



STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

Interim Report for the three months ended 31 March 2004

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This interim report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of Star Cruises Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") operate. 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 report only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the publication of this interim report.

Corporate Information

Board of Directors

Tan Sri Lim Kok Thay
Chairman, President and Chief Executive Officer

Mr. Alan Howard Smith, J.P.
Deputy Chairman and Independent Non-executive Director

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. William Ng Ko Seng
Executive Director and Executive Vice President

Mr. David Colin Sinclair Veitch
Executive Director of the Company, President and Chief Executive Officer of NCL Corporation Ltd.

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Lim Lay Leng
Independent Non-executive Director

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Mr. Tan Wooi Meng
Appleby Corporate Services (Bermuda) Ltd.

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The Board of Directors (the “Directors”) of Star Cruises Limited (the “Company”) presents the unaudited consolidated accounts of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2004, as follows:

Consolidated Profit and Loss Account

	Note	Three months ended 31 March	
		2004 <i>US\$'000</i> <i>unaudited</i>	2003 <i>US\$'000</i> <i>unaudited</i>
Turnover	2	390,747	411,962
Operating expenses (excluding depreciation and amortisation)		(254,362)	(279,402)
Selling, general and administrative expenses (excluding depreciation)		(69,639)	(63,106)
Depreciation and amortisation	3	(48,279)	(48,121)
		(372,280)	(390,629)
Operating profit	2	18,467	21,333
Interest income		644	941
Financial costs		(22,087)	(24,372)
Other non-operating expenses, net		(6,393)	(2,686)
		(27,836)	(26,117)
Loss before taxation		(9,369)	(4,784)
Taxation	4	189	(256)
Net loss for the period		(9,180)	(5,040)
Basic loss per share (US cents)	5	(0.17)	(0.10)
Fully diluted earnings per share (US cents) *	5	N/A	N/A
<u>Operating data</u>			
Passenger Cruise Days		2,065,310	2,129,284
Capacity Days		2,122,018	2,286,507
Occupancy as a percentage of total capacity days		97%	93%

* Diluted loss per share for the three months ended 31 March 2004 and 2003 are not shown as the diluted loss per share is less than the basic loss per share.

Consolidated Balance Sheet

		31 March 2004 <i>US\$'000</i> <i>unaudited</i>	As at 31 December 2003 <i>US\$'000</i> <i>audited</i>
	<i>Note</i>		
Intangible assets		617,634	621,750
Deferred tax asset		749	—
Fixed assets		3,659,700	3,626,873
Restricted cash		150	150
Other assets		38,392	39,689
CURRENT ASSETS			
Consumable inventories		40,742	38,075
Trade receivables	6	16,637	17,423
Prepaid expenses and others		38,244	44,274
Amounts due from related companies	10	245	—
Restricted cash		9,985	30,724
Cash and cash equivalents		291,101	377,033
		396,954	507,529
CURRENT LIABILITIES			
Trade creditors	7	58,915	98,950
Provisions, accruals and other liabilities		240,522	229,824
Current portion of long-term bank loans	8	213,269	1,074,226
Amounts due to related companies	10	—	109
Advance ticket sales		224,164	196,605
		736,870	1,599,714
Net current liabilities		(339,916)	(1,092,185)
Total assets less current liabilities		3,976,709	3,196,277
Financed by:			
Share capital		529,320	529,314
Reserves		1,269,245	1,279,202
Shareholders' funds		1,798,565	1,808,516
Long-term bank loans	8	1,990,172	1,199,567
Convertible bonds	9	180,000	180,000
Other long-term liabilities		7,765	7,992
Deferred tax liabilities		207	202
		3,976,709	3,196,277

Consolidated Cash Flow Statement

	Three months ended 31 March	
	2004 <i>US\$'000</i> <i>unaudited</i>	2003 <i>US\$'000</i> <i>unaudited</i>
OPERATING ACTIVITIES		
Cash generated from operations	64,364	51,504
Interest paid	(25,007)	(33,693)
Interest received	641	922
Income tax paid	(313)	(228)
Net cash inflow from operating activities	39,685	18,505
INVESTING ACTIVITIES		
Purchase of fixed assets	(94,603)	(47,468)
Proceeds from sale of fixed assets	19,446	21
Others	(793)	—
Net cash outflow from investing activities	(75,950)	(47,447)
FINANCING ACTIVITIES		
Proceeds from long-term bank loans	534	—
Principal repayments of long-term bank loans	(70,886)	(39,512)
Proceeds from issuance of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	18	10
Restricted cash	20,739	(52,086)
Others, net	(653)	(347)
Net cash outflow from financing activities	(50,248)	(91,935)
Effect of exchange rate changes on cash and cash equivalents	581	1,929
Net decrease in cash and cash equivalents	(85,932)	(118,948)
Cash and cash equivalents at 1 January	377,033	416,958
Cash and cash equivalents at 31 March	291,101	298,010

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Accumulated losses <i>US\$'000</i>	Total <i>US\$'000</i>
Three months ended								
31 March 2004								
<i>unaudited</i>								
At 1 January 2004	529,314	1,267,901	92,818	(23,013)	(2,065)	(34,366)	(22,073)	1,808,516
Exchange translation differences	—	—	—	(120)	—	—	—	(120)
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(8,499)	—	(8,499)
- Transferred to profit and loss account	—	—	—	—	—	7,566	—	7,566
Net amounts not recognised in the profit and loss account	—	—	—	(120)	—	(933)	—	(1,053)
Net loss for the period	—	—	—	—	—	—	(9,180)	(9,180)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	6	12	—	—	—	—	—	18
Amortisation of share option expense	—	—	—	—	264	—	—	264
At 31 March 2004	<u>529,320</u>	<u>1,267,913</u>	<u>92,818</u>	<u>(23,133)</u>	<u>(1,801)</u>	<u>(35,299)</u>	<u>(31,253)</u>	<u>1,798,565</u>

During the three months ended 31 March 2004, the net proceeds from the rights issues in 2002 and 2003 have been applied as follows:

	Usage of net proceeds from rights issue in 2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Funding of newbuilding programme	<u>78,434</u>	<u>6,466</u>

As at 31 March 2004, there were no unapplied proceeds from the issuance of ordinary shares in 2002. The balance of US\$20.6 million unapplied proceeds from the issuance of ordinary shares in 2003 was on deposit with banks.

