# Star Cruises Limited

**(Continued into Bermuda with limited liability)**

**(Stock Code: 678)**

## ANNOUNCEMENT
## RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2005, together with the comparative figures for the previous periods as follows:

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | | 2005 US$'000 unaudited | 2004 US$'000 unaudited | 2005 US$'000 unaudited | 2004 US$'000 unaudited |
| Turnover | 2 | 580,930 | 495,934 | 1,443,186 | 1,282,808 |
| Operating expenses (excluding depreciation, amortisation and impairment loss) | | (386,479) | (311,244) | (974,335) | (838,473) |
| Selling, general and administrative expenses (excluding depreciation) | | (70,462) | (60,157) | (208,085) | (190,908) |
| Depreciation and amortisation | | (45,473) | (44,667) | (126,103) | (138,062) |
| Impairment loss | | - | - | (2,700) | - |
| | | (502,414) | (416,068) | (1,311,223) | (1,167,443) |
| Operating profit | 2 | 78,516 | 79,866 | 131,963 | 115,365 |
| Interest income | | 2,487 | 735 | 6,699 | 2,010 |
| Financial costs | | (41,630) | (32,731) | (107,944) | (77,720) |
| Share of loss of an associated company | | (3,268) | - | (5,219) | - |
| Other non-operating income / (expenses), net | | (1,509) | (1,484) | 20,623 | (10,744) |
| | | (43,920) | (33,480) | (85,841) | (86,454) |
| Profit before taxation | | 34,596 | 46,386 | 46,122 | 28,911 |
| Taxation | 3 | (1,586) | 36 | (2,509) | (670) |
| Net profit for the period | | 33,010 | 46,422 | 43,613 | 28,241 |
| Basic earnings per share (US cents) | 4 | 0.62 | 0.88 | 0.82 | 0.53 |
| Fully diluted earnings per share (US cents) | 4 | 0.62 | 0.81 | 0.82 | 0.49 |
| <u>Operating data</u> | | | | | |
| Passenger Cruise Days | | 2,477,527 | 2,242,544 | 6,697,578 | 6,317,867 |
| Capacity Days | | 2,323,234 | 2,082,874 | 6,387,133 | 6,093,773 |
| Occupancy as a percentage of total capacity days | | 107% | 108% | 105% | 104% |

## CONSOLIDATED BALANCE SHEET

| | As at | |
|---|---|---|
| | | (Restated) |
| | 30 September 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 | 4,229,332 | 3,821,484 |
| Lease prepayments | 1,752 | 1,818 |
| Investment in an associated company | - | 15,148 |
| Available-for-sale investment | 10,285 | - |
| Restricted cash | 150 | 150 |
| Other assets | 80,895 | 85,095 |
| | 4,928,783 | 4,529,368 |
| CURRENT ASSETS | | |
| Consumable inventories | 54,204 | 42,059 |
| Trade receivables | 14,275 | 12,089 |
| Prepaid expenses and others | 59,035 | 29,684 |
| Derivative financial instruments | 3,729 | 2,241 |
| Amounts due from related companies | 138 | 125 |
| Restricted cash | 47,077 | 28,520 |
| Cash and cash equivalents | 354,626 | 341,027 |
| | 533,084 | 455,745 |
| TOTAL ASSETS | 5,461,867 | 4,985,113 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | As at | |
|---|---|---|
| | | (Restated) |
| | 30 September 2005 | 31 December 2004 |
| | US$'000 | US$'000 |
| | unaudited | audited |
| EQUITY | | |
| Capital and reserves attributable to the Company's equity holders | | |
| Share capital | 529,932 | 529,320 |
| Reserves: | | |
| Share premium | 1,268,945 | 1,267,913 |
| Additional paid-in capital | 94,245 | 94,018 |
| Convertible bonds - equity component | 14,400 | 14,400 |
| Foreign currency translation adjustments | (23,936) | (23,197) |
| Unamortised share option expense | (1,432) | (2,300) |
| Cash flow hedge reserve | 3,343 | (20,564) |
| Retained earnings / (Accumulated losses) | 40,821 | (31,218) |
| | 1,926,318 | 1,828,372 |
| LIABILITIES | | |
| NON-CURRENT LIABILITIES | | |
| Long-term borrowings | 2,740,068 | 2,412,854 |
| Derivative financial instruments | 9,151 | 22,361 |
| Other long-term liabilities | 4,974 | 5,734 |
| Deferred tax liabilities | 684 | 539 |
| | 2,754,877 | 2,441,488 |
| CURRENT LIABILITIES | | |
| Trade creditors | 78,243 | 83,481 |
| Current income tax liabilities | 1,935 | 1,227 |
| Provisions, accruals and other liabilities | 185,580 | 209,281 |
| Current portion of long-term borrowings | 221,903 | 179,159 |
| Derivative financial instruments | 192 | 1,392 |
| Advance ticket sales | 292,819 | 240,713 |
| | 780,672 | 715,253 |
| TOTAL LIABILITIES | 3,535,549 | 3,156,741 |
| TOTAL EQUITY AND LIABILITIES | 5,461,867 | 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. Certain comparative figures have been reclassified to conform to the current period's presentation.

