STAR CRUISES

STAR CRUISES LIMITED

(Continued into Bermuda with limited liability - Registration No. 29337)

Stock Code : 678

Annual Report 2007

The route to success

● Star Cruises Corporate Headquarters

● Worldwide Offices and Representatives

The Star Cruises Group

STAR CRUISES
The Leading Cruise Line In Asia-Pacific

NCL
NORWEGIAN CRUISE LINE
FREESTYLE CRUISING

NCL America
FREESTYLE CRUISING

ORIENT LINES
THE DESTINATION CRUISE SPECIALISTS

SCHEDULED INTERNATIONAL PORTS OF CALL BY REGION 2008

ASIA
Bali
Bangkok* (Laem Chabang)
Danang
Haikou
Halong Bay
Ho Chi Minh City
Hong Kong
Hualien
Ishigaki
Kaohsiung
Keelung
Komodo
Ko Samui
Kuala Lumpur* (Port Klang)
Kota Kinabalu
Krabi
Kuching
Langkawi
Malacca
Miyako
Naha
Nha Trang
Penang
Penghu
Phuket
Sanya
Singapore
Xiamen
Yonaguni
Zhanjiang

AUSTRALASIA
Adelaide
Albany
Brisbane
Broome
Exmouth
Cairns
Darwin
Fremantle
Melbourne
Milne Bay (Alotau)
Sydney
Townsville
Whitsundays
Willis Islands

ALASKA
Juneau
Ketchikan
Skagway

NORTH AMERICA
Astoria
Baltimore
Bar Harbor
Boston
Charleston
Charlottetown
Halifax
Key West
Los Angeles
Martha's Vineyard
Miami
New Orleans
New York
Newport
Philadelphia
Orlando* (Port Canaveral)
Prince Rupert
Provincetown
Quebec City
Bay of Fundy (Saint John)
San Francisco
Seattle
St. John's
Sydney
Vancouver
Victoria

SOUTH AMERICA
Arica
Buenos Aires
Castro
Coquimbo
Fortaleza
Iquique
Itajai
Lima* (Callao)
Manta
Montevideo
Puerto Chacabuco
Puerto Madryn
Puerto Montt
Punta Arenas
Punta del Este
Recife
Rio de Janeiro
Salvador de Bahia
Santiago* (Valparaiso)
Stanley (Falkland Islands)
Talcahuano
Ushuaia
Valdivia*(Corral)

EUROPE
Ajaccio
Amsterdam
Arrecife, Lanzarote
Barcelona
Belfast
Seville*(Cadiz)
Cagliari
Cannes
Rome* (Civitavecchia)
Corfu
Cork
London* (Dover)
Dublin
Dubrovnik
Falmouth
Gibraltar
Greenock
Guernsey
Invergordon
Iraklion
Istanbul
Ephesus* (Izmir)
Olympia* (Katakolon)
La Coruna
Las Palmas
Paris* (Le Havre)
Lerwick
Lisbon
Florence/Pisa* (Livorno)
Granada* (Malaga)
Mykonos
Naples
Nice
Palma
Athens* (Piraeus)
Ponta Delgada
Reykjavik
Rhodes
Santorini
Edinburgh* (South Queensferry)
London* (Southampton)
Tallinn
Valletta
Venice
Vigo
Nice* (Villefranche)
Berlin* (Warnemunde)
Waterford
Brussels/Brugge* (Zeebrugge)

SCANDINAVIA & RUSSIA
Aalesund
Bergen
Copenhagen
Geiranger
Hellesylt
Helsinki
Honningsvaag
Kristiansund
Oslo
St. Petersburg
Stavanger
Stockholm
Trondhei

HAWAII
Fanning Island
Hilo
Honolulu
Kahului
Kona
Lahaina
Nawiliwili

AFRICA
Agadir
Alexandria
Casablanca
Porto Grande
Ceuta

CARRIBEAN & BERMUDA
Belize City
Bridgetown
Castries
Grand Bahama Island
George Town
Great Stirrup Cay
Hamilton
King's Wharf
Nassau
Oranjestad
Philipsburg
Roseau
Samana
San Juan
Santo Tomas de Castilla
St. George's (Bermuda)
St. George's (Grenada)
St. John's
St. Thomas
Tortola
Willemstad

PANAMA CANAL & MEXICO
Acapulco
Cabo San Lucas
Cartagena
Costa Maya
Cozumel
Manzanillo
Mazatlan
Puerto Limon
Puerto Quetzal
Puerto Vallarta
Puntarenas
Santa Marta
Zihuatanejo/Ixtapa

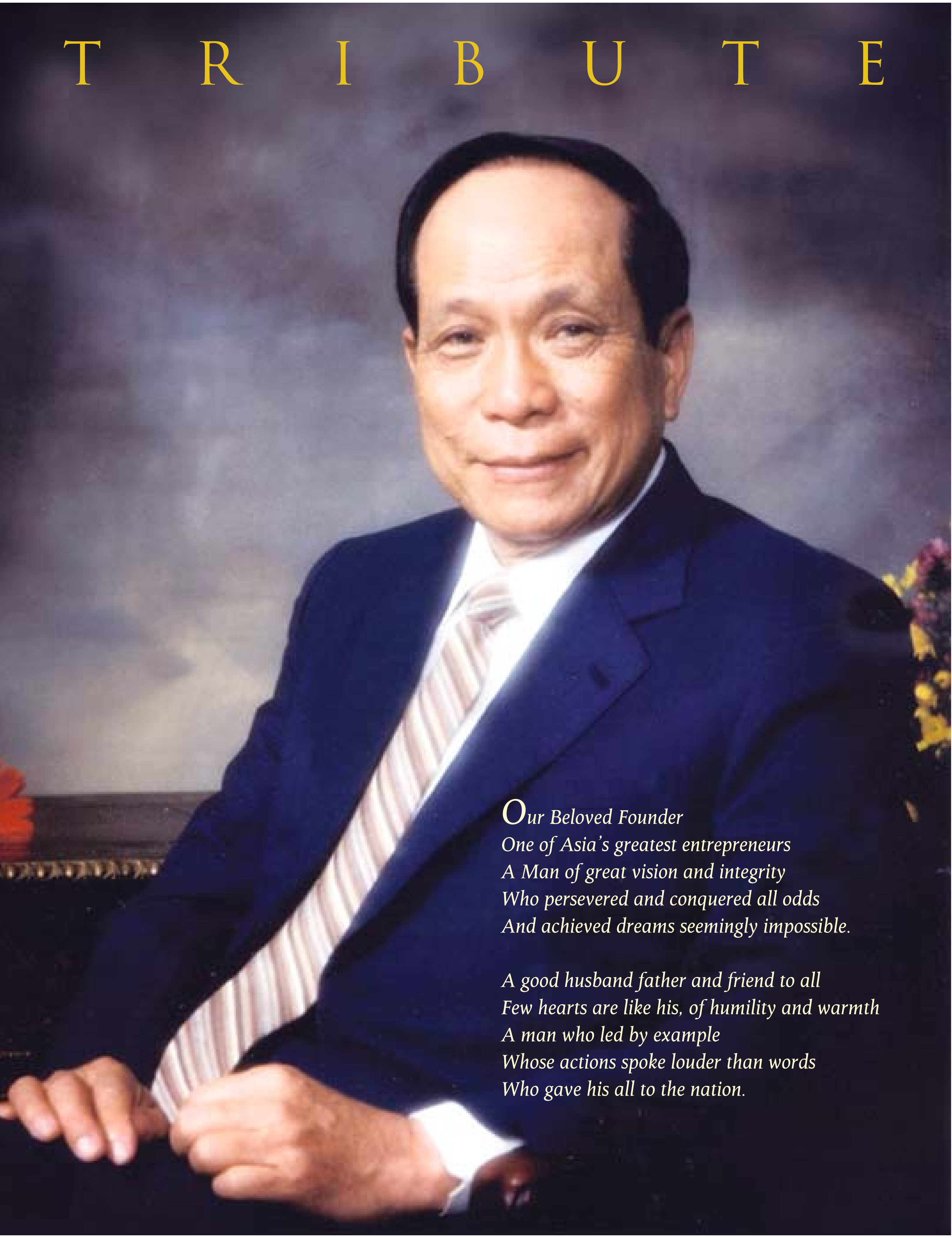
ANTARCTICA
Cape Horn
Cuverville Island
Deception Island
Drake Passage
Half Moon Island
Paradise Harbor
Port Lockroy

* Ship will berh in port in parenthesis.
** Ports of call are correct at time of print and are subject to change.

This Annual 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 Star Cruises Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") will operate in the future. 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 results to differ materially from those expressed or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include general economic, political and business conditions, changes in cruise industry competition, weather, force majeure events and/or other factors. Reliance should not be placed on these forward-looking statements, which merely reflect the view of the Company as of the date of this report only. The Company is under no obligation to revise or update publicly these forward-looking statements or any part thereof to reflect events or circumstances resulting from any new information, future events or otherwise on which any such statement was based.

CONTENTS

TRIBUTE



Our Beloved Founder
One of Asia's greatest entrepreneurs
A Man of great vision and integrity
Who persevered and conquered all odds
And achieved dreams seemingly impossible.

A good husband father and friend to all
Few hearts are like his, of humility and warmth
A man who led by example
Whose actions spoke louder than words
Who gave his all to the nation.

TAN SRI (DR.) LIM GOH TONG

28 February 1918 - 23 October 2007

The story of Lim Goh Tong, founder of the Genting Group, is a unique, inspiring Malaysian success story. He arrived in Malaysia in 1937 as a penniless young man without any tertiary education and went on to create the Genting Group - one of Asia's leading conglomerates.

He was often named amongst the world's most successful Asian entrepreneurs. To many, he was the legend who at the age of 47, embarked on a vision of turning a remote mountain into today's highly successful Genting Highlands Resort - Malaysia's premier tourist destination.

His life story and values are an inspiration to all. He dared to dream dreams and had the courage and conviction to turn them into reality. He did not study beyond primary school, yet was fearless in turning life's challenges into opportunities. His distinct entrepreneurial style blended street savvy with well-timed risk-taking and relentless hands-on management. He had a huge appetite for work, vacation was not in his vocabulary. But above all, he was extremely humble, often addressing himself as a simple traditional Chinese businessman.

Lim was born in 1918 in Anxi in China's southern Fujian province. He was the fifth child and second son of a vegetable-seed trader. When his father died, 16-year-old Lim left school and took over the trading business, hawking his goods along country roads.

Determined to support his mother and siblings financially, at 19 he ventured to work in Malaya. Starting as a carpenter, he went on to trade in used equipment and machinery, investing profits earned into small-scale mining ventures and plantations. Eventually, he established his own construction company called 'Kien Huat' and through dedication and hard work became a successful Class A contractor, completing many major public infrastructure projects.

After Malaysia's independence, he was awarded the contract to build the country's first dam – the RM12 million Ayer Itam Dam in Penang. His other major projects included the RM5.2 million Sultan Yahya Petra Bridge in Kota Bahru, the RM20 million Hydroelectric Power Project in Cameron Highlands and the RM54 million Kemubu Irrigation Scheme.

In 1964, while working in Cameron Highlands, he was inspired to build a highland resort for everyone to enjoy the cool mountain air. He identified Gunung Ulu Kali, a 1,800-metre high mountain plateau overlooking the country's capital, Kuala Lumpur, straddling the border between the states of Selangor and Pahang.

Many regarded this vision as an impossible dream, especially at a time when he could afford to retire comfortably. "The Genting project fitted my idea of an ideal business: Nobody else was interested in it," Lim wrote in his autobiography. Undeterred, he ploughed all his savings into turning his dream resort into reality. His humility, determination and proven track record as a contractor won the confidence of the authorities who approved his application to acquire and develop 6,000 hectares of land for the project.

On 8 August 1965, he began constructing the access road to the summit of Mount Ulu Kali through the dense tropical rainforest and rugged mountainous terrain. He devoted all his time, money and resources, even risking his life several times to complete this crucial access road within three years, instead of the original six-year target.