Consolidated Statement of Changes in Equity

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i>	Foreign currency translation adjustments <i>US\$'000</i>	Unamortised share option expense <i>US\$'000</i>	Cash flow hedge reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
Three months ended								
31 March 2003								
<i>unaudited</i>								
At 1 January 2003	494,614	1,203,404	93,436	(25,842)	(3,912)	(44,570)	102,400	1,819,530
Exchange translation differences	—	—	—	104	—	—	—	104
Cash flow hedge:								
- Loss on financial instruments	—	—	—	—	—	(1,958)	—	(1,958)
- Transferred to profit and loss account	—	—	—	—	—	7,094	—	7,094
Net amounts not recognised in the profit and loss account	—	—	—	104	—	5,136	—	5,240
Net loss for the period	—	—	—	—	—	—	(5,040)	(5,040)
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	4	6	—	—	—	—	—	10
Amortisation of share option expense	—	—	—	—	449	—	—	449
At 31 March 2003	<u>494,618</u>	<u>1,203,410</u>	<u>93,436</u>	<u>(25,738)</u>	<u>(3,463)</u>	<u>(39,434)</u>	<u>97,360</u>	<u>1,820,189</u>

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited accounts of the Group have been prepared in compliance with the revised Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in force prior to 31 March 2004 which remains applicable to interim reports in respect of accounting periods ending before 1 July 2004 under the transitional arrangements. The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

This interim report should be read in conjunction with the annual accounts of the Group for the year ended 31 December 2003.

On 1 January 2004, the Group revised the estimated useful life of the catamaran from 30 years to 20 years to more realistically reflect its remaining estimated useful life. The change in the useful life of the catamaran did not have any material effect on the results and financial position of the Group for the three months ended 31 March 2004.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current financial period.

2. 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 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.

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

	Cruise and cruise related activities		Charter Hire		Total	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Three months ended 31 March						
<u>unaudited</u>						
Turnover	390,747	411,962	—	—	390,747	411,962
Operating profit / (loss)	19,194	22,093	(727)	(760)	18,467	21,333
Interest income					644	941
Financial costs					(22,087)	(24,372)
Other non-operating expenses, net					(6,393)	(2,686)
Loss before taxation					(9,369)	(4,784)
Taxation					189	(256)
Net loss for the period					(9,180)	(5,040)

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	
	2004 US\$'000 unaudited	2003 US\$'000 unaudited	2004 US\$'000 unaudited	2003 US\$'000 unaudited
Asia Pacific	111,714	113,050	18,083	13,142
North America (note)	255,214	267,892	2,528	9,314
Others	23,819	31,020	281	1,156
	390,747	411,962	20,892	23,612
Amortisation of goodwill			(2,425)	(2,279)
			18,467	21,333

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

Notes to the Accounts *(Continued)*

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 31 March	
	2004 US\$'000 <i>unaudited</i>	2003 US\$'000 <i>unaudited</i>
Depreciation of fixed assets	43,701	43,911
Amortisation of software development costs	462	108
Amortisation of goodwill	2,425	2,279
Amortisation of trade names and trademarks	1,691	1,823
Total depreciation and amortisation	48,279	48,121
- relating to operating function	45,891	45,249
- relating to selling, general and administrative function	2,388	2,872

4. TAXATION

	Three months ended 31 March	
	2004 US\$'000 <i>unaudited</i>	2003 US\$'000 <i>unaudited</i>
Overseas taxation		
- Current taxation	560	256
- Deferred tax asset	(749)	—
	(189)	256

5. LOSS PER SHARE

Loss per share has been calculated as follows:

	Three months ended 31 March	
	2004 US\$'000 <i>unaudited</i>	2003 US\$'000 <i>unaudited</i>
<u>BASIC</u>		
Net loss	(9,180)	(5,040)
Weighted average outstanding ordinary shares in thousands	5,293,141	5,095,783
Basic loss per share in US cents	(0.17)	(0.10)
<u>FULLY DILUTED</u>		
Net loss	(9,180)	(5,040)
Weighted average outstanding ordinary shares in thousands	5,293,141	5,095,783
Effect of dilutive ordinary shares in thousands	442,310	1,591
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,735,451	5,097,374
Fully diluted earnings per share in US cents	N/A*	N/A*

* Diluted loss per share for the three months ended 31 March 2004 and 2003 are not shown as the diluted loss per share is less than the basic loss per share.

Notes to the Accounts *(Continued)*

6. TRADE RECEIVABLES

	As at	
	31 March 2004 <i>US\$'000</i> <i>unaudited</i>	31 December 2003 <i>US\$'000</i> <i>audited</i>
Trade receivables	22,141	22,501
Less: Provisions	(5,504)	(5,078)
	<u>16,637</u>	<u>17,423</u>

At 31 March 2004 and 31 December 2003, the ageing analysis of the trade receivables was as follows:

	As at	
	31 March 2004 <i>US\$'000</i> <i>unaudited</i>	31 December 2003 <i>US\$'000</i> <i>audited</i>
Current to 30 days	7,304	11,231
31 days to 60 days	4,700	4,420
61 days to 120 days	3,747	2,413
121 days to 180 days	3,138	1,434
181 days to 360 days	2,163	1,820
Over 360 days	1,089	1,183
	<u>22,141</u>	<u>22,501</u>

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

7. TRADE CREDITORS

The ageing of trade creditors as at 31 March 2004 and 31 December 2003 were as follows:

	As at	
	31 March 2004 <i>US\$'000</i> <i>unaudited</i>	31 December 2003 <i>US\$'000</i> <i>audited</i>
Current to 60 days	53,315	91,085
61 days to 120 days	3,710	7,289
121 days to 180 days	1,579	155
Over 180 days	311	421
	<u>58,915</u>	<u>98,950</u>

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

Notes to the Accounts (Continued)

8. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

	As at	
	31 March 2004 US\$'000 <i>unaudited</i>	31 December 2003 US\$'000 <i>audited</i>
US\$521.6 million syndicated term loan	347,520	364,906
US\$626.9 million syndicated term loan	564,230	564,230
US\$450 million term loan (note i)	375,000	412,500
US\$210 million M/S Norwegian Sky Loan	147,000	154,000
US\$623 million Fleet Loan (note ii)	403,200	403,200
US\$225 million term loan	216,000	225,000
€298 million secured term loan (note i)	150,491	149,957
Total liabilities	2,203,441	2,273,793
Less: Current portion	(213,269)	(1,074,226)
Long-term portion	<u>1,990,172</u>	<u>1,199,567</u>

All the above long-term loans are denominated in U.S. dollars.

- (i) On 14 January 2004, the newbuild *Pride of America* took on excessive amounts of water and partially sank during a severe storm while under construction at the Lloyd Werft Bremerhaven shipyard in Germany causing a delay in the completion of the ship. The *Pride of America* is insured against construction risks with underwriters and on terms approved by NCL, the shipyard and the lenders.

Subsequent to the incident, the Lloyd Werft Bremerhaven shipyard filed for bankruptcy protection in Germany and a receiver was appointed to operate the yard. The appointment of the receiver results in an event of default for the ship financing. In addition, the ship financing requires delivery of the ship no later than 29 October 2004. Based on current estimates, it is anticipated that the ship will be completed and set sail in mid-2005. In April 2004, the Group obtained a waiver from the lenders financing the construction of the ship of the potential event of default. Accordingly, as at 31 March 2004, the Group has reclassified the €298 million term loan and the US\$450 million term loan as long-term bank loans. These loans were previously classified as current in the Group's balance sheet as at 31 December 2003.