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 which are discussed below.

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 charter hire.

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. Charter hire revenue includes the lease of a catamaran to a third party customer. In August 2005, the Group entered into a charter and sale agreement of its catamaran and as a result, the Group ceased to receive revenue from the charter hire of the catamaran.

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

| | TURNOVER | | | |
|---|---|---|---|---|
| | Three months ended 30 September | | Nine months ended 30 September | |
| | 2005 US$'000 | 2004 US$'000 | 2005 US$'000 | 2004 US$'000 |
| | unaudited | unaudited | unaudited | unaudited |
| Cruise and cruise related activities [1] | 580,930 | 494,679 | 1,443,186 | 1,280,235 |
| Charter hire | - | 1,255 | - | 2,573 |
| | 580,930 | 495,934 | 1,443,186 | 1,282,808 |

| | OPERATING PROFIT | | | |
|---|---|---|---|---|
| | Three months ended 30 September | | Nine months ended 30 September | |
| | 2005 US$'000 | 2004 US$'000 | 2005 US$'000 | 2004 US$'000 |
| | unaudited | unaudited | unaudited | unaudited |
| <u>Cruise and cruise related activities</u> | | | | |
| Operating profit | 78,676 | 79,342 | 136,244 | 115,032 |
| <u>Charter hire</u> | | | | |
| Operating profit / (loss) | (160) | 524 | (1,581) | 333 |
| Impairment loss | - | - | (2,700) | - |
| | (160) | 524 | (4,281) | 333 |
| | 78,516 | 79,866 | 131,963 | 115,365 |

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 | |
| | 2005 US$'000 | 2004 US$'000 | 2005 US$'000 | 2004 US$'000 |
| | unaudited | unaudited | unaudited | unaudited |
| Asia Pacific | 91,994 | 94,212 | 257,729 | 299,439 |
| North America [2] | 444,857 | 368,634 | 1,078,972 | 892,371 |
| Others | 44,079 | 33,088 | 106,485 | 90,998 |
| | 580,930 | 495,934 | 1,443,186 | 1,282,808 |

2. Turnover and Operating Profit (Continued)

| | OPERATING PROFIT | | | |
|---|---|---|---|---|
| | Three months ended 30 September | | Nine months ended 30 September | |
| | 2005 US$'000 | 2004 US$'000 | 2005 US$'000 | 2004 US$'000 |
| | unaudited | unaudited | unaudited | unaudited |
| Asia Pacific [3] | 20,222 | 29,629 | 53,373 | 71,154 |
| North America [2] | 52,923 | 47,595 | 71,135 | 46,198 |
| Others | 5,371 | 5,066 | 7,455 | 5,287 |
| | 78,516 | 82,290 | 131,963 | 122,639 |
| Amortisation of goodwill | - | (2,424) | - | (7,274) |
| | 78,516 | 79,866 | 131,963 | 115,365 |

*Notes:*

1. Cruise and cruise related revenues consist of passenger ticket revenue of approximately US$389.2 million and US$327.9 million for the three months ended 30 September 2005 and 2004 respectively and approximately US$942.4 million and US$824.9 million for the nine months ended 30 September 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 nine months ended 30 September 2005 was an impairment loss of US$2.7 million.