On 31 March 1969, when the foundation stone for the first hotel was laid, Malaysia's first Prime Minister Tunku Abdul Rahman Putra said the Government would consider a casino license to further develop tourism in this remote area. On 28 April 1969, Malaysia granted its first and only casino license to Genting.

On 8 May 1971, Genting Highlands Resort opened for business and became a great success story. Today, it is Malaysia's premier integrated resort and tourist destination attracting 20 million visitors in 2007. A vibrant 'City of Entertainment' - it offers six hotels (including the world's largest hotel) with over ten thousand hotel rooms, exhilarating fun rides, superb dining and shopping experiences, mega shows and international convention facilities.

It was through his vision that Star Cruises was incorporated in September 1993, representing a bold initiative to tap Asia-Pacific's potential as an international cruise market. Within 7 years, Star Cruises rapidly grew to become Asia-Pacific's leading cruise line. In 2000, it acquired Norwegian Cruise Line and today, it is the world's 3rd largest cruise operator, carrying over 2 million passengers a year worldwide.

From the humble beginnings of a 38-room hotel, Lim developed his Genting Group into a 40,000-employee global empire spanning resorts, cruise ships, plantations, power generation and oil and gas exploration and production. The Genting Group is now known as one of Asia's leading and best-managed conglomerates. In the US, Lim bankrolled the Mashantucket Pequot Tribe in Connecticut to create one of the world's largest casino complexes, Foxwoods Resort Casino.

Lim retired on 31 December 2003 at age 85, handing over the reigns to his second son Kok Thay. After retiring, Lim spent most of his time at a villa he built in Gohtong Jaya, a township at the foothills of his beloved Genting Highlands.

A well-known philanthropist, he gave generously to the community through the Genting Group and Yayasan Lim, a family foundation established in 1978. He built the Chin Swee temple to honour the deity who inspired him to complete the access road to the peak of Mount Ulu Kali. For his contributions to the national economy and society, he was bestowed the title of "Tan Sri" by HM the Yang di-Pertuan Agong in 1979 and an Honorary Doctorate of Entrepreneurship from University of Tunku Abdul Rahman in 2005.

Tan Sri (Dr.) Lim married Puan Sri Lee Kim Hua in 1944. They were blessed with six children (three sons and three daughters) and 19 grandchildren.

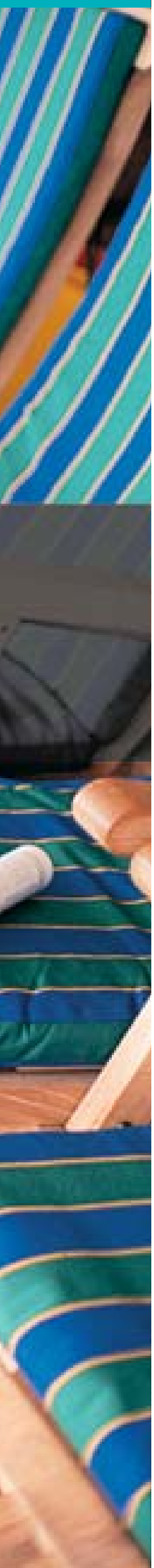
He passed away peacefully on 23 October 2007 and was laid to rest on 29 October 2007, after a week-long wake attended by his beloved family, friends, associates and dignitaries from all over the world.

His honesty, humility and wisdom will be deeply missed. His remarkable legacy lives on.

HIS INSPIRING LEGACY LIVES ON...

CHAIRMAN'S STATEMENT

"Star Cruises has significant highlights across operations in Asia and America."



Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Dear Valued Shareholders,

On behalf of the Board of Directors, I would like to present the Annual Report for Star Cruises Limited and its subsidiary companies ("the Group") for the year ended 31 December 2007.

A Brief Review

Cruise Operations

2007 has in many ways been a year that has seen significant highlights across our operations in Asia and America. The Asian fleet saw its newest addition, the 51,039 gross tonnage *SuperStar Aquarius* arrive in Hong Kong in June. The arrival and home-porting of *SuperStar Aquarius* added a new and fresh cruise experience for the Hong Kong cruise market which was made all the more significant as it tied in with the celebration of the 10th anniversary of Hong Kong's reunification with China.

Star Cruises returned to Taiwan after a two year absence with the homeporting of *SuperStar Libra* in Keelung as part of the Group's seasonal strategy in positioning vessels in various parts of the region. The deployment was indeed well received and saw *SuperStar Libra* making her way to Hong Kong for a winter deployment from November 2007 to March 2008.

An event of historical significance was the special dual ship showcase of *SuperStar Libra* and *SuperStar Aquarius* in Xiamen in conjunction with the 2007 China Cruise & Yacht Development Summit which brought visitors from Taiwan and Hong Kong back to mainland China. This effort is in line with Star Cruises' continuous efforts to support the growth and development of the cruise industry particularly in this part of the region. *SuperStar Aquarius* made her debut in Shanghai with an overnight call as part of a 6-night cruise itinerary from Hong Kong.

Looking ahead we will see *SuperStar Virgo* moving to Hong Kong in April 2008 while *SuperStar Aquarius* repositions to Singapore. These are part of the ongoing efforts and initiatives being undertaken as part of our increased focus on Greater China. It also gives a richer variety of taste and experience of our ships from and to various ports and destinations.

The Group continued its Asian fleet optimisation plan with the sale of *SuperStar Gemini* in line with the realisation of new growth opportunities in the region and the acquisition of larger and newer vessels to renew and further enhance the onboard cruise experience. The fleet optimisation plan is an ongoing one which seeks to ensure that we are able to effectively adapt and cater to the changing lifestyles of our customers with better and improved products and services.

Corporate Highlights

A major milestone for the Group was the US$1 billion cash equity investment by Apollo Management, L.P. ("Apollo") in NCL Corporation Ltd. ("NCL") in return for 50% equity in NCL through newly issued shares in NCL. Apollo, a leading private equity and capital markets investor is currently managing about US$40 billion of capital across a wide variety of industries both in the United States and internationally.

This significant development is a clear indication of Apollo's belief in NCL's potential and is a powerful validation of our achievements so far in growing NCL's fleet to become the youngest in the industry and in providing a revolutionary "Freestyle Cruising" experience which has been very well received by our guests and the cruise industry.

Our US operations saw the introduction of the eighth vessel purpose built for NCL's Freestyle Cruising, the 2,400 passenger *Norwegian Gem* which was christened in a special ceremony in December 2007.

Moving into our 15th year of operation saw the Group win the "Best Cruise Operator in Asia-Pacific" award for the tenth time which entitled Star Cruises to be inducted into the prestigious TTG Travel Awards Hall of Fame. This honour is a glowing tribute to my father and to our late Founder, Tan Sri (Dr.) Lim Goh Tong for his foresight, vision and pioneering efforts in bringing about the realisation and the development of Asia-Pacific as an international cruise destination.

The accolades continued with Star Cruises winning the "Most Modern Travel Destination of the Year 2006" Award in a reader poll by a leading Guangzhou Daily, "Best Cruise Operator" at the Travel Weekly (Asia) Industry Awards 2007 in Hong Kong and "Best Product Promotion International" Award at the India International Travel Mart.

I am also pleased to report the entry of Star Cruises into the Macau market with the proposed development of a boutique entertainment hotel with casino through an acquired interest in Macau Land Investment Corporation. Star Cruises in leading this development is confident of leveraging on the Group's proven experience, expertise and track record in creating a world-class hospitality project in Macau.

On a more somber note the year 2007 also saw the passing of our founder Tan Sri (Dr.) Lim Goh Tong and a donation of HK$6 million was made to the Tourism Department of the Xiamen University of China for the building of a property to be named in his memory and honour.

"Star Cruises will be continuously navigating to its starry horizon."

Acknowledgement

On behalf of the Board of Directors, I would like to extend my deepest appreciation to the management, staff and crew for their dedicated commitment and ongoing efforts to continually seek new ways to improve and enhance our products and services for our customers.

I would also wish to express my sincere thanks to the various local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and cooperation throughout the year and am deeply appreciative of the tremendous support from the central and local governments in the jurisdictions where we operate.

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

25 February 2008

FLEET PROFILE

"The Group's vessels operating under the brand names Star Cruises, Norwegian Cruise Line, NCL America, Orient Lines and Cruise Ferries call at over 200 destinations in Asia, Australia, Caribbean, Alaska, Bermuda, Antarctica, Hawaii, North and South America, Europe and the Mediterranean."

STAR CRUISES
The Leading Cruise Line In Asia-Pacific

Star Cruises

Star Cruises currently operates seven ships in Asia-Pacific, namely *SuperStar Virgo, SuperStar Aquarius, SuperStar Libra, SuperStar Gemini, Star Pisces, MegaStar Aries* and *MegaStar Taurus*.

Star Pisces


SuperStar Virgo


SuperStar Libra


MegaStar Aries


SuperStar Gemini


MegaStar Taurus


SuperStar Aquarius

郵輪客運
CRUISE FERRIES

Cruise Ferries

The Cruise Ferries brand was introduced in 2001 and currently comprises *Wasa Queen* which sails from Port Klang, Malaysia. The brand is designed to provide an entry-point experience for first time cruisers.

Wasa Queen

Norwegian Cruise Line

Ships currently in operation include *Norwegian Pearl*, *Norwegian Gem*, *Norwegian Jewel*, *Norwegian Dawn*, *Norwegian Star*, *Norwegian Sun*, *Norwegian Dream*, *Norwegian Majesty* and *Norwegian Spirit*.

NORWEGIAN CRUISE LINE®
FREESTYLE CRUISING®


Norwegian Dawn


Norwegian Pearl


Norwegian Jewel


Norwegian Majesty


Norwegian Star


Norwegian Dream


Norwegian Spirit


**Norwegian Crown*


Norwegian Sun


Norwegian Gem

* *Norwegian Crown* left the fleet in November 2007

NCL America

Ships operating under *NCL America include Pride of Aloha, Pride of America* and *Pride of Hawai'i*.

Pride of America

Pride of Hawai'i

* *Pride of Hawai'i* to join the NCL fleet in February 2008, renamed as *Norwegian Jade*

Pride of Aloha

Orient Lines

Founded in 1992, the award winning cruise line operates a single cruise ship, *Marco Polo* specialising in destination-oriented cruises worldwide which will be delivered to its owner in March 2008.

Marco Polo

GLOBAL HIGHLIGHTS

"Best Cruise Operator in Asia-Pacific" of TTG Asia Travel Award

Star Cruises is proud to have been named as the "Best Cruise Operator in Asia-Pacific" at the TTG Asia Travel Awards for the 10th time – the only cruise operator to be so recognised.

Chong Chee Tut, Executive Director and Chief Operating Officer photographed with the trophy of honor.

Awards

Travel Fairs

Star Cruises' booth at the Guangzhou International Travel Fair.

Visitors at the Star Cruises' booth, Singapore NATAS Travel Fair.

Star Cruises participated in the China International Travel Mart 2007 in Kunming.

William Ng, Executive Director of Star Cruises (right) receiving the "Best Cruise Operator" award by Travel Weekly Asia Industry Awards 2007 from Stanley Mok, General Manager of Macau Government Tourist Office Representative in Hong Kong.

Shalako Ho, Director of Sales & Marketing – Star Cruises Beijing Representative Office (left) receiving the "Best International Cruise Operator" at the Travel Weekly China Industry Awards 2007.

Special Events

SuperStar Aquarius, the latest addition to the Star Cruises fleet, arrived in Hong Kong on 22 June 2007.

Traditional bagpipe welcoming for *SuperStar Libra's* arrival in Hong Kong on 26 November 2007.

Chairman of Star Cruises Tan Sri Lim Kok Thay (2nd on right) and General Manager of Taiwan Office Andy Lew (left) joined Duei Tsai, Minister of Transportation & Communications Taiwan (3rd on right) to officiate the *SuperStar Libra* inaugural ceremony in Taiwan.

The dual arrival of *SuperStar Aquarius* and *SuperStar Libra* at Xiamen in November 2007 signified a trial run of the cross-strait cruise between Mainland China and Taiwan.