- (ii) On 20 April 2004, the Company as borrower signed an agreement for a Reducing Revolving Credit Facility with a syndicate of banks to provide up to US\$400 million ("US\$400 million facility") to refinance the outstanding balance of the US\$623 million Fleet Loan ("Fleet Loan"). On 23 April 2004, the Group drewdown US\$400 million under the US\$400 million facility and together with US\$3.2 million of internally generated funds, repaid the outstanding amount of the Fleet Loan. The US\$400 million facility bears interest at a rate which varies according to London Interbank Offer Rate ("LIBOR"), and is repayable in 14 equal half yearly installments with a balloon payment due in April 2011.

The US\$400 million facility is secured primarily by a first priority mortgage over and other security relating to certain of the Group's ships and a guarantee given by various wholly-owned subsidiaries of the Company. The guarantee contains undertakings requiring compliance with certain financial ratios.

As at 31 March 2004, the Group has reclassified the outstanding balance of the US\$623 million Fleet Loan as a long-term bank loan in the Group's balance sheet.

- (iii) On 20 April 2004, Hull 667 Limited, an indirect wholly-owned subsidiary of the Company, as borrower, entered into a term loan of up to US\$334.1 million (the "S667 Loan Agreement") to part finance the construction of hull no. S.667 with a syndicate of banks. On 20 April 2004, Ship Ventures Inc., an indirect wholly-owned subsidiary of the Company, as borrower, entered into a term loan of up to €308.1 million (equivalent to approximately US\$377.9 million based on the exchange rate of US\$1.2265 to €1 as at 31 March 2004, the "S668 Loan Agreement") to part finance the construction of hull no. S.668 with a syndicate of banks.

The facility under the S667 Loan Agreement bears interest at a rate, which varies according to LIBOR, is repayable in 24 equal half yearly installments commencing 6 months from the earlier of the redelivery date or 31 January 2006.

The facility under the S668 Loan Agreement bears interest at a rate, which varies according to European Interbank Offer Rate or LIBOR depending on whether amounts under the facility are drawdown in US dollars or Euro. This facility is repayable in 24 equal half yearly installments commencing 6 months from the earlier of the redelivery date or 10 October 2006.

Notes to the Accounts *(Continued)*

8. LONG-TERM BANK LOANS *(Continued)*

- (iii) These facilities are secured by guarantees from NCL Corporation Ltd. ("NCLC"), a direct wholly-owned subsidiary of the Company, a charge over the shares of the borrowers and a debenture over the assets of Hull 667 Limited (in relation to the S667 Loan Agreement only). Prior to delivery, by first mortgages over hull no. S.667 and S.668 under construction (the "Vessels"), assignments of the building contracts, assignments of ship insurances and supervision agreements and post delivery by first mortgages over the Vessels, assignments of ship insurances, Mortgagee Interest Insurances, assignment of earnings, revenue accounts and management agreements with respect to the Vessels.
- (iv) On 23 April 2004, NCLC as borrower signed an agreement for a Revolving Credit Facility with a syndicate of banks to provide up to US\$500 million ("US\$500 million facility") to fund the purchase of Norwegian Spirit from a subsidiary of the Company and for general corporate purposes. The US\$500 million facility bears interest at a rate which varies according to LIBOR. The US\$500 million facility is available on a revolving basis until April 2009. The initial drawdown of this facility is conditioned on factors as defined in the agreement.

The US\$500 million facility will be secured by a guarantee from each of Norwegian Spirit, Ltd. and Norwegian Star Limited, first priority mortgages over the vessels named "Norwegian Spirit" and "Norwegian Star", assignment of the earnings, insurances and management agreements of the vessels and a charge over the earnings accounts of Norwegian Spirit, Ltd. and Norwegian Star Limited. The loan contains restrictive covenants which require compliance with certain financial ratios.

9. CONVERTIBLE BONDS

During the three months ended 31 March 2004, none of the Convertible Bonds (the "Bonds") were redeemed or purchased by the Company or converted into ordinary shares of the Company.

The net proceeds of approximately US\$176.3 million from the issuance of the Bonds is being used for the acquisition or construction of vessels in line with the Group's strategy to upgrade its fleet, as general working capital and / or for the reduction of outstanding liabilities under certain bank loans of the Group. During the three months ended 31 March 2004, the Group has used approximately US\$27.2 million of the net proceeds for general working capital purposes. As at 31 March 2004, the balance of unapplied proceeds of approximately US\$149.1 million was on deposit with banks.

10. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee of the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various discretionary trusts established for the benefit of certain members of Tan Sri Lim Goh Tong's family, is a substantial shareholder of the Company.

Tan Sri Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Group, is a son of Tan Sri Lim Goh Tong.

Kien Huat Development Sdn Bhd ("KHD") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest.

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

WorldCard International Limited ("WCIL") is a company in which a subsidiary of each of the Group and GIPLC has a 50% interest.

A description of certain material transactions between the Group and these companies is set out below:

- (a) KHD, together with its related companies, was involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. Amounts charged to the Group in respect of these services were approximately US\$12,000 and US\$- in the three months ended 31 March 2004 and 2003 respectively.
- (b) GB and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and other support services. The Group also purchases air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled approximately US\$0.1 million and US\$0.2 million in the three months ended 31 March 2004 and 2003 respectively.

Notes to the Accounts *(Continued)*

10. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

- (c) The Group provides certain administrative support services to GIPLC internationally and the amounts charged to GIPLC were approximately US\$18,000 and US\$47,000 in the three months ended 31 March 2004 and 2003 respectively.
- (d) On 19 January 2004, the Group subscribed for 500,000 shares of US\$1 each at par in WCIL and participated as a merchant in the customer loyalty programme known as "WorldCard". WCIL together with its related companies operates and administers the WorldCard programme on an international basis (save as Malaysia). During the three months ended 31 March 2004, the share of losses from WCIL amounted to US\$70,000 was included as other expense in the consolidated profit and loss account.

In addition, certain agreements were entered into among certain subsidiaries of the Group and RWB and a subsidiary of the GB Group in relation to the implementation of joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

For the three months ended 31 March 2004, the GB Group charged approximately US\$0.2 million to the Group and the amount charged to the GB Group by the Group was approximately US\$0.3 million in respect of the relevant programmes.

Amounts outstanding at the end of each fiscal period in respect of the above transactions are included in the balance sheets within amounts due from / (to) related companies.

11. FINANCIAL INSTRUMENTS

- (i) The Group has several interest rate swaps to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. The Group has effectively converted the interest rate of aggregate US\$430.4 million of term loans to a fixed rate obligation and the notional amount will be reduced six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 31 March 2004, the estimated fair market value of the interest rate swaps was approximately US\$35.1 million, which was unfavourable to the Group. The changes in the fair value of the interest rate swaps were included as a separate component of reserves and recognised in the profit and loss account as the underlying hedged items were recognised.

The Group entered into a series of 5.5% capped USD LIBOR-in-arrears interest rate swaps with a notional amount of approximately US\$140.8 million to limit its exposure to fluctuations in interest rate movements if rate moves beyond the cap level of 5.5%. The notional amount for each interest period will be reduced six-monthly in varying amounts over 5 years from August 2003. As at 31 March 2004, the estimated fair market value of these interest rate swaps was approximately US\$0.2 million, which was unfavourable to the Group. The changes in the fair value of these interest rate swaps are also included as a separate component of reserves and are recognised in the profit and loss account as the underlying hedged items are recognised.