3. Taxation

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2005 US$'000 | 2004 US$'000 | 2005 US$'000 | 2004 US$'000 |
| | unaudited | unaudited | unaudited | unaudited |
| Overseas taxation | | | | |
| - Current taxation | 1,870 | 306 | 2,587 | 1,225 |
| - Deferred taxation | - | (127) | - | (166) |
| | 1,870 | 179 | 2,587 | 1,059 |
| Under / (Over) provision in respect of prior years | | | | |
| - Current taxation | (284) | (215) | (235) | (541) |
| - Deferred taxation | - | - | 157 | 152 |
| | 1,586 | (36) | 2,509 | 670 |

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 per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Earnings per share has been calculated as follows:

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2005<br>US$'000<br>unaudited | 2004<br>US$'000<br>unaudited | 2005<br>US$'000<br>unaudited | 2004<br>US$'000<br>unaudited |
| BASIC | | | | |
| Net profit | 33,010 | 46,422 | 43,613 | 28,241 |
| Weighted average outstanding ordinary shares in thousands | 5,297,496 | 5,293,202 | 5,295,656 | 5,293,181 |
| Basic earnings per share in US cents | 0.62 | 0.88 | 0.82 | 0.53 |

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options, certain shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price was lower than the average market price. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2005<br>US$'000<br>unaudited | 2004<br>US$'000<br>unaudited | 2005<br>US$'000<br>unaudited | 2004<br>US$'000<br>unaudited |
| FULLY DILUTED | | | | |
| Net profit | 33,010 | 46,422 | 43,613 | 28,241 |
| Interest expense on convertible bonds | 2,498 | - | - | - |
| Profit used to determine diluted earnings per share | 35,508 | 46,422 | 43,613 | 28,241 |
| Weighted average outstanding ordinary shares in thousands | 5,297,496 | 5,293,202 | 5,295,656 | 5,293,181 |
| Effect of dilutive ordinary shares in thousands | 442,663 | 438,915 | 3,668 | 438,614 |
| Weighted average outstanding ordinary shares after assuming dilution in thousands | 5,740,159 | 5,732,117 | 5,299,324 | 5,731,795 |
| Fully diluted earnings per share in US cents | 0.62 | 0.81 | 0.82 | 0.49 |

## INTERIM DIVIDEND

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

## SIGNIFICANT SUBSEQUENT EVENT

On 7 October 2005, NCL Corporation Ltd. entered into a Revolving Loan Facility Agreement with a syndicate of banks to provide up to €624 million to part finance the construction of two vessels.

## BUSINESS REVIEW

Key points for the quarter in comparison with 3Q 2004: -

- Capacity increased by 11.5% from 2.1 million to 2.3 million capacity days
- Net revenue increased by 15.7%
- Net revenue yield increased by 3.8%
- EBITDA was US$124.0 million, relatively unchanged from US$124.5 million
- Operating profit decreased by 1.7% from US$79.9 million to US$78.5 million
- Net profit decreased by 28.9% from US$46.4 million to US$33.0 million
- Ship operating expenses per capacity day were up by 12.8%, of which fuel price variance accounted for slightly above 40% of this increase
- Selling, general and administrative expenses ("SG&A") per capacity day increased by 5.0%

Key points for the first nine months in comparison with the first nine months of 2004: -

- Capacity increased by 4.8% from 6.1 million to 6.4 million capacity days
- Net revenue increased by 12.0%
- Net revenue yield increased by 6.8%
- EBITDA before impairment loss was US$258.9 million, relatively unchanged from US$257.8 million
- Operating profit before impairment loss increased by 16.7% from US$115.4 million to US$134.7 million
- Net profit before impairment loss increased by 64.0% from US$28.2 million to US$46.3 million
- Ship operating expenses per capacity day were up by 13.1% of which fuel price variance accounted for nearly one third of this increase
- SG&A per capacity day increased by 4.0%

<u>Star Cruises Group</u>

For 3Q 2005, the Group recorded a net profit of US$33.0 million compared with a net profit of US$46.4 million in 3Q 2004.

**BUSINESS REVIEW (CONTINUED)**

The Group's net revenue for 3Q 2005 was 15.7% higher compared with 3Q 2004 due primarily to a 11.5% capacity increase and a 3.8% increase in net revenue yield. Capacity increase in 3Q 2005 was mainly because of the additions of m.v. Pride of America and m.v. Norwegian Jewel, which entered service in June 2005 and August 2005, respectively. The higher net revenue yield was attributable to an increase in cruise ticket prices and higher onboard spending. Occupancy was at 106.6% in 3Q 2005 versus 107.7% in 3Q 2004.

The 3Q 2005 ship operating expenses per capacity day were 12.8% higher compared with 3Q 2004. In 3Q 2005, ship operating expenses per capacity day were higher mainly due to an increase in fuel costs, higher crew expenses related to the U.S. flag ships and the start up costs for m.v. Norwegian Jewel and m.v. SuperStar Libra. Average fuel prices increased approximately 45% compared with 3Q 2004, with fuel costs reaching 16.3% of the ship operating expenses in 3Q 2005 compared with 12.7% of ship operating expenses in 3Q 2004.