Special Events

New Vessel Joined NCL

Norwegian Gem is the sixth and final ship in the Group's Jewel-class series and solidifies NCL's status as the youngest, most modern fleet on the planet.

NCL named Cindy Cardella of Fairfield, N.J., the Godmother of its new "IT" Girl, *Norwegian Gem*, during the ship's christening ceremony held in New York on 18 December 2007.

David Chua,
President of Star Cruises, was invited to share his view on the development of Chinese cruise market in the 2007 China Cruise & Yacht Development Summit.

Chairman of Star Cruises Tan Sri Lim Kok Thay (2nd on right), together with his mother Puan Sri Lee Kim Hua and brother Dato' Lim Chee Wah (right) presented the HK$6 million donation to the President of Xiamen University, Professor Zhu Chong-Shi (3rd on left) for the Tourism Department of the school.

President of Xiamen University, Professor Zhu Chong-Shi (left) presented appointment certificate of Honorary Professor to Tan Sri Lim Kok Thay.

NCL begins building its next generation of Freestyle Cruising Ships

October 2007 – The steel cutting for the first of NCL's third generation of new Freestyle Cruising ships, project name "F3", took place at Aker Yards S.A. in Saint Nazaire, France.

CORPORATE INFORMATION

Board of Directors

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

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

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. William Ng Ko Seng
Executive Director

Mr. David Colin Sinclair Veitch
Executive Director

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Lim Lay Leng
Independent Non-executive Director

President

Mr. David Chua Ming Huat

Secretary

Ms. Louisa Tam Suet Lin

Assistant Secretary

Appleby Services (Bermuda) Ltd.

Registered Office

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Hamilton HM 12, Bermuda

Corporate Headquarters

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Fax: (852) 23143809

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Rosebank Centre, 11 Bermudiana Road,
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Fax: (441) 2956759

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong SAR
Tel: (852) 28628628
Fax: (852) 28650990/25296087

Transfer Agent

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Tel: (65) 62280507
Fax: (65) 62251452

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong SAR

Internet Homepage

www.starcruises.com

Investor Relations

Enquiries may be directed to:

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Chief Financial Officer
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Fax: (852) 23143809
E-mail: blondelso@starcruises.com

Ms. Louisa Tam Suet Lin
Company Secretary
Hong Kong SAR
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Fax: (852) 23143809
E-mail: louisatam@starcruises.com

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

The Group is the third largest cruise operator in the world by lower berths, together with its jointly controlled entities currently having a combined fleet of 21 ships with about 33,300 lower berths in service and an additional 2 ships with some 8,400 lower berths due to be delivered by 2010. The Group operates under two principal brand names, Star Cruises and Norwegian Cruise Line (including NCL America).

Star Cruises operates eight ships offering various cruise itineraries and calls destinations primarily in the Asia Pacific region. Norwegian Cruise Line (including NCL America) and Orient Lines operate thirteen cruise ships offering cruises in Alaska, Antarctica, the Bahamas, Bermuda, the Caribbean, Europe, Hawaii, Mexico, New England, North Africa and Central and South America and Scandinavia. In March 2008, the charter agreement for m.v. Marco Polo will expire and the Group will no longer operate under the Orient Lines' brand name.

On 7 January 2008, the Group completed the deemed disposal arising from subscription for new shares by Apollo Management, L.P. in a then major subsidiary, NCL Corporation Ltd. ("NCLC") through an equity investment of US$1 billion. As a result, NCLC ceased to be a subsidiary of Star Cruises Limited (the "Company") and became a jointly controlled entity of the Company. For the purpose of this annual report, the definition of the Group up to 6 January 2008 refers to the Company and its subsidiaries (which includes the NCLC Group). Upon completion of the Apollo transaction on 7 January 2008, the definition of the Group refers to the Company and its subsidiaries (with the NCLC Group being accounted for as a jointly controlled entity).

TERMINOLOGY

Capacity Days represent double occupancy per cabin multiplied by the number of cruise days for the period.

Net Revenue Yield represents total revenues less commissions, transportation and other expenses, and onboard and other expenses per Capacity Day. The Group utilises Net Revenue Yield to manage its business on a day-to-day basis and believes that it is the most relevant measure of the pricing performance and is commonly used in the cruise industry to measure pricing performance.

Ship Operating Expenses represent operating expenses excluding commissions, transportation and other expenses and onboard and other expenses.

Passenger Cruise Days represent the number of passengers carried for the period, multiplied by the number of days in their respective cruises.

Occupancy Percentage, in accordance with cruise industry practice, represents the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

OVERVIEW

Total revenues

Total revenues of the Group consist of the following:

Revenues from the Group's cruise and cruise-related activities are categorised as "passenger ticket revenues" and "onboard and other revenues". Passenger ticket revenues and onboard revenues vary according to the size of the ship in operation, length of cruises operated and the markets in which the ship operates.

Passenger ticket revenues primarily consist of payments for accommodation, meals in certain restaurants on the ship, certain onboard entertainment, and include payments for service charges and air and land transportation to and from the ship, to the extent passengers purchase those items from the Group. Passenger ticket revenues are generally collected from passengers prior to their departure on the cruise.

Onboard and other revenues consist of revenues primarily from gaming, food and beverage sales, shore excursions, retail sales and spa services. The Group records onboard revenues from onboard activities the Group performs directly or that are performed by independent concessionaires, from which the Group receives a percentage of their revenues.

The cruise industry in Asia Pacific is less seasonal than the North American cruise market. This lower degree of seasonality is primarily attributable to the lower degree of seasonal climate variation in certain parts of Asia Pacific, particularly the Southeast Asia. However, the Group has generally experienced a decrease in demand in December and January in the Hong Kong market attributable to unfavourable weather patterns during that time of the year. This seasonal decrease in demand is generally offset by increased demand in other markets, such as Singapore, Thailand and Malaysia, as a result of public holidays in December and January.

The cruise industry in North America is, however, seasonal based on demand for cruises. Historically, demand for cruises has been strongest during the summer months.

Demand, however, also varies by ship and itinerary.

Operating expenses

Operating expenses consist of commissions, transportation and other expenses, onboard and other expenses, payroll and related expenses, fuel, food expenses, ship charter costs and other operating expenses.

Commissions, transportation and other expenses consist of those amounts directly associated with passenger ticket revenues. These amounts include travel agent commissions, air and other transportation expenses, credit card fees and certain port expenses.

Onboard and other expenses consist of direct costs that are incurred primarily in connection with onboard and other revenues. These costs are incurred in connection with gaming, shore excursions, beverage sales, land packages and sales of travel protection for vacation packages.

Payroll and related expenses represent the cost of wages and benefits for shipboard employees.

Fuel expenses include fuel costs, the impact of fuel hedges and delivery costs.

Food expenses consist of food costs for passengers and crew, which typically vary according to the number of passengers onboard a particular cruise ship.

Ship charter costs consist of amounts paid for chartering ships.

Other operating expenses consist of costs such as repair and maintenance, ship insurance and other ship expenses.

Selling, general and administrative expenses

Selling expenses consist of the expenses in respect of the Group's marketing activities. These marketing activities include advertising and promotional activities, and other passenger related services, such as the Group's loyalty programmes.

General and administrative expenses consist of shoreside personnel wages and benefits, and expenses relating to the Group's world-wide offices, information technology support, crew training and support (including the operation of the Star Cruises Ship Simulator Centre), operation of the Group reservation call centres and support functions, accounting, purchasing operations, ship administration and other ship-related support activities.

Depreciation and amortisation expenses

Depreciation and amortisation expenses consist primarily of depreciation of ships and shoreside assets. Costs associated with drydocking a ship are deferred and included in the cost of the ship and amortised over the period to that ship's next scheduled drydocking which is generally once every two to three years.

YEAR ENDED 31 DECEMBER 2007 ("YEAR 2007") COMPARED WITH YEAR ENDED 31 DECEMBER 2006 ("YEAR 2006")

Turnover

The Group's total revenue for the Year 2007 was US$2,576.2 million, increased by 10.0% from US$2,343.1 million for the Year 2006. Total capacity days for the Year 2007 was 11,511,621 compared to 10,403,738 for the Year 2006. Net revenue for the Year 2007 increased 12.1% compared with the Year 2006 primarily due to a 10.7% increase in capacity and a 1.3% increase in net revenue yield. The increase in net revenue yield was primarily due to the increase in passenger ticket prices of NCLC Group. The capacity increase in Year 2007 was mainly due to the additions of m.v. Pride of Hawaii, m.v. Norwegian Pearl and m.v. Norwegian Gem, which entered service in May 2006, November 2006 and October 2007, respectively, partially offset by the departure of m.v. Norwegian Crown in November 2007. The overall Group occupancy for the Year 2007 was at 102.9% compared with 100.9% in the Year 2006.

Star Cruises Asia operated with 12.0% higher capacity days in the Year 2007 compared to the Year 2006 mainly due to the addition of m.v. SuperStar Aquarius which commenced operation in June 2007. Net revenue was 7.7% higher as a result of the higher capacity which was partially offset by a 1.8% lower net revenue yield. Occupancy level in Star Cruises Asia operations for the Year 2007 was at 87.7% compared with 83.6% for the Year 2006.

Turnover (continued)

NCLC Group recorded an increase in net revenue of 12.7% for the Year 2007 compared to the Year 2006 primarily due to a 10.3% increase in capacity days and 2.1% increase in net revenue yield. The increase in capacity was primarily due to the full year sailing of m.v. Pride of Hawaii and m.v. Norwegian Pearl and the introduction of m.v. Norwegian Gem partially offset by the departures of m.v. Norwegian Wind (renamed to m.v. SuperStar Aquarius) and m.v. Norwegian Crown. The increase in net revenue yield for the Year 2007 was primarily the result of an increase in passenger ticket prices and to a lesser extent, an increase in onboard revenues. The increase in passenger ticket prices was primarily due to an increase in demand. The increase in onboard revenues was primarily due to an increase in amounts spent per passenger on onboard activities partially offset by lower amounts spent per passenger on art due to transitions in the art concessionaire. Occupancy level for NCLC Group for the Year 2007 was at 106.6% compared with 105.1% for the Year 2006.

Costs and expenses

Total costs and expenses before interest and other items for the Year 2007 amounted to US$2,496.8 million compared with US$2,278.2 million for the Year 2006, an increase of US$218.6 million.

Operating expenses increased by US$169.8 million to US$1,898.3 million for the Year 2007 from US$1,728.5 million for the Year 2006. Ship operating expenses were 13.1% higher compared with the Year 2006 and the ship operating expenses per capacity day were 2.2% higher compared with the Year 2006. The higher ship operating expenses per capacity day was primarily due to higher fuel costs and higher other operating expenses (due primarily to the timing of maintenance and repairs expenses) as well as the charter hire fee for m.v. Norwegian Crown, m.v. Marco Polo and m.v. SuperStar Gemini. The increase in ship operating expenses per capacity day was partially offset by the lower payroll and related costs of NCL America and receipt of certain insurance proceeds. Average fuel prices in the Year 2007, net of fuel hedges, increased approximately 12.4% from the Year 2006. The year-over-year increase in fuel cost was US$37.0 million. Fuel costs accounted for approximately 19% of ship operating expenses in both years.

Selling, general and administrative expenses ("SG&A") increased by US$47.1 million to US$350.3 million for the Year 2007 from US$303.2 million for the Year 2006. SG&A expenses per capacity day for the Year 2007 were 4.4% higher compared with the Year 2006 primarily due to an increase in media marketing and advertising of NCLC Group and the shoreside expenses to support the expanded operations in China.

Depreciation and amortisation expenses increased by US$27.2 million to US$243.1 million for the Year 2007 compared with US$215.9 million for the Year 2006. The increase in depreciation and amortisation was primarily due to additions of m.v. Pride of Hawaii, m.v. Norwegian Pearl and m.v. Norwegian Gem, which were partially offset by the disposal of m.v. Norwegian Crown, m.v. Marco Polo and m.v. SuperStar Gemini.