- (ii) The Group entered into various Singapore dollars forward contracts and the notional amount of these contracts was approximately US\$206.7 million. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 31 March 2004, the estimated fair market value of these forward contracts was approximately US\$5.5 million, which was favourable to the Group. The changes in the fair value of these forward contracts were recognised as other income in the profit and loss account.
- (iii) The Group entered into a series of monthly forward contracts to buy US dollars against Hong Kong dollars. The notional amount of these forward contracts was approximately US\$60.7 million and will be reduced monthly in fixed amounts maturing within 3 years from December 2002. As at 31 March 2004, the estimated market value of these contracts was approximately US\$0.5 million, which was unfavourable to the Group. The changes in the fair value of these forward contracts were recognised as other expense in the profit and loss account.
- (iv) As at 31 March 2004, the Group has forward contracts maturing every two months up to April 2004 with a total notional amount of US\$160.7 million which were originally designated as a hedge against the Euro denominated currency shipbuilding commitments on the construction of the Pride of America vessel. As a result of the incident as described in note 8(i), the hedge became ineffective as at 14 January 2004. The loss on these forward contracts from this date to 31 March 2004 has been recognised as other expense in the profit and loss account.

The fair values of these instruments have been estimated using public market prices or quotes from reputable financial institutions. The Group had no significant concentrations of credit risk as at 31 March 2004 other than deposits of cash with reputable financial institutions.

Notes to the Accounts *(Continued)*

12. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 31 March 2004 and 31 December 2003:

	As at	
	31 March 2004 US\$'000 <i>unaudited</i>	31 December 2003 US\$'000 <i>audited</i>
Contracted but not provided for		
- Cruise ships and other related costs	<u>922,955</u>	<u>995,955</u>

(ii) Material Litigation

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2003.

13. SIGNIFICANT SUBSEQUENT EVENTS

- (a) In April 2004, the Group entered into four new loan agreements and restructured its existing loans pertaining to the ship operations in Asia and the United States.
- (i) On 20 April 2004, the Company entered into a facility agreement with a syndicate of banks for a US\$400 million Reducing Revolving Credit Facility ("US\$400 million facility") to refinance the outstanding balance of the US\$623 million Fleet Loan ("Fleet Loan") which will be due in December 2004. On 23 April 2004, the Group drewdown US\$400 million under the US\$400 million facility and together with US\$3.2 million of internally generated funds, repaid the outstanding amount of the Fleet Loan.
- (ii) On 20 April 2004, Hull 667 Limited, an indirect wholly-owned subsidiary of the Company, as borrower, entered into a term loan of up to US\$334.1 million to part finance the construction of hull no. S.667 with a syndicate of banks.
- (iii) On 20 April 2004, Ship Ventures Inc., an indirect wholly-owned subsidiary of the Company, as borrower, entered into a term loan of up to €308.1 million (equivalent to approximately US\$377.9 million based on the exchange rate of US\$1.2265 to €1 as at 31 March 2004) to part finance the construction of hull no. S.668 with a syndicate of banks.
- (iv) On 23 April 2004, NCLC, a direct wholly-owned subsidiary of the Company, as borrower signed an agreement with a syndicate of banks to provide up to US\$500 million Revolving Credit Facility. The initial drawdown of this facility is conditioned on factors as defined in the agreement.
- (b) On 23 April 2004, NCLC proposed a senior notes offering of principal amounts within the range of US\$350 million to US\$450 million to take advantage of the favourable interest rate environment to raise funds for repayment of bank loans and for general corporate purposes of NCLC and its subsidiaries. However, on or around 11 May 2004, in view of the then market conditions which have made notes offering less attractive, NCLC has decided to withdraw the Proposed Notes Offering and consider other available financing and re-financing alternatives.

Interim Dividend

The Directors do not recommend the declaration of any interim dividend in respect of the three months ended 31 March 2004.

Management's Discussion and Analysis

Three months ended 31 March 2004 as compared with three months ended 31 March 2003

Turnover

The Group's revenue for the three months ended 31 March 2004 was US\$390.7 million, decreased by 5.1% from US\$412.0 million for the three months ended 31 March 2003 due primarily to a decrease in capacity of 7.2%. However, net revenue decreased by only 3.6%. Net revenue represents revenue less air ticket costs, travel agent commissions and other direct costs (all of which are included in operating expenses). Net yield and occupancy level for the three months ended 31 March 2004 increased 3.8% and 4.2% respectively as compared with the same quarter of 2003. Net yield is defined as net revenue per capacity day.

Star Cruises in Asia Pacific operated with 4.1% lower capacity days in the three months ended 31 March 2004 as compared to the three months ended 31 March 2003. The lower capacity day was mainly a result of the drydocking of SuperStar Virgo. Occupancy and net yield were 11.0% and 3.0% higher respectively as compared with the same quarter of 2003.

NCL Group recorded a decrease in capacity days of 8.4% for the three months ended 31 March 2004 as compared to the three months ended 31 March 2003. The reduction in capacity resulted primarily from the s/s Norway being removed from service following the boiler incident in May 2003. Occupancy and net yield were 1.9% and 4.0% higher respectively as compared with the same quarter of 2003.

Cost and expenses

Total costs and expenses before interest and non-operating items for the three months ended 31 March 2004 amounted to US\$372.3 million as compared with US\$390.6 million for the three months ended 31 March 2003.

Operating expenses decreased by US\$25.0 million from US\$279.4 million for the three months ended 31 March 2003 to US\$254.4 million for the three months ended 31 March 2004. Ship operating expenses (excluding costs such as travel agent commissions, air tickets and other direct costs as they are already included in the net revenue calculation) was 9.3% lower as compared with the same period in 2003. On a per capacity day basis, ship operating expenses were 2.3% lower as compared with the first quarter of 2003. This decrease was primarily due to a decrease in the fuel costs which were partially offset by start up costs for the new Hawaii operations of US\$2.2 million and the expenses relating to s/s Norway which has been laid up since May 2003 of US\$2.4 million. Fuel costs decreased by 13.1% on a per capacity day basis for the three months ended 31 March 2004 as compared with the same period in 2003.

Selling, general and administrative (SG&A) expenses increased 18.9% on a per capacity day basis as compared with the same period last year. The increase was primarily due to increased advertising expenses and start up costs related to the planned introduction of Pride of Aloha under the NCL America brand in Hawaii.

Depreciation and amortisation expenses remained flat for the three months ended 31 March 2004 and 2003, at US\$48 million.

Operating profit

Operating profit decreased by US\$2.9 million to US\$18.5 million for the three months ended 31 March 2004 as compared with US\$21.3 million for the three months ended 31 March 2003.

