save for the issue of 3,158,172 new ordinary shares of US$0.10 each at an aggregate price of US$848,285 pursuant to the exercise of options granted under the Pre-listing Employee Share Option Scheme.

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 ("CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2005, save for the code provisions on internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG Code, and deviations from certain code provisions listed below:

(1) Code Provision A.2.1: the roles of chairman and chief executive officer should be separate;

(2) Code Provision A.4.1: non-executive directors should be appointed for a specific term; and

(3) Code Provision A.4.2: all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Considered reasons for the deviations and/or steps taken or proposed to be taken by the Company in order to be able to comply with the relevant code provisions will be set out in the interim report of the Company for the six months ended 30 June 2005, which will be available for publication as soon as practicable.

REVIEW BY AUDIT COMMITTEE

These interim results have 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, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Tan Sri Lim Kok Thay, Mr. Chong Chee Tut, Mr. William Ng Ko Seng and Mr. David Colin Sinclair Veitch and three Independent Non-executive Directors, namely Mr. Alan Howard Smith J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng.

On behalf of the Board

TAN SRI LIM KOK THAY
Chairman, President and Chief Executive Officer
Hong Kong, 23 August 2005

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.