A net impairment loss of US$5.2 million in respect of ships and Orient Lines trade name was recorded in the Year 2007 following the disposal of m.v. Marco Polo and Oceanic (formerly known as Independence). An impairment loss of US$30.6 million in respect of a ship and Orient Lines trade name was recorded in the Year 2006 following the completion of the annual impairment review.

Other income/(expense), net

Other expense increased by US$54.7 million to US$275.6 million for the Year 2007 compared with US$220.9 million for the Year 2006. The increase was mainly due to the net effect of the following items:

(a) Interest expense, net of interest income and capitalised interest increased by US$35.5 million to US$229.8 million for the Year 2007 compared with US$194.3 million for the Year 2006 primarily as a result of higher average outstanding debts (primarily related to the acquisition of new ships). Capitalised interest decreased to US$4.9 million for the Year 2007 from US$7.5 million for the Year 2006 mainly due to a lower average level of investment in ships under construction as certain ships have been delivered.

(b) The Group recorded a non-cash foreign currency debts translation loss of US$92.0 million for the Year 2007 compared to US$35.1 million in the Year 2006 due to the revaluation of Euro-denominated debt to U.S. dollars (from the exchange rate of US$1.3199 to €1 as at 31 December 2006 to US$1.4590 to €1 as at 31 December 2007 and US$1.1842 to €1 as at 31 December 2005 to US$1.3199 to €1 as at 31 December 2006).

(c) During the Year 2007, the Group recorded a gain on disposal of Resorts World at Sentosa Pte. Ltd. ("RWS") of US$53.7 million.

Other income/(expense), net (continued)

(d) A gain on disposal of a ship of US$2.7 million was recorded in the Year 2007 compared to gains of US$18.0 million from the disposals of a ship and a subsidiary in the Year 2006.

(e) During the Year 2006, the Group wrote off its non-cruise investment in Orangestar Investment Holdings Pte. Ltd. of US$10.3 million.

(f) During the Year 2006, the Group recorded a compensation income of US$7.3 million in connection with a settlement agreement for a portion of the claims against the builder of m.v. Pride of America.

Loss before taxation

Loss before taxation for the Year 2007 was US$196.1 million compared with US$156.1 million for the Year 2006.

Taxation

The Group incurred taxation expenses of US$4.8 million for the Year 2007 compared with US$0.1 million for the Year 2006 mainly due to shipping income tax for the operations in Australia and Taiwan in the Year 2007 as well as a reversal of over provision in the Year 2006.

Net loss attributable to shareholders

The Group recorded a net loss attributable to shareholders of US$200.8 million for the Year 2007 compared to US$156.2 million for the Year 2006.

Liquidity and capital resources

Sources and uses of funds

The majority of the Group's cash and cash equivalents are held in U.S. dollar, Singapore dollar and Hong Kong dollar. For the Year 2007, cash and cash equivalents (net of bank overdraft) decreased to US$149.1 million from US$467.2 million as at 31 December 2006. The decrease of US$318.1 million in cash and cash equivalents (net of bank overdraft) was mainly due to the net effect of the following items:

(a) The Group's business provided US$129.3 million of net cash from operations for the Year 2007 compared to US$235.5 million for the Year 2006. The decrease in net cash generated from operations was primarily due to changes of operating assets and liabilities during the Year 2007 compared with the Year 2006 and an increase in interest payment and higher losses during the Year 2007.

(b) The Group's capital expenditure was approximately US$674.9 million during the Year 2007. Approximately US$526.6 million of the capital expenditure was related to capacity expansion and the remaining balance was related to vessel refurbishments and onboard assets. In the Year 2007, the Group received net proceeds of approximately US$105.3 million from the disposals of ships and US$14.7 million from the disposal of a subsidiary.

(c) The Group used approximately US$206.6 million, including the assignment of loans from minority shareholders, for the acquisition of a 75% equity interest in Macau Land Investment Corporation. In addition, the Group used approximately US$108.0 million to acquire an additional equity interest in RWS which was subsequently disposed of at US$166.7 million.

(d) The Group refunded the excess cash received of approximately US$98.8 million in the Year 2007 in respect of the unsuccessful applications for excess rights shares pursuant to the rights issue in December 2006. In the Year 2007, the Group issued 255 million ordinary shares of US$0.10 each at the subscription price of HK$2.29 (US$0.29) per share and 255 million option shares at a premium of HK$0.28 (US$0.04) per option share to the independent third parties, resulting in aggregate proceeds of US$83.6 million.

(e) In the Year 2007, the Group drewdown US$445.2 million (€312.8 million based on the Euro/U.S. dollar exchange rate at drawdown date) under the €624 million secured Norwegian Pearl/Gem facility and US$7.1 million (€5.0 million based on the Euro/U.S. dollar exchange rate at delivery) in cash to fund the delivery of m.v. Norwegian Gem. In the Year 2007, the Group also made a net repayment of US$171.2 million under the existing bank loans.

Gearing ratio

The gearing ratio as at 31 December 2007 was 0.63 times, a slight increase, from 0.60 times as at 31 December 2006. The gearing ratio is calculated as net debt divided by total capital. Net debt of approximately US$3.49 billion (2006: US$2.93 billion) is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital of approximately US$5.53 billion (2006: US$4.88 billion) is calculated as equity plus net debt. The increase in net debt was mainly due to the drawdown of loan for the acquisition of new ship and the reduction in cash and cash equivalents explained above.

Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2007 are disclosed in note 34 to the consolidated financial statements.

Future commitments and funding sources

As at 31 December 2007, the Group had approximately US$3.3 billion of bank borrowings, US$63.3 million of the liability component of the convertible bonds and US$250 million unsecured senior notes. Details of the borrowings and a schedule setting out the repayments of such borrowings are disclosed in note 26 to the consolidated financial statements. The outstanding bank borrowings are secured by legal charges over vessels including fixed and floating charges over assets of the Group of US$5.1 billion.

As at 31 December 2007, the Group's liquidity was US$499.4 million consisting of US$149.1 million in cash and cash equivalents and US$350.3 million available under the Group's existing credit facilities. Under the term of NCLC US$610 million revolving credit facility, the availability under the facility increased by US$100 million to the full US$610 million after NCLC Group received more than the required minimum of an additional US$200 million of equity in January 2008.

NCLC Group has two ships under construction for additional capacity of approximately 8,400 berths with anticipated deliveries in the first and third quarters of 2010. The aggregate cost of the ships under construction and on firm order is approximately US$2.4 billion, of which NCLC Group has paid US$0.2 billion (based on the Euro/U.S. dollar exchange rate at 31 December 2007). NCLC Group has specific funding for the two ships under construction for the equivalent of approximately US$1.9 billion (based on Euro/U.S. dollar exchange rate at 31 December 2007).

Prospects

The completion of Apollo transaction took place on 7 January 2008. As a result, NCLC ceased to be a subsidiary and became a jointly controlled entity of the Company. Star Cruises intends to exercise its rights under the Reimbursement and Distribution Agreement in relation to the Apollo transaction. NCLC intends to transfer m.v. Pride of Aloha to Star Cruises, and continue to deploy m.v. Pride of America in Hawaii. Star Cruises intends to deploy m.v. Pride of Aloha in the Asian market. It is estimated that upon completion of these transactions, the Group will in year 2008 record a gain of approximately US$74 million. In addition, this will allow Star Cruises to concentrate its management and financial resources on its Asia-Pacific/Greater China cruise and cruise related businesses, as well as to re-focus its efforts on its inherent strength in the Asia-Pacific markets.

HUMAN RESOURCES

As at 31 December 2007, the Group had approximately 20,500 employees, consisting of approximately 17,300 (or 84%) ship-based officers and crew as well as approximately 3,200 (or 16%) staff employed in the various world-wide offices of the Group. The Group provides competitive salaries, benefits and incentives including provident fund schemes and medical insurance schemes for its staff. In addition, the Group has adopted a Post-listing Employees' Share Option Scheme under which options may be granted to eligible employees of the Group entitling them to subscribe for shares in the share capital of the Company.

For the year ended 31 December 2007, there is no significant change in the remuneration policies, bonus, share options scheme and training schemes for the Group.

FINANCIAL INSTRUMENTS

General

The functional currency of the Group is the U.S. dollar as a substantial portion of the Group's transactions are realised or settled in U.S. dollars. Transactions in currencies other than U.S. dollars ("foreign currencies") are translated into U.S. dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the balance sheet date. All such exchange differences are reflected in the consolidated income statement.

The Group is exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. The Group attempts to minimise these risks through a combination of the normal operating and financing activities and through the use of derivative financial instruments. The financial impacts of these hedging instruments are primarily offset by corresponding changes in the underlying exposures being hedged. The Group achieves this by closely matching the amounts, terms and conditions of the derivative instruments with the underlying risk being hedged.

Foreign currency exchange rate risk

The Group's exposure to foreign currency exchange rate risk relates primarily to the ship building contracts and the Euro-denominated debt. The ship contracts are denominated in Euro and the associated debt agreements are denominated in either U.S. dollar or Euro with certain conversion options. If denominated in Euro, the principal and interest payments for the debt will be payable in Euro, and will be subject to the exchange rate of the Euro at the time these payments are due. From time to time, the Group enters into foreign currency forward contracts and/or option contracts for these payments. As at 31 December 2007, the Group had foreign currency forward contracts relating to Euro-denominated contractual obligations with a total outstanding notional amount of US$108.8 million maturing through April 2008.

The Group is also exposed to foreign currency exchange rate fluctuations on the U.S. dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure relates to the Euro, Singapore dollar and the Hong Kong dollar. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

Interest rate risk

The majority of the Group's indebtedness and its related interest expenses are denominated in U.S. dollars and are based upon floating rates of interest. In order to limit its exposure to interest rate fluctuation, variable to fixed interest rate swaps have been utilised from time to time, to fix a portion of interest costs over a period of time. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its view of interest rate movement. As at 31 December 2007, the Group had interest rate swaps on debts with a total outstanding notional amount of US$228.8 million with remaining lives ranging from 1 to 4 years. In addition, the Group has a series of 5.5% capped USD London Interbank Offer Rate ("LIBOR")-in-arrears interest rate swaps with a total outstanding notional amount of approximately US$39.8 million to limit its exposure to fluctuations movements if the LIBOR moves beyond the cap level of 5.5% with the remaining life of 1 year. With these interest rate swaps in place and the conversion of certain portion of the borrowing from LIBOR-based rate to a fixed rate, as at 31 December 2007, 31% of the Group's debts was fixed and the remaining 69% was floating.

Fuel price risk

The Group's exposure to market risk on changes in fuel prices relates to the consumption of fuel on its ships. The Group mitigates the financial impact of fluctuation in fuel prices by applying fuel surcharge and entering into fuel swap agreements. As at 31 December 2007, the Group had fuel swap agreements to pay fixed prices for fuel with a total outstanding notional amount of approximately US$32.1 million maturing through December 2008.

DIRECTORS' PROFILES

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Tan Sri Lim Kok Thay, aged 56, was appointed an Executive Director in September 1994. He is the Chairman and Chief Executive Officer of the Company and a director of a number of subsidiaries of the Company. He focuses on long-term policies and new shipbuildings. Tan Sri Lim has been with the Group since the formation of the Company in 1993. He is the Executive Chairman of Genting International P.L.C., a public company listed on the Main Board of the Singapore Exchange Securities Trading Limited and a subsidiary of Genting Berhad ("GB"); Chairman and Chief Executive of GB, a company listed on the Main Board of Bursa Malaysia Securities Berhad; Chairman and Chief Executive of Resorts World Bhd ("RWB"), a public listed company in Malaysia in which GB holds 48.57% equity interest; and a director and Chief Executive Officer of Asiatic Development Berhad, a public listed company in Malaysia and a subsidiary of GB; and a director of Resorts World Limited ("RWL"), Kien Huat Realty Sdn Bhd, Parkview Management Sdn Bhd, Golden Hope Limited, Joondalup Limited and Cove Investments Limited. GB, RWB, RWL, Kien Huat Realty Sdn Bhd, Parkview Management Sdn Bhd (acting as trustee of a discretionary trust), Golden Hope Limited (acting as trustee of the Golden Hope Unit Trust), Joondalup Limited and Cove Investments Limited are substantial shareholders of the Company. GB is an investment holding and management company and is principally involved, through its subsidiaries, in leisure and hospitality, gaming and entertainment businesses, plantation, the generation and supply of electric power, property development and management, tours and travel related services, investments and oil and gas exploration, development and production activities. Tan Sri Lim was also involved in the development of the Genting Highlands Resort in Malaysia and the overall concept and development of the Burswood Resort in Perth, Australia and the Adelaide casino in South Australia. Tan Sri Lim graduated with a Bachelor of Science (Civil Engineering) degree from the University of London in 1975 and attended the Program for Management Development at the Harvard Graduate School of Business in 1979.