Non-operating income / (expense)

Non-operating expenses increased by 6.6% to US\$27.8 million for the three months ended 31 March 2004 as compared with US\$26.1 million for the three months ended 31 March 2003. During the three months ended 31 March 2004, the Group had a non-cash loss on foreign exchange amounting to US\$4.4 million as compared to a non-cash gain on foreign exchange of US\$1.8 million in the first quarter of 2003. The non-cash loss resulted primarily from the strengthening of the Singapore dollar and Euro against the US dollar during the quarter. Interest expense, net of interest income and excluding capitalised interest reduced for the three months ended 31 March 2004 as compared with the same period last year primarily because of lower interest rates despite slightly higher average outstanding debts. Capitalised interest was US\$1.3 million for the three months ended 31 March 2004 due primarily to investments in ship construction projects. There was no capitalised interest for the three months ended 31 March 2003.

Management's Discussion and Analysis *(Continued)*

Loss before taxation

Loss before taxation for the three months ended 31 March 2004 was US\$9.4 million as compared to US\$4.8 million for the three months ended 31 March 2003.

Taxation

The Group has a net taxation benefit of US\$0.2 million for the three months ended 31 March 2004 as compared with income tax expense of US\$0.3 million for the same period in 2003. NCL Group recorded a deferred tax asset of US\$0.7 million which was partially offset by income tax expense in Star Cruises Asia Pacific of US\$0.5 million.

Net loss attributable to shareholders

As a result, the Group recorded a net loss attributable to shareholders of US\$9.2 million for the three months ended 31 March 2004.

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 2004, cash and cash equivalents decreased to US\$291.1 million from US\$377.0 million as at 31 December 2003. The Group's business provided US\$39.7 million of net cash from operations for the three months ended 31 March 2004 as compared to US\$18.5 million for the three months ended 31 March 2003. The increase in net cash generated from operations was primarily due to lower interest payment and an increase in advance ticket sales during the quarter.

During the three months ended 31 March 2004, the Group's capital expenditure was approximately US\$94.6 million. Approximately US\$80.5 million of the capital expenditure was related to capacity expansion and the remaining was vessel refurbishments and onboard assets. In February 2004, the Group received net proceeds of approximately US\$19.4 million, from the disposal of m.v. SuperStar Capricorn.

The Group made scheduled principal repayments of US\$70.9 million in relation to its long-term bank loans during the three months ended 31 March 2004. In the three months ended 31 March 2004, approximately US\$20.7 million of restricted cash was released to Norwegian Cruise Line Limited by the previous bankcard processor. Restricted cash was approximately US\$10.0 million as at 31 March 2004.

Liquidity and future funding

On 14 January 2004, the newbuild *Pride of America* took on excessive amounts of water and partially sank during a severe storm while under construction at the Lloyd Werft Bremerhaven shipyard in Germany causing a delay in the completion of the ship. The *Pride of America* is insured against construction risks with underwriters and on terms approved by NCL, the shipyard and the lenders.

Subsequent to the incident, the Lloyd Werft Bremerhaven shipyard filed for bankruptcy protection in Germany and a receiver was appointed to operate the yard. The appointment of the receiver results in an event of default for the ship financing. In addition, the ship financing requires delivery of the ship no later than 29 October 2004. Based on current estimates, it is anticipated that the ship will be completed and set sail in mid-2005. In April 2004, the Group obtained a waiver from the lenders financing the construction of the ship of the potential event of default. Accordingly, as at 31 March 2004, the Group has reclassified the €298 million term loan and the US\$450 million term loan as long-term bank loans. These loans were previously classified as current in the Group's balance sheet as at 31 December 2003.

In April 2004, the Group entered into the following four new loan agreements:

- On 20 April 2004, the Company entered into a facility agreement with a syndicate of banks for a US\$400 million Reducing Revolving Credit Facility to refinance the outstanding balance of the US\$623 million Fleet Loan which will be due in December 2004.
- On 20 April 2004, Hull 667 Limited entered into a term loan of up to US\$334.1 million to part finance the construction of hull no. S.667 with a syndicate of banks.
- On 20 April 2004, Ship Ventures Inc. entered into a term loan of up to €308.1 million to part finance the construction of hull no. S.668 with a syndicate of banks.
- On 23 April 2004, NCLC signed an agreement with a syndicate of banks to provide up to US\$500 million Revolving Credit Facility.

Please refer to note 8 for the details of the new loans entered by the Group.

Management's Discussion and Analysis (Continued)

Corporate reorganisation

Starting in late 2003, the Group undertook a reorganisation of the Norwegian Cruise Line and Orient Lines business within the Group. The reorganisation, which closed on 23 April 2004, was intended to increase the financial self-sufficiency of NCL's business, allowing NCL to raise general and ship-specific financing without guarantees or other financial assistance from the Company and to facilitate the renewal of NCL's fleet as newly-built ships are placed into service. In addition, NCL Group transferred six of its ships to the Company's subsidiaries at their net book values along with US\$403.2 million of secured indebtedness associated with these ships. After the transfer, NCL entered into arrangements with the Company's subsidiaries to charter these six ships for periods ranging from one to six years to continue operating them under Norwegian Cruise Line and Orient Lines brands.

Prospects

For the Asian operations, ship operating expenses per capacity day, excluding the effect of a decrease in fuel costs, will continue to improve with the sale of m.v. SuperStar Capricorn and m.v. SuperStar Aries. However, SG&A expenses per capacity day for the Asian operations will rise due to the negative scale from the sale of the abovementioned ships and the charter of m.v. SuperStar Leo to NCL. The SG&A expenses per capacity day for the Asian operations is expected to improve as the six ships currently chartered to NCL are redelivered to be operated in Asia.

The expected commencement of the Macau casinos during the year will also add to the challenge of the Asian operations.

In January 2004, during a severe storm at Lloyd Werft where the Pride of America is being built, excessive amounts of water entered the hull of Pride of America and the vessel partially sank, causing a delay in the completion of this vessel. NCL Group has been negotiating with the shipyard as to the timing and cost of completing the construction of the vessel. NCL Group has also been negotiating with the lead insurance underwriters and expects to reach a satisfactory settlement with the insurers. The management anticipates that the expected insurance proceeds and the financing currently in place will be sufficient to fund the completion of the vessel, and based on current estimates, the management believes that Pride of America will set sail in 2005.

In the interim, NCL Group will offer Hawaii cruises on the Norwegian Sky, a Bahamas-flagged ship that will be re-flagged as a U.S. flag cruise ship in June 2004 and sail under the name Pride of Aloha. In order to continue offering the cruises that previously were provided by the Norwegian Sky, Star Cruises Asian operations has chartered to NCL m.v. SuperStar Leo, which was subsequently re-named Norwegian Spirit. The charter of the Norwegian Spirit has facilitated NCL's fleet renewal strategy by providing NCL with a modern cruise ship that will add 2,000 berths and is designed to provide "Freestyle Cruising".

Other than as disclosed above and elsewhere in this interim report, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its result and financial position published in the annual report for the year ended 31 December 2003.