SG&A expenses per capacity day in 3Q 2005 increased 5.0% compared with 3Q 2004 mainly due to marketing costs relating to the introduction of m.v. Norwegian Jewel and higher payroll costs for the Honolulu office. EBITDA per capacity day for 3Q 2005 were therefore 10.7% lower compared with 3Q 2004.

Depreciation and amortisation expenses per capacity day decreased 8.7% compared with 3Q 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 22.3% in 3Q 2005 compared with 3Q 2004 driven by both higher average outstanding debts and interest rates.

Net profit for the first nine months of 2005 was US$43.6 million compared to a net profit of US$28.2 million for the first nine months of 2004.

Net revenue for the first nine months of 2005 increased 12.0% compared with the first nine months of 2004 driven by both a 6.8% increase in net revenue yield and a 4.8% capacity increase. Occupancy level was at 104.9% in the first nine months of 2005 versus 103.7% in the first nine months of 2004. Higher cruise ticket prices and onboard revenue were the factors of the increase in net revenue yield. Capacity increase in the first nine months of 2005 was mainly a result of the additions of m.v. Pride of America and m.v. Norwegian Jewel.

In the first nine months of 2005, ship operating expenses per capacity day increased 13.1% compared with the first nine months of 2004. The start up costs for m.v. Norwegian Jewel and m.v. Pride of America, higher crew expenses and fuel costs were the primary factors of the increase in these ship operating expenses. The higher crew expenses were mainly relating to the U.S. crew used for Hawaii itineraries which began operations in June 2004. Average fuel prices in the first nine months of 2005 increased approximately 36% compared with the first nine months of 2004. Fuel costs were at 15.5% of ship operating expenses in the first nine months of 2005 compared with 13.2% in the first nine months of 2004.

SG&A expenses per capacity day were 4.0% higher for the first nine months of 2005 compared to the first nine months of 2004 mainly due to marketing expenses relating to the introduction of m.v. Norwegian Jewel and m.v. Pride of America and higher payroll costs for the Honolulu office.

EBITDA before impairment loss per capacity day in the first nine months of 2005 was 4.2% lower compared with the first nine months of 2004. An impairment loss of US$2.7 million was recorded in the first nine months of 2005 on the disposal of a catamaran.

Depreciation and amortisation expenses per capacity day decreased 12.9% compared with the first nine months of 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 33.7% in the first nine months of 2005 compared with the first nine months of 2004 driven primarily by higher interest rates, including the US$250 million Senior Notes issued in July 2004.

Non-operating income for the first nine months of 2005 was US$15.4 million compared with US$10.7 million of non-operating expense in the first nine months of 2004. The non-operating income in the first nine months of 2005 was mainly the translation gain on Euro denominated debts which was partially offset by the Group's share of losses in Valuair Limited ("Valuair").

**BUSINESS REVIEW (CONTINUED)**

In July 2005, the Group discontinued using the equity method to account for the results of Valuair following the merger of Valuair with Jetstar Asia Airways Pte. Ltd. ("Jetstar"), an affiliated company of Qantas Airways. The merger has resulted in the Group exchanging its investment in Valuair to an investment in Orangestar Investment Holdings Pte. Ltd. ("Orangestar"), the holding company of Valuair and Jetstar. The investment in Orangestar has been classified as available-for-sale investment.

Star Cruises (excluding NCL)

The 3Q 2005 capacity was 5.0% higher compared with 3Q 2004 because of the addition of m.v. Norwegian Sea (renamed m.v. SuperStar Libra) which commenced operation in September 2005. Net revenue yield in 3Q 2005 was 5.5% lower compared with 3Q 2004. Occupancy level for 3Q 2005 was at 96.5% versus 102.2% in 3Q 2004. Lower than average occupancy for the relocation of m.v. SuperStar Libra from Singapore to India and the showcasing of the vessel in Mumbai contributed to the decrease in net revenue yield and occupancy in 3Q 2005. In addition, the higher occurrence of typhoons in Taiwan and Hong Kong also negatively impacted the net revenue yield and occupancy in 3Q 2005.

Ship operating expenses per capacity day increased 12.7% in 3Q 2005 compared with 3Q 2004 primarily due to higher fuel costs and start up expenses for m.v. SuperStar Libra. Average fuel prices increased approximately 50% and this accounts for nearly 60% of the 12.7% increase in 3Q 2005.

SG&A expenses per capacity day decreased 2.7% in 3Q 2005 compared with 3Q 2004 as a result of economies of scale achieved in connection with the introduction of m.v. SuperStar Libra to the Star Cruises' fleet in September 2005.