Mr. Chong Chee Tut
Executive Director and Chief Operating Officer

Mr. Chong Chee Tut, aged 58, was appointed an Executive Director in August 2000. Mr. Chong is the Chief Operating Officer of the Company and a director of a number of subsidiaries of the Company. Mr. Chong worked for 18 years for Exxon Corporation in Australia, Malaysia and Thailand in various senior management positions. Prior to joining the Company in 1995, Mr. Chong was employed by Genting Australia Pty Ltd., an affiliate of the Company and was involved in property development and management in Sydney. Mr. Chong has a Bachelor of Mechanical Engineering (Honours) degree from the University of Canterbury, New Zealand.

Mr. William Ng Ko Seng
Executive Director

Mr. William Ng Ko Seng, aged 53, was appointed an Executive Director in August 1998. Mr. Ng is the Executive Director of Business Development and Corporate Services and a director of a number of subsidiaries of the Company. He joined the Group at its inception in 1994 and prior to joining the Group, he had been with the Genting International Group since 1987. Mr. Ng had also been in public practice with international accounting firms in the United Kingdom and Malaysia for 12 years. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Hong Kong Institute of Certified Public Accountants and an Associate of the Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants. Mr. Ng also holds a Master of Art degree in Information Technology from Macquarie University of Sydney, Australia.

Mr. David Colin Sinclair Veitch
Executive Director

Mr. David Colin Sinclair Veitch, aged 52, has been an Executive Director of the Company since August 2000. He is also the President and Chief Executive Officer of NCL Corporation Ltd. ("NCLC", currently a jointly controlled entity of the Company) and a director of a number of its subsidiaries. Before he joined the NCLC Group in January 2000, Mr. Veitch was the Chief Financial Officer and the Senior Vice President of Marketing and Corporate Development of Princess Cruises for approximately 8 years, with responsibilities at varying times for finance, marketing, international sales, strategic planning and corporate development. In addition, beginning in mid-1998, he was also the executive in charge of Princess Cruises' sister company, P&O Cruises (Australia). Mr. Veitch graduated with a Master in Business Administration degree from the Harvard Graduate School of Business in 1984 and also holds a Bachelor of Science degree with First Class Honours from the University of London.

DIRECTORS' PROFILES (CONTINUED)

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

Mr. Alan Howard Smith, aged 64, has been an Independent Non-executive Director of the Company since August 2000. Mr. Smith was the Vice Chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was Chief Executive of the Jardine Fleming Group from 1983 to 1994 and was Chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform. He graduated with an L.L.B. (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is also a director of Kingway Brewery Holdings Limited, Frasers Property (China) Limited, VXL Capital Limited, Lei Shing Hong Limited and The Hong Kong Building and Loan Agency Limited, which are listed on The Stock Exchange of Hong Kong Limited. He also holds directorships in a number of other companies listed overseas.

Mr. Tan Boon Seng
Independent Non-executive Director

Mr. Tan Boon Seng, aged 52, has been an Independent Non-executive Director of the Company since August 2000. Mr. Tan is also the Chairman and Managing Director of Lee Hing Development Limited and a director of Wo Kee Hong (Holdings) Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Tan is the Executive Director of IGB Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad, and also holds directorships in a number of other companies. He has extensive experience in property development and investment, corporate finance and trading businesses. Mr. Tan received his degree from Cambridge University, where he graduated in 1977.

Mr. Lim Lay Leng
Independent Non-Executive Director

Mr. Lim Lay Leng, aged 57, has been an Independent Non-executive Director of the Company since October 2000. Mr. Lim is a director of several private property and investment holding companies in Hong Kong, China and Malaysia and has extensive experience in property development and investment. Mr. Lim holds a Bachelor of Civil Engineering (Honours) degree from Queen Mary College at the University of London.

SENIOR MANAGEMENT PROFILES

Mr. David Chua Ming Huat
President

Mr. David Chua Ming Huat, aged 45, has been appointed as the President of the Company since May 2007. Before taking up this new appointment, he was the Chief Operating Officer of Genting Berhad from September 2006 to February 2007. Prior to that, he had held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong with extensive knowledge in the management of securities/futures/derivatives trading, asset and unit trusts management, corporate finance and corporate advisory business. He was a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad from April 1998 to May 2002. He possesses a Bachelor of Arts degree in Political Science and Economics from the Carleton University, Ottawa, Canada.

Mr. Blondel So King Tak
Chief Financial Officer

Mr. Blondel So King Tak, aged 47, has been appointed Chief Financial Officer from 3 July 2007. He has over 23 years of experience in the financial sector with the first 15 years working in the banking industry. Prior to joining the Company, he has held a number of different positions in multinational corporation and listed company in Hong Kong overseeing Treasury, Corporate Development, Finance, Human Resources, Information Technology and Administration. He holds a Bachelor degree in Mathematics from Simon Fraser University, Canada, a Post-graduate certificate in Professional Accounting from City University of Hong Kong and a Master degree in Corporate Finance from Hong Kong Polytechnic University.

SENIOR MANAGEMENT PROFILES (CONTINUED)

Ms. Andrea Chan Wing Kam
Executive Vice President of Corporate Planning

Ms. Andrea Chan Wing Kam, aged 46, has been appointed Executive Vice President of Corporate Planning from 1 July 2007. Prior to this, she was the Chief Operating Officer/Director, Operations of DBS Vickers Securities and Director of Client Service, Asia Pacific in Euroclear Bank S.A.. She brings a wealth of execution experience and possesses a strong complement of project management and leadership skills. She served in a number of senior executive positions at global financial institutions such as being the Regional Head of Operations at Dresdner Bank AG. Ms. Chan holds a Master degree in Business Administration from Brunel University UK and membership with professional organisations.

Mr. Lee Swee Hing
Executive Vice President of VIP Services and Club Operations

Mr. Lee Swee Hing, aged 48, assumed the position of Executive Vice President - VIP Services and Sales and Marketing (from April 2000), with responsibility over VIP Services and Sales and Marketing functions (until early December 2000). Since December 2000, Mr. Lee has resumed responsibility for Club Operations and VIP Services. He joined the Company in October 1993 as Director – VIP Services and was promoted to Senior Vice President – VIP Services in May 1994 and then to Executive Vice President – VIP Services in January 1997. Mr. Lee worked with Genting Berhad from September 1984 to December 1985 and joined Burswood Resort Casino, Western Australia as Director responsible for international marketing from 1985 to September 1993. Mr. Lee graduated with a Bachelor of Science degree in Computer Science from the University Sains Malaysia, Penang, Malaysia.

Mr. Graham Aubrey Cadman
Senior Vice President of Hotel Operations

Mr. Graham Aubrey Cadman, aged 57, has been Senior Vice President - Hotel Operations of the Company since April 1999. Mr. Cadman joined the Company in June 1994 as Hotel Manager. From July 1995 to June 1996, he was Vice President – Hotel Operations, and from July 1996 to April 1999, he was Vice President – Hotel Newbuilding. Mr. Cadman has over 30 years of experience in the hospitality industry, of which 18 years were with Hilton International. Prior to joining the Company, Mr. Cadman was Director of Food and Beverage at Dynasty Singapore from October 1991 to June 1994.

Mr. Choo Seng Nam
Senior Vice President of Finance, Group Accounting and Treasury

Mr. Choo Seng Nam, aged 41, joined the Company as an Accountant in October 1995 and was holding the position of Controller, Group Accounts from July 1999 to December 2003. He subsequently progressed to the position of Senior Vice President – Finance, Group Accounting and Treasury on 1 July 2007. Mr. Choo is responsible for treasury, corporate finance and management accounting functions of Star Cruises Asia. Mr. Choo is a fellow member of both the Association of Certified Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Accountant of the Malaysian Institute of Accountants. Prior to joining the Company in 1995, he worked with Kassim Chan & Co., Kuala Lumpur, a member firm of Deloitte Touche Tohmatsu International.

Mr. Gustaf Gronberg
Senior Vice President of Marine Operations

Mr. Gustaf Gronberg, aged 49, assumed the position of Senior Vice President – Marine Operations in December 2005. His responsibilities include technical, nautical and port operations. Mr. Gronberg joined the Company as Safety Manager in 1993. He was subsequently promoted to the position of Vice President – Safety & Security in 1994. He also assumed the position of Fleet Captain from 1996. He was re-designated to Vice President – Nautical in 1999. Mr. Gronberg is a Master Mariner with over 20 years experience in the Maritime industry. He graduated with a Bachelor of Nautical Science degree from the Stockholm Maritime Academy, Sweden in 1985.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise related operations. Details of the Company's principal subsidiary companies are set out in note 37 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Company and its subsidiaries for the year ended 31 December 2007 are set out in the consolidated income statement on page 55.

DIVIDENDS

The Directors do not recommend the declaration of any dividend in respect of the year ended 31 December 2007.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out on pages 61 to 63. The distributable reserves of the Company amounted to US$117.5 million as at 31 December 2007.

AUDITED FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 118.

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 year ended 31 December 2007, save for the issuance of new ordinary shares of US$0.10 each by the Company as follows:

(a) the issuance of 2,361,798 new ordinary shares of US$0.10 each at an aggregate price of approximately US$619,679 pursuant to the exercise of options granted 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 of Hong Kong Limited (the "Stock Exchange");

(b) the issuance of 1,589,771 new ordinary shares of US$0.10 each at an aggregate price of approximately HK$3,336,990 pursuant to the exercise of options granted under the share option scheme adopted by the Company on 23 August 2000 (as effected on 30 November 2000 and amended on 22 May 2002);

(c) the issuance of 382,908,142 new ordinary shares of US$0.10 each upon conversion of an aggregate amount of US$125,114,000 of the US$180,000,000 2% convertible bonds due 2008 at the conversion price of HK$2.53 per share; and

(d) the issuance of 255,000,000 new ordinary shares of US$0.10 each at the subscription price of HK$2.29 (US$0.29) per share, with an aggregate price, net of issuance costs, of approximately US$75,000,000 to independent third parties pursuant to the share subscription agreements dated 17 January 2007.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$1.1 million.

PROPERTY, PLANT AND EQUIPMENT

A brief description of the properties owned by the Group is set out on page 119.

Details of the movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of the movements in share capital and convertible bonds of the Company are set out in notes 25 and 27 to the consolidated financial statements, respectively.

INDEBTEDNESS

Details of long-term financing facilities of the Company and its subsidiary companies at 31 December 2007 are set out in note 26 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Tan Sri Lim Kok Thay
Mr. Alan Howard Smith
Mr. Chong Chee Tut
Mr. William Ng Ko Seng
Mr. David Colin Sinclair Veitch
Mr. Tan Boon Seng
Mr. Lim Lay Leng

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. William Ng Ko Seng, Mr. Tan Boon Seng and Mr. Lim Lay Leng will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the three Independent Non-executive Directors, namely Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng, an annual confirmation of his independence and considers that each of the Independent Non-executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Biographical details of the Directors and senior management are set out on pages 23 to 25.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Significant Related Party Transactions and Balances" in note 24 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any of the Company's Director or controlling shareholder or its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

(a) Significant related party transactions entered into by the Group during the year ended 31 December 2007 are disclosed in note 24 to the consolidated financial statements.