Interests of Directors

As at 31 March 2004, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

(A) Interests in the shares of the Company

	Personal interests	Number of ordinary shares (Notes)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	8,068,977	4,561,589,708 (1)	1,933,119,759 (2)	4,533,231,811 (3 and 4)	4,569,658,685 (5)	86.331
Mr. Chong Chee Tut	456,205	—	—	—	456,205	0.009
Mr. William Ng Ko Seng	178,229	—	—	—	178,229	0.003
Mr. David Colin Sinclair Veitch	335,445	—	—	—	335,445	0.006

Interests of Directors (Continued)

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

Notes:

1. Tan Sri Lim Kok Thay (“Tan Sri KT Lim”) has a family interest in 4,561,589,708 ordinary shares (comprising (i) the same block of 1,904,761,862 ordinary shares directly held by Resorts World Limited (“RWL”) and the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope Limited (“Golden Hope”) as trustee of Golden Hope Unit Trust (“GHUT”) in which his child and his wife, Puan Sri Wong Hon Yee (“Puan Sri Wong”) have deemed interests and (ii) the same block of 28,357,897 ordinary shares directly held by Goldsfine Investments Ltd. (“Goldsfine”) in which Puan Sri Wong has a corporate interest).
2. Tan Sri KT Lim is also deemed to have a corporate interest in 1,933,119,759 ordinary shares (comprising (i) the same block of 1,904,761,862 ordinary shares directly held by RWL by virtue of his interest in a chain of corporations holding RWL (details of the percentage interests in such corporations are set out in the section headed “Interests of Substantial Shareholders”) and (ii) the same block of 28,357,897 ordinary shares directly held by Goldsfine in which Tan Sri KT Lim and Puan Sri Wong each holds 50% of its issued share capital).
3. Tan Sri KT Lim as a beneficiary of various discretionary trusts, has a deemed interest in 4,533,231,811 ordinary shares (comprising the same block of 1,904,761,862 ordinary shares directly held by RWL and the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT). He is also deemed to have interest in the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT in his capacity as founder of a discretionary trust.
4. Out of the same block of 2,628,469,949 ordinary shares directly or indirectly held by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
5. There is no duplication in arriving at the total interest.
6. All the above interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective Directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Share options are granted to the Directors under The Star Cruises Employees Share Option Scheme adopted by the Company on 16 April 1997 prior to the listing of its ordinary shares on the Stock Exchange (the “Pre-listing Employee Share Option Scheme”) and the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002) (the “Post-listing Employee Share Option Scheme”).

As at 31 March 2004, the Directors had personal interests in the following underlying shares of the Company held through share options granted under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme:

	Number of underlying ordinary shares	Percentage of issued ordinary shares
Tan Sri Lim Kok Thay	17,077,200	0.323
Mr. Chong Chee Tut	1,919,356	0.036
Mr. William Ng Ko Seng	1,479,008	0.028
Mr. David Colin Sinclair Veitch	3,659,400	0.069

Further details of share options granted to the Directors under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme are set out in the section headed “Share Options” below.

These interests in share options represent long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the respective Directors set out in this subsection (B) need to be aggregated with their interests in the shares of the Company set out in subsection (A) above in order to give the total interests of the respective Directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Directors *(Continued)*

(C) Interests in the shares of WorldCard International Limited, an associated corporation of the Company

	Personal interests	Number of ordinary shares (Notes)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Tan Sri Lim Kok Thay	—	1,000,000 (1)	1,000,000 (2)	1,000,000 (3)	1,000,000 (4)	100

Notes:

1. Tan Sri KT Lim has a family interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by Star Cruise (C) Limited ("SCC") and (ii) the same block of 500,000 ordinary shares directly held by Calidone Limited ("Calidone"), in both of which his child and his wife, Puan Sri Wong have deemed interests). As at 31 March 2004, SCC was a wholly-owned subsidiary of the Company which in turn was directly held by RWL as to 35.99% while Calidone was a wholly-owned subsidiary of Genting International PLC (a company listed on the Luxembourg Stock Exchange) which in turn was a 63.59% owned subsidiary of Genting Berhad through its wholly-owned subsidiary, namely Genting Overseas Holdings Limited.
2. Tan Sri KT Lim is also deemed to have a corporate interest in 1,000,000 ordinary shares (comprising (i) the same block of 500,000 ordinary shares directly held by SCC by virtue of his interest in a chain of corporations holding SCC (details of the percentage interests in such corporations are set out in Note (1) above and the section headed "Interests of Substantial Shareholders") and (ii) the same block of 500,000 ordinary shares directly held by Calidone by virtue of his interest in a chain of corporations holding Calidone (details of the percentage interests in such corporations are set out in Note (1) above and the section headed "Interests of Substantial Shareholders").
3. Tan Sri KT Lim as a beneficiary of various discretionary trusts, has a deemed interest in 1,000,000 ordinary shares (comprising the same block of 500,000 ordinary shares directly held by SCC and the same block of 500,000 ordinary shares directly held by Calidone). He is also deemed to have interest in the same block of 500,000 ordinary shares directly held by SCC in his capacity as founder of a discretionary trust.
4. There is no duplication in arriving at the total interest.
5. All the above interests represent long positions in the shares of WorldCard International Limited.

(D) Interests in subsidiaries of the Company

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Save as disclosed above and in the sections headed "Share Options" and "Interests of Substantial Shareholders" below:

- (a) as at 31 March 2004, none of the Directors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and
- (b) at no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures in the Company or any other body corporate.

Share Options

Details of the Company's Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2003. Share Options are granted to certain Directors of the Company and employees of the Group under the said schemes. Details of the movement in the share options granted under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme during the period and outstanding as at 31 March 2004 are as follows:

(A) Pre-listing Employee Share Option Scheme

	Number of options outstanding at 1/1/2004	Number of shares acquired upon exercise of options during the interim period	Number of options lapsed during the interim period	Number of options cancelled during the interim period	Number of options outstanding at 31/3/2004	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	1,829,700	—	—	—	1,829,700	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	4,421,775	—	(884,355)	—	3,537,420	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	1,677,225	—	(335,445)	—	1,341,780	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	1,219,800	—	—	—	1,219,800	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	4,421,775	—	(884,355)	—	3,537,420	16/11/2000	US\$0.2686	24/3/2002 - 23/3/2009
	1,677,225	—	(335,445)	—	1,341,780	16/11/2000	US\$0.4206	24/3/2002 - 23/3/2009
	304,950	—	—	—	304,950	16/11/2000	US\$0.2686	23/10/2003 - 22/8/2010
	15,552,450	—	(2,439,600)	—	13,112,850			
Mr. Chong Chee Tut (Director)	135,398	—	—	—	135,398	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	76,238	—	—	—	76,238	25/5/1998	US\$0.4206	23/6/2000 - 22/6/2007
	414,732	—	—	—	414,732	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	91,485	—	(18,297)	—	73,188	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	585,504	—	—	—	585,504	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	24,396	—	—	—	24,396	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
	1,327,753	—	(18,297)	—	1,309,456			
Mr. William Ng Ko Seng (Director)	137,228	—	—	—	137,228	25/5/1998	US\$0.2686	21/8/2000 - 20/8/2005
	30,495	(6,099) ¹	—	—	24,396	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	121,980	—	(24,396)	—	97,584	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	463,524	—	—	—	463,524	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	24,396	—	—	—	24,396	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
	777,623	(6,099)	(24,396)	—	747,128			
Mr. David Colin Sinclair Veitch (Director)	1,219,800	—	—	—	1,219,800	7/1/2000	US\$0.4206	7/1/2003 - 6/1/2010
All other employees	4,263,204	—	—	—	4,263,204	25/5/1998	US\$0.2686	21/8/1999 - 20/8/2005
	62,210	—	—	—	62,210	25/5/1998	US\$0.2686	20/12/2000 - 19/12/2005
	152,475	(30,495) ²	—	—	121,980	25/5/1998	US\$0.2686	11/3/2000 - 10/3/2007
	640,395	—	—	—	640,395	25/5/1998	US\$0.4206	23/6/2000 - 22/6/2007
	3,482,554	—	(719,707)	(51,842)	2,711,005	25/5/1998	US\$0.4206	6/1/2000 - 5/1/2007
	17,923,870	(29,886) ³	(3,194,498)	(524,151)	14,175,335	24/3/1999	US\$0.2686	24/3/2002 - 23/3/2009
	10,271,378	—	(2,017,852)	(326,054)	7,927,472	24/3/1999	US\$0.4206	24/3/2002 - 23/3/2009
	9,149	—	—	—	9,149	24/3/1999	US\$0.4206	24/3/2003 - 23/3/2005
	238,473	—	(238,473)	—	—	24/3/1999	US\$0.4206	24/3/2003 - 23/3/2004
	1,366,444	—	—	(24,396)	1,342,048	30/6/1999	US\$0.2686	30/6/2002 - 29/6/2009
	2,878,199	—	—	(97,584)	2,780,615	30/6/1999	US\$0.4206	30/6/2002 - 29/6/2009
	18,297	—	—	—	18,297	30/6/1999	US\$0.4206	30/6/2003 - 29/6/2004
	2,623,668	—	—	(201,267)	2,422,401	23/10/2000	US\$0.2686	23/10/2003 - 22/8/2010
	3,443,342	—	—	(67,089)	3,376,253	23/10/2000	US\$0.4206	23/10/2003 - 22/8/2010
	47,373,658	(60,381)	(6,170,530)	(1,292,383)	39,850,364			
Grand Total	66,251,284	(66,480)	(8,652,823)	(1,292,383)	56,239,598			

Share Options (Continued)

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

Notes:

1. Exercise date was 13 March 2004. At the date before the options were exercised, the market closing value per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.250.
2. Exercise date was 5 March 2004. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK\$2.300.
3. At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK\$2.282.

HK\$: Hong Kong dollars, the lawful currency of Hong Kong.

The outstanding share options under the Pre-listing Employee Share Option Scheme vest over a period of 10 years following their respective original dates of grant and generally became exercisable as to 20% and 30% of the amount granted 3 years and 4 years after the grant date, with the remaining options exercisable annually in equal tranches over the remaining option period, subject to further terms and conditions set out in the relevant offer letters and provisions of the Pre-listing Employee Share option Scheme.

(B) Post-listing Employee Share Option Scheme

	Number of options outstanding at 1/1/2004	Number of shares acquired upon exercise of options during the interim period	Number of options lapsed during the interim period	Number of options cancelled during the interim period	Number of options outstanding at 31/3/2004	Date granted	Exercise price per share	Exercisable Period
Tan Sri Lim Kok Thay (Director)	3,964,350	—	—	—	3,964,350	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
Mr. Chong Chee Tut (Director)	609,900	—	—	—	609,900	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
Mr. William Ng Ko Seng (Director)	731,880	—	—	—	731,880	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
Mr. David Colin Sinclair Veitch (Director)	2,439,600	—	—	—	2,439,600	19/8/2002	HK\$2.9944	20/8/2004 - 19/8/2012
All other employees	91,110,115 792,870	— —	(2,201,498) —	(121,980) —	88,786,637 792,870	19/8/2002 8/9/2003	HK\$2.9944 HK\$2.9944	20/8/2004 - 19/8/2012 9/9/2005 - 8/9/2013
Grand Total	99,648,715	—	(2,201,498)	(121,980)	97,325,237			

The outstanding share options under the Post-listing Employee Share Option Scheme vest in seven tranches over a period of ten years from their respective dates of offer and become exercisable as to 30% and 20% of the amount granted commencing from two years and three years respectively after the dates of offer, with the remaining options exercisable annually in equal tranches of 10% commencing in each of the following years, subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Interests of Substantial Shareholders

As at 31 March 2004, the following persons (other than the Directors or the Chief Executive of the Company) had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO and in accordance with information received by the Company:

(A) Interests in the shares of the Company

Name of shareholder (Notes)	Direct/ Personal interests	Number of ordinary shares (Notes)			Total	Percentage of issued ordinary shares
		Family interests	Corporate interests	Other interests		
Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1)	—	—	1,904,761,862 (9)	1,904,761,862 (10)	1,904,761,862 (19)	35.99
Kien Huat Realty Sdn Bhd (2)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Genting Berhad (3)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Resorts World Bhd (4)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Sierra Springs Sdn Bhd (5)	—	—	1,904,761,862 (9)	—	1,904,761,862	35.99
Resorts World Limited (5)	1,904,761,862	—	—	—	1,904,761,862	35.99
GZ Trust Corporation (as trustee of various discretionary trusts) (6)	—	—	396,104,835 (11)	2,628,469,949 (12, 14 and 18)	2,628,469,949 (19)	49.66
Golden Hope Limited (as trustee of Golden Hope Unit Trust) (7)	—	—	396,104,835 (11)	2,628,469,949 (13 and 18)	2,628,469,949 (19)	49.66
Joondalup Limited (8)	396,104,835	—	—	—	396,104,835	7.48
Puan Sri Wong Hon Yee	—	4,569,658,685 (15(a))	28,357,897 (15(b))	299,600,000 (18)	4,569,658,685 (19)	86.33
Tan Sri Lim Goh Tong	—	2,633,776,949 (16(a))	—	4,533,231,811 (16(b) and 18)	4,538,538,811 (19)	85.74
Puan Sri Lee Kim Hua	5,307,000	4,533,231,811 (17(a))	—	2,628,469,949 (17(b) and 18)	4,538,538,811 (19)	85.74

Notes:

- Parkview Management Sdn Bhd ("Parkview") is a trustee of a discretionary trust (the "Discretionary Trust"), the beneficiaries of which include certain members of Tan Sri Lim Goh Tong's family (the "Lim Family"). As at 31 March 2004, Tan Sri Lim Kok Thay ("Tan Sri KT Lim") controlled 33.33% of the equity interest in Parkview.
- Kien Huat Realty Sdn Bhd ("KHR") is a private company of which the Discretionary Trust, through Info-Text Sdn Bhd and Dataline Sdn Bhd (both of which were 100% held by Parkview as trustee of the Discretionary Trust) controlled an aggregate of 66.06% of its equity interest as at 31 March 2004.
- Genting Berhad ("GB"), a company listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 41.35% of its equity interest as at 31 March 2004.
- Resorts World Bhd ("RWB"), a company listed on Bursa Malaysia of which GB controlled 56.79% of its equity interest as at 31 March 2004.
- Resorts World Limited ("RWL") is a wholly-owned subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") which is in turn a wholly-owned subsidiary of RWB.
- GZ Trust Corporation ("GZ") is the trustee of various discretionary trusts (the "Various Discretionary Trusts") established for the benefit of certain members of the Lim Family. GZ as trustee of the Various Discretionary Trusts holds 100% of the units in Golden Hope Unit Trust ("GHUT"), a private unit trust.