For the first nine months of 2005, capacity was 18.3% lower compared with the first nine months of 2004 because of the disposals of two 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 in the first half of 2004, partially offset by the addition of m.v. SuperStar Libra.

Net revenue yield was 7.8% higher compared with the first nine months of 2004. The higher onboard spending was the main contributor to the increase in net revenue yield in the first nine months of 2005. Occupancy level was at 96.3% in the first nine months of 2005 versus 94.5% in the first nine months of 2004.

Ship operating expenses per capacity day increased 11.8% compared with the first nine months of 2004 mainly due to higher payroll and related expenses, increased fuel costs and start up costs for m.v. SuperStar Libra. Average fuel prices increased about 40% to account for approximately 40% of the 11.8% increase in the first nine months of 2005. SG&A expenses per capacity day in the first nine months of 2005 increased 18.0% compared with the first nine months of 2004 as a result of the negative scale of economy impact of the capacity reduction.

NCL Group

The 3Q 2005 capacity increased 13.0% compared with 3Q 2004 due to the additions of m.v. Pride of America and m.v. Norwegian Jewel, which entered service in June 2005 and August 2005, respectively. This increase in capacity was partially offset by the return of m.v. Norwegian Sea to Star Cruises upon expiration of the charter agreement in August 2005.

Net revenue yield increased 6.5% in 3Q 2005 compared with 3Q 2004. This increase was primarily attributable to increases in cruise ticket prices, higher onboard revenues and NCL Group's acquisition of Polynesian Adventure Tours, a tour bus operator in Hawaii, in November 2004.

Ship operating expenses per capacity day increased 11.0% in 3Q 2005 compared with 3Q 2004. The increase in these costs was due to higher payroll and related expenses and increased fuel costs partially offset by other operating efficiencies. The growth in payroll and related expenses was primarily attributable to increased payroll costs associated with U.S. crew used for inter-island cruises in Hawaii. During the quarter, average fuel prices increased 44%. The increase in payroll and related expenses and fuel costs accounted for 6.4 and 5.1 percentage points, respectively, of the increase in ship operating expenses.

**BUSINESS REVIEW (CONTINUED)**

SG&A expenses per capacity day increased 6.3% in 3Q 2005 compared with 3Q 2004. This increase was primarily the result of shoreside expenses for NCL Group's Honolulu office, marketing costs related to NCL America and the introduction of m.v. Norwegian Jewel in August 2005, and the addition of Polynesian Adventure Tours in November 2004.

For the first nine months of 2005, capacity increased 11.8% compared with the first nine months of 2004. The increase in capacity was attributable to the additions of m.v. Norwegian Spirit, m.v. Pride of America and m.v. Norwegian Jewel which entered service in May 2004, June 2005 and August 2005, respectively, partially offset by the return of m.v. Norwegian Sea to Star Cruises in August 2005.

Net revenue yield increased 7.8% compared to the first nine months of 2004. This increase was primarily attributable to increases in cruise ticket prices, higher onboard revenues and NCL Group's acquisition of Polynesian Adventure Tours in November 2004.

Ship operating expenses per capacity day increased 9.3% compared with the first nine months of 2004. The increase in these costs was due to higher payroll and related expenses and increased fuel costs partially offset by other operating efficiencies. The growth in payroll and related expenses was mostly attributable to increased crew costs associated with U.S. crew used for inter-island cruises in Hawaii. During the first nine months of 2005, average fuel prices increased 36%. The increase in payroll and related expenses and fuel costs accounted for 6.8 and 4.1 percentage points, respectively, of the increase in ship operating expenses.

SG&A expenses per capacity day in the first nine months of 2005 decreased 0.3% compared with the first nine months of 2004. The slight decrease in SG&A expenses per capacity day was a result of the economies of scale gained as a result of the increase in capacity offset by an increase in SG&A expenses primarily associated with increased shoreside expenses for NCL Group's Honolulu office, marketing costs related to NCL America and the introduction of m.v. Norwegian Jewel in August 2005, and the addition of Polynesian Adventure Tours in November 2004.

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 reports for the three months ended 31 March 2005 and the three months and six months ended 30 June 2005.

*Terminology*

- *Net revenue yield represents net 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.*

**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 2005, save for the issue of 6,122,258 new ordinary shares of US$0.10 each at an aggregate price of US$1,644,438 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 nine months ended 30 September 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.

Details of 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 were set out in the interim report of the Company for the three months and six months ended 30 June 2005 issued in August 2005.

## 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, 18 November 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.