(b) Transactions set out in item (b) of these related party transactions constitute continuing connected transactions under the Listing Rules, details of which as required to be disclosed in accordance with the Listing Rules are given below:

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and is also the Chairman and Chief Executive and shareholder, entered into a services agreement ("GB Services Agreement") with the Company on 14 January 2003 in relation to the provision of treasury management services, secretarial services, share registration services and other support services (such as information technology support services, finance and administrative services, travel services, air ticket purchasing services, other purchasing services, central reservation services, leasing of office space and risk management services) by GB and its related companies ("GB Group") to the Group as and when required by the Group from time to time ("GB Transactions").

As announced in the Company's announcement dated 23 December 2005, the aggregate annual consideration for the GB Transactions for the year ended 31 December 2005 was expected to exceed the de minimis threshold of 0.1% as set out in Rule 14A.33 of the Listing Rules. On 23 December 2005, the Company and GB entered into a supplemental agreement (the "Supplemental Agreement") setting the term of the GB Services Agreement for 25 months commencing from 1 December 2005 pursuant to Rule 14A.35 of the Listing Rules. The maximum aggregate annual consideration (the "Annual Cap") for the GB Transactions under the term of the GB Services Agreement (as supplemented by the Supplemental Agreement) for each of the financial years ended 31 December 2005, 31 December 2006 and 31 December 2007 would not exceed US$2 million, US$4 million and US$4 million respectively.

For the year ended 31 December 2007, the aggregate amount charged to the Group in respect of the GB Transactions was approximately US$2.4 million and has not exceeded the Annual Cap of US$4 million.

The Audit Committee comprising all Independent Non-executive Directors of the Company has reviewed the GB Transactions and confirmed that the GB Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the terms of the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors have issued a report to the Directors of the Company following their performance of certain specified procedures in relation to the GB Transactions.

In view of the expiry of the GB Services Agreement (as supplemented by the Supplemental Agreement) on 31 December 2007, the Company and GB entered into a new agreement (the "New GB Services Agreement") on 28 January 2008 for a period of 3 years commencing from 1 January 2008 in relation to the provision of secretarial and share registration services, air ticket purchasing services, leasing of office space and other support services (such as information technology support services, travel services, other purchasing services and central reservation services) by the GB Group to the Group as and when required by the Group from time to time.

The Annual Cap for the GB Transactions under the term of the New GB Services Agreement for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed US$5 million. Details of the New GB Services Agreement have been set out in the announcement issued by the Company on 28 January 2008 and will be disclosed in subsequent published annual report and accounts for each of the said financial years in accordance with the Listing Rules.

(c) Transactions set out in items (a) and (c) of these related party transactions, which also constitute continuing connected transactions under the Listing Rules, are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules as the aggregate annual consideration under each category of these continuing connected transactions for the year ended 31 December 2007 is less than 0.1% of the applicable percentage ratios (as prescribed in the Listing Rules).

(d) Transactions set out in items (e) and (f) of these related party transactions constitute connected transactions under the Listing Rules, details of which as required to be disclosed in this annual report in accordance with the Listing Rules are given in notes 24 (e) and (f) to the consolidated financial statements.

(e) Transactions set out in item (i) of these related party transactions in relation to the issue of shares to certain Directors of the Company pursuant to their exercise of share options during the year ended 31 December 2007, which constitute connected transactions under the Listing Rules, are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(3)(b) of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Tan Sri Lim Kok Thay, the Chairman and Chief Executive Officer of the Company, is the Chairman and Chief Executive and a shareholder and share option holder of Genting Berhad ("GB") and the Chairman and Chief Executive and a shareholder and share option holder of Resorts World Bhd ("RWB"), both of which are substantial shareholders of the Company and companies listed on Bursa Malaysia Securities Berhad. He is also the Executive Chairman and a shareholder and share option holder of Genting International P.L.C. ("GIPLC"), a company listed on the Main Board of Singapore Exchange Securities Trading Limited. The principal activities of RWB include the operation of a tourist resort in Malaysia known as Genting Highlands Resort, along with other land-based Malaysian resorts. RWB provides leisure and hospitality services which comprise amusement, gaming, hotel and entertainment. GIPLC's principal activities include the development and operation of integrated resorts, operation of casinos, investments, provision of IT application related services and provision of sales and marketing services to leisure and hospitality related businesses. As at the date of this report, GB held 48.57% and 50.44% equity interest in RWB and GIPLC respectively.

The Group engages in cruise and cruise-related businesses which forms a segment of the leisure industry. Besides, as disclosed in the Company's circular dated 30 March 2007 in relation to its acquisition of shares in Macau Land Investment Corporation, the Company is taking steps to implement its strategy in making investment in Macau with a view to developing a hotel for the operation of a casino (subject to obtaining the relevant authorisation from the Government of Macau).

Tan Sri Lim Kok Thay is therefore considered as having interests in business (the "Deemed Competing Business") apart from the Group's business, which may compete indirectly with the Group's business under paragraph 8.10 of the Listing Rules. The Company's management team is separate and independent from RWB, GIPLC and GB. Coupled with the appointment of three Independent Non-executive Directors to the Board, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

INTERESTS OF DIRECTORS

As at 31 December 2007, 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

	Nature of interests/capacity in which such interests were held					
Name of Director	**Beneficial owner**	**Interests of spouse**	**Interests of controlled corporation**	**Founder/ Beneficiary of discretionary trusts**	**Total**	**Percentage of issued ordinary shares**
	Number of ordinary shares (Notes)					
Tan Sri Lim Kok Thay	362,379,135	36,298,108 (1)	582,927,016 (2)	3,964,882,524 ((3) and (4))	4,910,188,675 (5)	66.119
Mr. Chong Chee Tut	1,168,504	—	—	—	1,168,504	0.016
Mr. William Ng Ko Seng	752,631	—	—	—	752,631	0.010
Mr. David Colin Sinclair Veitch	335,445	—	—	—	335,445	0.005

INTERESTS OF DIRECTORS (CONTINUED)

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

Notes:

As at 31 December 2007:

(1) Tan Sri Lim Kok Thay had a family interest in the same block of 36,298,108 ordinary shares directly held by Goldsfine Investments Ltd. ("Goldsfine") in which his wife, Puan Sri Wong Hon Yee had a corporate interest.

(2) Tan Sri Lim Kok Thay was also deemed to have a corporate interest in 582,927,016 ordinary shares (comprising (i) the same block of 36,298,108 ordinary shares directly held by Goldsfine in which each of Tan Sri Lim Kok Thay and Puan Sri Wong Hon Yee held 50% of its issued share capital and (ii) the same block of 546,628,908 ordinary shares directly held by Joondalup Limited in which Tan Sri Lim Kok Thay held 100% of its issued share capital).

(3) Tan Sri Lim Kok Thay as founder and a beneficiary of two discretionary trusts (trustees of which are Parkview Management Sdn Bhd and GZ Trust Corporation respectively), had a deemed interest in 3,964,882,524 ordinary shares.

(4) Out of 3,964,882,524 ordinary shares, 502,528,000 ordinary shares were pledged shares.

(5) There was no duplication in arriving at the total interest.

(6) All the above interests represented long positions in the shares and excluded 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 December 2007, 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:

Name of Director	Number of underlying ordinary shares	Percentage of issued ordinary shares	Capacity in which such interests were held
Tan Sri Lim Kok Thay	8,760,995	0.118	Beneficial owner
Mr. Chong Chee Tut	1,103,232	0.015	Beneficial owner
Mr. William Ng Ko Seng	865,711	0.012	Beneficial owner
Mr. David Colin Sinclair Veitch	3,115,023	0.042	Beneficial owner

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 and note 35 to the consolidated financial statements.

These interests in share options represented 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 associated corporation of the Company

Name of associated corporation	Name of Director	No. of issued ordinary shares	Percentage of issued ordinary shares	Capacity in which such interests were held
WorldCard International Limited ("WCIL") (1)	Tan Sri Lim Kok Thay	1,000,000	100	Founder and a beneficiary of two discretionary trusts

Notes:

As at 31 December 2007:

(1) WCIL was a company in which a subsidiary of each of the Company and Genting International P.L.C. had a 50% interest.

(2) The above interests represented long positions in the shares of WCIL.

(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 December 2007, 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 year was the Company and its subsidiaries 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 note 35 to the consolidated financial statements. 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 year and outstanding as at 31 December 2007 were as follows:

(A) Pre-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2007	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2007	Date granted	Exercise price per share	Exercisable period
Tan Sri	1,881,992	(470,499)[1]	—	—	1,411,493	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
Lim Kok Thay	713,859	—	(178,466)	—	535,393	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
(Director)	648,963	(129,793)[2]	—	—	519,170	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	1,881,992	(470,499)[1]	—	—	1,411,493	16/11/2000	US$0.2524	24/03/2002 – 23/03/2009
	713,859	—	(178,466)	—	535,393	16/11/2000	US$0.3953	24/03/2002 – 23/03/2009
	162,241	(32,449)[2]	—	—	129,792	16/11/2000	US$0.2524	23/10/2003 – 22/08/2010
	6,002,906	**(1,103,240)**	**(356,932)**	**—**	**4,542,734**			
Mr. Chong	32,448	—	(32,448)	—	—	25/05/1998	US$0.3953	23/06/2000 – 22/06/2007
Chee Tut	220,647	(55,163)[3]	—	—	165,484	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
(Director)	38,937	—	(9,735)	—	29,202	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	311,502	(62,302)[2]	—	—	249,200	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	12,979	(2,597)[2]	—	—	10,382	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	616,513	**(120,062)**	**(42,183)**	**—**	**454,268**			
Mr. William	12,979	(6,492)[4]	—	—	6,487	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
Ng Ko Seng	51,918	—	(12,980)	—	38,938	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
(Director)	246,605	(98,644)[4]	—	—	147,961	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	12,979	(2,597)[2]	—	—	10,382	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	324,481	**(107,733)**	**(12,980)**	**—**	**203,768**			
Mr. David Colin Sinclair Veitch (Director)	**648,963**	**—**	**(129,793)**	**—**	**519,170**	07/01/2000	US$0.3953	07/01/2003 – 06/01/2010

SHARE OPTIONS (CONTINUED)

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

	Number of options outstanding at 01/01/2007	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2007	Date granted	Exercise price per share	Exercisable period
All other employees	64,897	—	(64,897)	—	—	25/05/1998	US$0.2524	11/03/2000 – 10/03/2007
	272,567	—	(272,567)	—	—	25/05/1998	US$0.3953	23/06/2000 – 22/06/2007
	1,226,533	—	(1,226,533)	—	—	25/05/1998	US$0.3953	06/01/2000 – 05/01/2007
	6,030,668	(613,755)[5]	(1,386,868)	(286,241)	3,743,804	24/03/1999	US$0.2524	24/03/2002 – 23/03/2009
	3,269,563	(107,093)[6]	(891,919)	(153,400)	2,117,151	24/03/1999	US$0.3953	24/03/2002 – 23/03/2009
	335,624	(76,303)[7]	(62,976)	(19,852)	176,493	30/06/1999	US$0.2524	30/06/2002 – 29/06/2009
	685,157	—	(173,956)	(46,654)	464,547	30/06/1999	US$0.3953	30/06/2002 – 29/06/2009
	1,113,474	(181,018)[8]	(96,703)	(82,477)	753,276	23/10/2000	US$0.2524	23/10/2003 – 22/08/2010
	1,529,443	(52,594)[9]	(256,558)	(117,461)	1,102,830	23/10/2000	US$0.3953	23/10/2003 – 22/08/2010
	14,527,926	**(1,030,763)**	**(4,432,977)**	**(706,085)**	**8,358,101**			
Grand Total	**22,120,789**	**(2,361,798)**	**(4,974,865)**	**(706,085)**	**14,078,041**			

Notes:

(1) Exercise date was 22 March 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK$2.000.

(2) Exercise date was 22 October 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK$3.260.

(3) Exercise date was 23 March 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK$2.010.

(4) Exercise date was 22 January 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK$2.530.

(5) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.183.

(6) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.724.

(7) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.368.

(8) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$2.954.

(9) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.345.

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 become 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 of 10% 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.