Interests of Substantial Shareholders *(Continued)*

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

7. Golden Hope Limited (“Golden Hope”) is the trustee of GHUT.
8. Joondalup Limited (“Joondalup”) is wholly-owned by Golden Hope as trustee of GHUT.
9. Each of Parkview as trustee of the Discretionary Trust, KHR, GB, RWB and Sierra Springs has a corporate interest in the same block of 1,904,761,862 ordinary shares held directly by RWL.
10. The interest in 1,904,761,862 ordinary shares is held by Parkview in its capacity as trustee of the Discretionary Trust and it relates to the same block of 1,904,761,862 ordinary shares held directly by RWL.
11. Each of GZ as trustee of the Various Discretionary Trusts and Golden Hope as trustee of GHUT has a corporate interest in the same block of 396,104,835 ordinary shares held directly by Joondalup.
12. GZ in its capacity as trustee of the Various Discretionary Trusts has a deemed interest in the same block of 2,628,469,949 ordinary shares held by Golden Hope as trustee of GHUT (out of which 2,232,365,114 ordinary shares are directly held by Golden Hope as trustee of GHUT and 396,104,835 ordinary shares are held indirectly through Joondalup).
13. The interest in 2,628,469,949 ordinary shares is held by Golden Hope in its capacity as trustee of GHUT (out of which 2,232,365,114 ordinary shares are directly held by Golden Hope as trustee of GHUT and 396,104,835 ordinary shares are held indirectly through Joondalup).
14. GZ as trustee of the Various Discretionary Trusts which holds 100% of the units in GHUT is deemed to have interest in the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.
15. (a) Puan Sri Wong Hon Yee (“Puan Sri Wong”) as the spouse of Tan Sri KT Lim, has a family interest in the same block of 4,569,658,685 ordinary shares in which Tan Sri KT Lim has a deemed interest. These interests do not include the deemed interests of Puan Sri Wong in the underlying shares of the Company through share options held personally by Tan Sri KT Lim and need to be aggregated with such interests set out in subsection (B) below to give the total interests of Puan Sri Wong pursuant to the SFO.
(b) Puan Sri Wong also has a corporate interest in 28,357,897 ordinary shares held directly by Goldsfine by holding 50% of its equity interest as at 31 March 2004.
16. (a) Tan Sri Lim Goh Tong (“Tan Sri GT Lim”) as the spouse of Puan Sri Lee Kim Hua (“Puan Sri Lee”), has a family interest in 2,633,776,949 ordinary shares (comprising 5,307,000 ordinary shares held personally by Puan Sri Lee and the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in which Puan Sri Lee has a deemed interest).
(b) Tan Sri GT Lim as founder of various discretionary trusts, has deemed interests in 4,533,231,811 ordinary shares (comprising the same block of 1,904,761,862 ordinary shares held directly by RWL and the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT).
17. (a) Puan Sri Lee as the spouse of Tan Sri GT Lim, has a family interest in the same block of 4,533,231,811 ordinary shares in which Tan Sri GT Lim has a deemed interest.
(b) Puan Sri Lee is also deemed to have interest in the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT in her capacity as founder of a discretionary trust.
18. Out of the same block of 2,628,469,949 ordinary shares held directly or indirectly by Golden Hope as trustee of GHUT, 299,600,000 ordinary shares are pledged shares.
19. There is no duplication in arriving at the total interest.
20. All these interests represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives.

Interests of Substantial Shareholders (Continued)

(B) Interests in the underlying shares of the Company through share options or equity derivatives

Name of shareholder	Number of underlying ordinary shares	Percentage of issued ordinary shares
Puan Sri Wong Hon Yee	17,077,200 (Note)	0.323

Note:

Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, is deemed to have a family interest in 17,077,200 underlying ordinary shares of the Company by virtue of the share options granted to Tan Sri KT Lim under the Pre-listing Employee Share Option Scheme and the Post-listing Employee Share Option Scheme. These interests represent long positions in the underlying shares in respect of physically settled derivatives of the Company and need to be aggregated with her interests set out in subsection (A) above to give her total interests pursuant to the SFO.

Save as disclosed above and in the sections headed "Interests of Directors" and "Share Options" above, as at 31 March 2004, there were no other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

General Disclosure pursuant to the Listing Rules

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

As at 31 March 2004, the Group was a party to five loan agreements for an aggregate principal amount of approximately US\$1.96 billion with terms ranging from seven to sixteen years from the dates of these agreements. These agreements require the Lim Family and/or the Lim family through its indirect shareholding in Resorts World Bhd to retain a direct or indirect ownership interest of 51% or more in the Company during the terms of these loans.

In April 2004, the Group entered into four new loan agreements and restructured its existing loans pertaining to the ship operations in Asia and the United States. Currently, the Group is a party to thirteen loan agreements for an aggregate principal amount of approximately US\$2.5 billion with terms ranging from five to sixteen years from the dates of these agreements. Five of these agreements require the Lim Family (or the Lim Family and/or the Lim Family through its indirect shareholding in Resorts World Bhd) to control (directly or indirectly) together or individually, the Company and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in the Company during the terms of these loans. The other eight agreements require the Lim Family to control (directly or indirectly) together or individually, NCL Corporation Ltd. ("NCLC"), a direct wholly-owned subsidiary of the Company, and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in NCLC during the terms of these loans. In the event that the shares of NCLC are listed on an approved stock exchange, if: (i) a third party owns or gains control of more than 33% of the voting stock of NCLC and the Lim Family ceases together or individually, to control (directly or indirectly) NCLC and beneficially own (directly or indirectly) at least 51% of the issued share capital of, and equity interest in NCLC; or (ii) without the prior written consent of the agent, NCLC ceases to be listed on an approved stock exchange, this will constitute an event of default under the relevant loan agreements.

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

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 2004, save for the issue of 66,480 new ordinary shares of US\$0.10 each at an aggregate price of US\$17,857 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. This interim report has been reviewed by the Audit Committee.

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 2004, in compliance with the Code of Best Practice, except that the 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.

On behalf of the Board

Tan Sri Lim Kok Thay

Chairman, President and Chief Executive Officer

Hong Kong, 18 May 2004