SHARE OPTIONS (CONTINUED)

(B) Post-listing Employee Share Option Scheme

	Number of options outstanding at 01/01/2007	Number of shares acquired upon exercise of options during the year	Number of options lapsed during the year	Number of options cancelled during the year	Number of options outstanding at 31/12/2007	Date granted	Exercise price per share	Exercisable period
Tan Sri	3,585,521	—	—	—	3,585,521	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
Lim Kok Thay	632,740	—	—	—	632,740	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
(Director)								
	4,218,261	**—**	**—**	**—**	**4,218,261**			
Mr. Chong	551,619	—	—	—	551,619	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
Chee Tut	97,345	—	—	—	97,345	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
(Director)								
	648,964	**—**	**—**	**—**	**648,964**			
Mr. William	661,943	—	—	—	661,943	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
Ng Ko Seng	116,814	(116,814)[1]	—	—	—	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
(Director)								
	778,757	**(116,814)**	**—**	**—**	**661,943**			
Mr. David Colin	2,206,475	—	—	—	2,206,475	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
Sinclair Veitch	389,378	—	—	—	389,378	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
(Director)								
	2,595,853	**—**	**—**	**—**	**2,595,853**			
All other	66,874,639	(637,557)[2]	(1,233,847)	(16,549)	64,986,686	19/08/2002	HK$2.8142	20/08/2004 – 19/08/2012
employees	843,652	—	—	—	843,652	08/09/2003	HK$2.8142	09/09/2005 – 08/09/2013
	10,017,261	(835,400)[3]	—	(2,921)	9,178,940	23/08/2004	HK$1.6202	24/08/2006 – 23/08/2014
	77,735,552	**(1,472,957)**	**(1,233,847)**	**(19,470)**	**75,009,278**			
Grand Total	**85,977,387**	**(1,589,771)**	**(1,233,847)**	**(19,470)**	**83,134,299**			

Notes:

(1) Exercise date was 22 January 2007. At the date before the options were exercised, the market closing value per share quoted on the Stock Exchange was HK$2.530.

(2) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.572.

(3) At the dates before the options were exercised, the weighted average market closing value per share quoted on the Stock Exchange was HK$3.190.

Other than the share options granted on 23 August 2004 under the Post-listing Employee Share Option Scheme which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer, 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. All the outstanding share options under the Post-listing Employee Share Option Scheme are 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 December 2007, 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	Beneficial owner	Interests of spouse	Interest of controlled corporation	Trustee	Beneficiary of trust	Total	Percentage of issued ordinary shares
	Nature of interests/capacity in which such interests were held						
	Number of ordinary shares (Notes)						
Parkview Management Sdn Bhd (as trustee of a discretionary trust) (1)	—	—	1,453,055,180 (10)	1,453,055,180 (12)	—	1,453,055,180 (20)	19.57
Kien Huat Realty Sdn Bhd (2)	—	—	1,453,055,180 (10)	—	—	1,453,055,180	19.57
Genting Berhad (3)	—	—	1,453,055,180 (10)	—	—	1,453,055,180	19.57
Resorts World Bhd (4)	—	—	1,432,959,180 (11)	—	—	1,432,959,180	19.30
Sierra Springs Sdn Bhd (5)	—	—	1,432,959,180 (11)	—	—	1,432,959,180	19.30
Resorts World Limited (5)	1,432,959,180	—	—	—	—	1,432,959,180	19.30
GZ Trust Corporation (as trustee of a discretionary trust) (6)	—	—	2,511,827,344 (13)	2,511,827,344 (14 and 19)	2,511,827,344 (16)	2,511,827,344 (20)	33.82
Cove Investments Limited (7)	—	—	—	—	2,511,827,344 (17 and 19)	2,511,827,344	33.82
Golden Hope Limited (as trustee of Golden Hope Unit Trust) (8)	—	—	—	2,511,827,344 (15 and 19)	—	2,511,827,344	33.82
Joondalup Limited (9)	546,628,908	—	—	—	—	546,628,908	7.36
Puan Sri Wong Hon Yee	—	4,910,188,675 (18(a) and 19)	36,298,108 (18(b))	—	—	4,910,188,675 (20)	66.12
Dato' Chua Ma Yu	1,413,000	—	1,010,000,000 (21)	—	—	1,011,413,000	13.62
CMY Capital (L) Ltd (22)	1,010,000,000	—	—	—	—	1,010,000,000	13.60

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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

Notes:

As at 31 December 2007:

(1) Parkview Management Sdn Bhd ("Parkview") was a trustee of a discretionary trust (the "Discretionary Trust 1"), the beneficiaries of which include certain family members of the late Tan Sri Lim Goh Tong (the "Lim Family").

(2) Kien Huat Realty Sdn Bhd ("KHR") was a private company of which the Discretionary Trust 1, through Aranda Tin Mines Sdn Bhd, Infomark (Malaysia) Sdn Bhd, Inforex Sdn Bhd, Dataline Sdn Bhd and Info-Text Sdn Bhd (all of which were 100% held by Parkview as trustee of the Discretionary Trust 1), controlled an aggregate of 100% of its equity interest.

(3) Genting Berhad ("GB"), a company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") of which KHR controlled 39.53% of its equity interest carrying voting power.

(4) Resorts World Bhd ("RWB"), a company listed on the Main Board of Bursa Malaysia of which GB controlled 48.72% of its equity interest.

(5) Resorts World Limited ("RWL") was a subsidiary of Sierra Springs Sdn Bhd ("Sierra Springs") and both of them were wholly-owned subsidiaries of RWB.

(6) GZ Trust Corporation ("GZ") was the trustee of a discretionary trust (the "Discretionary Trust 2") established for the benefit of certain members of the Lim Family. GZ as trustee of the Discretionary Trust 2 held 99.99% of the units in Golden Hope Unit Trust ("GHUT"), a private unit trust directly and 0.01 % of the units in GHUT indirectly through Cove (as defined below).

(7) Cove Investments Limited ("Cove") was wholly-owned by GZ as trustee of the Discretionary Trust 2.

(8) Golden Hope Limited ("Golden Hope") was the trustee of GHUT.

(9) Joondalup Limited was wholly-owned by Tan Sri Lim Kok Thay ("Tan Sri KT Lim").

(10) Each of Parkview as trustee of the Discretionary Trust 1, KHR and GB had a corporate interest in 1,453,055,180 ordinary shares (comprising the same block of 1,432,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by Genting Overseas Holdings Limited ("GOHL"), a wholly-owned subsidiary of GB).

(11) Each of RWB and Sierra Springs had a corporate interest in the same block of 1,432,959,180 ordinary shares held directly by RWL.

(12) The interest in 1,453,055,180 ordinary shares was held by Parkview in its capacity as trustee of the Discretionary Trust 1 and it comprised the same block of 1,432,959,180 ordinary shares held directly by RWL and the same block of 20,096,000 ordinary shares held directly by GOHL.

(13) GZ as trustee of the Discretionary Trust 2 had a corporate interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(14) GZ in its capacity as trustee of the Discretionary Trust 2 had a deemed interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT.

(15) The interest in 2,511,827,344 ordinary shares was held directly by Golden Hope in its capacity as trustee of GHUT.

(16) GZ as trustee of the Discretionary Trust 2 was deemed to have interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(17) Cove which held 0.01% of the units in GHUT was deemed to have interest in the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT in its capacity as beneficiary of GHUT.

(18) (a) Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, had a family interest in the same block of 4,910,188,675 ordinary shares in which Tan Sri KT Lim had a deemed interest.

(b) Puan Sri Wong Hon Yee also had a corporate interest in 36,298,108 ordinary shares held directly by Goldsfine by holding 50% of its equity interest.

(19) Out of the same block of 2,511,827,344 ordinary shares held directly by Golden Hope as trustee of GHUT, 502,528,000 ordinary shares were pledged shares.

(20) There was no duplication in arriving at the total interest.

(21) Dato' Chua Ma Yu was deemed to have a corporate interest in 1,010,000,000 ordinary shares of the Company directly held by CMY Capital (L) Ltd in which Dato' Chua Ma Yu held 100% of its issued share capital.

(22) CMY Capital (L) Ltd was wholly-owned by Dato' Chua Ma Yu.

(23) All the above interests represented long positions in the shares of the Company and excluded those in the underlying shares through share options or equity derivatives. Interests of the respective substantial shareholders set out in this subsection (A) need to be aggregated with their interests in the underlying shares, if any, through share options or equity derivatives of the Company set out in subsection (B) below in order to give their respective total interests pursuant to the SFO.

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	Nature of interests
Puan Sri Wong Hon Yee	8,760,995 (1)	0.118	Interests of spouse
Dato' Chua Ma Yu	42,500,000 (2)	0.572	Beneficial owner

Notes:

As at 31 December 2007:

(1) Puan Sri Wong Hon Yee as the spouse of Tan Sri KT Lim, was deemed to have a family interest in 8,760,995 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.

(2) Dato' Chua Ma Yu had a personal interest in 42,500,000 underlying ordinary shares of the Company pursuant to the grant of an option by the Company which entitled him to subscribe for 42,500,000 ordinary shares of the Company under the share option agreement dated 17 January 2007.

(3) All the above interests represented long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the respective substantial shareholders set out in this subsection (B) need to be aggregated with their interests set out in subsection (A) above in order to give their respective 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 December 2007, 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 36 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for the arrangements relating to the provision of services by Genting Berhad and its related companies to the Group as set out in the section headed "Connected Transactions" above and in the section headed "Significant Related Party Transactions and Balances" in note 24 to the consolidated financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the Group's turnover.

EMOLUMENT POLICY

The Group's emolument policy and structure are periodically reviewed by the Remuneration Committee. The Group provides competitive salaries, benefits and incentives including statutory provident fund scheme and voluntary schemes where applicable and insurance schemes covering term life, accident and medical for its employees.

Directors' emoluments are determined with reference to, inter alia, their duties and responsibilities, the Group's emolument policy as well as emolument benchmark in the industry, the country in which they are based and prevailing market conditions.

The key areas of the Group's emolument policy are drawn up on the following basis:

Base Salary

Base salaries are set at levels competitive with remuneration for leisure and tourism industry companies based in similar locations which the Group competes for talent. This is to ensure an overall pay structure capable of attracting, motivating and retaining high quality individuals within a cost-effective framework. The Group's employee reward is organised around the financial performance and the markets in which the Group operates. Salary reviews are compared against the external market on an annual basis and adjustments are then recommended to reflect promotions, changes in level of responsibilities and competitive pay levels.

Annual Bonus

Payout of annual bonuses is dependent on the Group's performance taking into account individual contribution towards achievement of the Group's overall performance.

Executive Share Option Plan

The Company adopts a Post-listing Employees' Share Option Scheme to motivate employees and to allow them to participate in the growth and success of the Group. Options at market value at the date of grant may be offered from time to time to eligible employees entitling them to subscribe for shares in the share capital of the Company.

Retirement Benefits

The Group contributes to retirement schemes for its employees in accordance with statutory requirements in the countries where the Group operates.

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 (the "CG Code") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2007, save for the deviation from Code Provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from Code Provision A.2.1 as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 40 to 54.

REVIEW BY AUDIT COMMITTEE

This annual report has 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, Mr. Tan Boon Seng and Mr. Lim Lay Leng.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the 10% public float requirement (as imposed by the Stock Exchange on the Company at the time of listing) during the year and up to the date of this report.

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.

(i) Loan Agreement of the Group

The Group is a party to one loan agreement for an aggregate principal amount of US$750 million, of which US$500.0 million has been drawndown, with terms ranging from five to eight years from the date of this agreement. As at the date of this report, the outstanding loan balance was approximately US$402.5 million.

The agreement requires the Lim Family 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 term of the loan.

(ii) Convertible Bonds of the Company

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 more than 50% of the voting rights of the issued share capital of the Company.

SIGNIFICANT SUBSEQUENT EVENTS

(a) On 7 January 2008, the Group completed the deemed disposal arising from subscription for new shares by Apollo Management, L.P. in a then major subsidiary, NCL Corporation Ltd. ("NCLC") through an equity investment of US$1 billion. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company. Star Cruises intends to exercise its rights under the Reimbursement and Distribution Agreement in relation to the Apollo transaction. NCLC intends to transfer m.v. Pride of Aloha to Star Cruises, and continue to deploy m.v. Pride of America in Hawaii. Star Cruises intends to deploy m.v. Pride of Aloha in the Asian market. It is estimated that upon completion of these transactions, the Group will in year 2008 record a gain of approximately US$74 million.

(b) Under the terms of the indenture agreement dated 15 July 2004 between NCLC and The Bank of New York Trust Company, N.A. (as successor to JP Morgan Chase Bank), as trustee, governing the $10\frac{5}{8}$% Senior Notes due 2014 ("Notes"), the Apollo investment constitutes a "change of control" requiring NCLC, within 30 days of the closing of the investment, to offer to repurchase any and all of the outstanding Notes at a purchase price equal to 101% of the outstanding principal amount of the Notes, together with all accrued but unpaid interest up to but not including the date of repurchase.

(c) On 7 January 2008, the Group entered into a shareholders' agreement with VXL Capital Limited and non-related parties, in relation to the management and operation of a newly formed joint venture company ("JV"). The purpose of the JV is to prepare and submit a tender to the Hong Kong Government for the development of a cruise terminal at Kai Tak, Hong Kong, in response to a recent invitation for tender issued by the Hong Kong Government. As at the date of this report, the Group's total funding commitment towards the JV has not been determined.

(d) On 11 February 2008, NCLC announced the withdrawal of m.v. Pride of Aloha from Hawaii effective 11 May 2008. The ship will be transferred to Star Cruises Asia and will be re-flagged and deployed in Asia in the summer of 2008.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Hong Kong, 25 February 2008

(I) STATEMENT OF COMPLIANCE

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Summarised below is a statement on how the Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2007, save for the deviation from Code Provision A.2.1 listed below.

A. DIRECTORS

A.1 The Board

Principle

An issuer should be headed by an effective Board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.1.1	At least 4 regular physical Board meetings shall be held each year.	No	The Board has overall responsibility for the proper conduct of the Company's business. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as required.
A.1.2	All Directors shall be given an opportunity to include matters in the agenda for regular Board meetings.	No	Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and inclusion of any matters for deliberation at the meetings.
A.1.3	Notice of at least 14 days should be given of a regular Board meeting. For all other Board meetings, reasonable notice should be given.	No	Formal notice of at least 14 days is given for a regular Board meeting. Reasonable notice will be given for all other Board meetings.
A.1.4	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and applicable rules and regulations are followed.	No	All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required.
A.1.5	Minutes of Board and Board Committees meetings shall be kept by a duly appointed secretary of the meeting and such minutes shall be open for inspection on reasonable notice by any Director.	No	Minutes of the meetings of the Board, the Audit Committee, the Share Option Committee and other ad hoc Board Committees established for specific transaction purposes are kept by the Company Secretary while minutes of the Remuneration Committee meetings are kept by the Head of the Human Resources Department who is the Secretary of the Remuneration Committee. Such minutes are available for inspection by Directors/Board Committees Members.
A.1.6	Draft and final versions of minutes of Board meetings shall be sent to all Directors for their comments and records within a reasonable time after the Board meeting is held.	No	Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records within a reasonable time.
A.1.7	There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	No	The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties.
A.1.8	If a substantial shareholder or a Director has a conflict of interest in a material matter to be considered by the Board, the matter shall not be dealt with by way of circulation or by a committee but a Board meeting shall be held. Under the Listing Rules, Directors must abstain from voting on any Board resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at the Board meeting.	No	Material transactions with connected persons will be considered at Board meetings whereat the Directors may consider, if appropriate, granting approval in-principle for the proposed transactions and authorising the final forms thereof be further approved by way of circulation or by a Board committee set up for that purpose. The Company's Bye-laws provide for voting and quorum requirements conforming with this code provision whereby interested Directors are required to abstain from voting and shall not be counted in the quorum.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. DIRECTORS (CONTINUED)

A.2 Chairman and Chief Executive Officer

Principle

There are two key aspects of the management of every issuer – the management of the Board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.1	Roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Yes	On 1 May 2007, Tan Sri Lim Kok Thay ("Tan Sri KT Lim") has been re-designated from the Chairman, President and Chief Executive Officer of the Company to the Chairman and Chief Executive Officer of the Company and Mr. David Chua Ming Huat ("Mr. David Chua") has been appointed as the President of the Company. Tan Sri KT Lim has been with the Group since the formation of the Company in 1993 and has considerable cruise industry experience. Tan Sri KT Lim provides leadership for the Board in considering and setting the overall strategies and objectives of the Company. Mr. David Chua, together with the Executive Directors of the Company and the Senior Management team of the Group, assists the Chairman and Chief Executive Officer of the Company to implement the Company's strategies and policies laid down by the Board with respect to the development of the business of the Group. The Board is of the view that it is in the interests of the Company to maintain the above arrangement so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board in a timely manner on key issues and developments. Given that there is a balanced Board with three experienced Independent Non-executive Directors ("INEDs") representing more than one-third of the Board and an INED acting as the Deputy Chairman, the Board is of the view that there is a strong independent element on the Board to exercise independent judgement and provide sufficient check and balance. The Board will evaluate from time to time the appropriateness of the dual roles of Chairman and Chief Executive Officer performed by the same individual and ensure that the arrangement will continue to be in the interests of the Company and its shareholders as a whole.
A.2.2	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings.	No	All Directors are properly briefed on issues arising at Board meetings.
A.2.3	The Chairman shall ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. DIRECTORS (CONTINUED)

A.3 Board composition

Principle

The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of Executive and Non-Executive Directors (including Independent Non-Executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-Executive Directors should be of sufficient calibre and number for their views to carry weight.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.3.1	INEDs shall be expressly identified in all corporate communications that disclose the names of Directors of the issuer.	No	The Board currently comprises seven Directors, four of whom are Executive Directors and three are INEDs, constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" for the skills and experience of each Director. Composition of the Board, by category of Directors, including names of Executive Directors and INEDs is disclosed in all corporate communications.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any Director.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.4.1	Non-executive Directors shall be appointed for a specific term, subject to re-election.	No	A letter agreement had been entered into between the Company and each of the INEDs in February 2006 whereby his term of office is generally fixed for a term of not more than approximately two years expiring at the conclusion of the annual general meeting ("AGM") of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws.
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. Every Director should be subject to retirement by rotation at least once every three years.	No	Appropriate amendments had been made to the Company's Bye-laws in May 2006 so that every Director (including Directors holding office as Chairman or Managing Director and those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after their appointment rather than the next following AGM after their appointment.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. DIRECTORS (CONTINUED)

A.5 Responsibilities of directors

Principle

Every Director is required to keep abreast of his responsibilities as a Director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment and subsequently, such briefing and professional development as is necessary.	No	On appointment, new Directors will be given a comprehensive formal induction. Directors are provided with Non-statutory Guidelines on Directors' Duties issued by the Hong Kong Companies Registry and continuous updates on the latest changes or material development in statutes, the Listing Rules, corporate governance practices etc. and are encouraged to participate in continuous professional development seminars to update their knowledge for discharging Directors' responsibilities.
A.5.2	Functions of Non-executive Directors shall include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interest arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinizing the issuer's performance in achieving agreed corporate goals, and monitoring the reporting of performance.	No	Non-executive Directors of the Company continue to perform these functions.
A.5.3	Every Director shall give sufficient time and attention to the affairs of the issuer.	No	Directors continue to give appropriate time and attention to the affairs of the Company.
A.5.4	Directors must comply with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 when dealings in the securities of the issuer. Written guidelines for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code, shall be established. "Relevant Employee" includes any employee of the issuer, a Director or employee of a subsidiary or holding company of the issuer who is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.	No	The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year from 1 January 2007 to 31 December 2007 (both dates inclusive). The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Senior Management as included in the Company's latest Annual Report.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

A. DIRECTORS (CONTINUED)

A.6 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Director of an issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.1	In respect of regular Board meetings and so far as practicable in all other cases, Board papers shall be sent in full to all Directors at least 3 days (or such other period as agreed) before a Board or Board Committee meeting.	No	Board papers are sent to all Directors/Board Committee members at least 3 days (or such other period as agreed) before the relevant meeting.
A.6.2	Management shall supply the Board and its committees with adequate information in a timely manner. The Board and each Director shall have separate and independent access to the issuer's Senior Management.	No	The Company continues to supply the Board and its committees with adequate information in a timely manner. There are formal and informal contact between the Board and the Senior Management from time to time at Board meeting and other events.
A.6.3	All Directors are entitled to have access to Board papers and related materials. Where queries are raised by Directors, steps must be taken to respond as promptly and fully as possible.	No	Board papers, minutes and related corporate documentation are made available for inspection by all Directors. All Directors are entitled to have access to Senior Management who will respond to queries raised by the Directors promptly.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose information relating to its Directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors. Levels of remuneration should be sufficient to attract and retain the Directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No Director should be involved in directing his own remuneration.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
B.1.1	Remuneration Committee shall be established with specific written terms of reference. A majority of the members of the Remuneration Committee shall be INEDs.	No	The Board has established a Remuneration Committee with specific written terms of reference. A majority of the members of the Remuneration Committee are INEDs.
B.1.2	Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their proposals on the remuneration of other Executive Directors and have access to professional advice if necessary.	No	The Chairman and Chief Executive Officer of the Company is one of the Remuneration Committee members and is involved in formulating proposals on the remuneration of other Executive Directors prior to their due consideration by the Remuneration Committee. The Chairman and Chief Executive Officer of the Company is to abstain from voting when his remuneration is considered by the Remuneration Committee.
B.1.3	The terms of reference of the Remuneration Committee shall include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Remuneration Committee contain the specific duties prescribed by the CG Code. Please refer to section (III)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.4	The Remuneration Committee shall make available its terms of reference.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the Company's website.
B.1.5	The Remuneration Committee shall be provided with sufficient resources to discharge its duties.	No	The Remuneration Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospect.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.1	Management shall provide explanation and information to the Board to enable the Board to make an informed assessment of the financial information.	No	Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2	The Directors shall acknowledge in this Report their responsibility for preparing the accounts and there shall be a statement by the auditors about their reporting responsibilities in the Auditors' Report on the financial statements.	No	The Directors are responsible for preparing the accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for the year then ended. In preparing the accounts for the year ended 31 December 2007, the Directors have: (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared the accounts on a going concern basis. The Auditors' Report states the auditors' reporting responsibilities.
C.1.3	The Board's responsibility to present a balanced, clear and understandable assessment shall extend to annual and interim reports, other price-sensitive announcements and other disclosures.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications.

C.2 Internal controls

Principle

The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.1	Directors shall conduct a review of the effectiveness of internal control system of the issuer and its subsidiaries at least annually and report to shareholders that they have done so in this Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	No	The Board through the Audit Committee, has conducted periodic reviews of the effectiveness of the Group's system of internal controls, which include financial, operational, compliance controls and risk management functions. The Board is of the view that the Company maintains a reasonably sound and effective system of internal controls relevant to its level of operations. Please refer to section (II) of this Report headed "State of Internal Controls" for the details.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's Auditors. The Audit Committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.3.1	Minutes shall be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of Audit Committee meetings shall be sent to all members of the committee for their comments and records within a reasonable time after the meeting.	No	Minutes of the Audit Committee meetings are kept by the Company Secretary as Secretary of the Audit Committee. Draft and final versions of minutes of Audit Committee meetings are sent to all Audit Committee members for their comments and records within a reasonable time.
C.3.2	A former partner of the issuer's existing auditing firm shall be prohibited from acting as a member of the issuer's Audit Committee for a period of 1 year commencing on the date of his ceasing: (a) to be partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.	No	None of the three Audit Committee members are former partners of the external auditors.
C.3.3	The terms of reference of the Audit Committee shall include at least the prescribed specific duties.	No	Terms of reference of the Audit Committee contain the specific duties prescribed by the CG Code. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.
C.3.4	The Audit Committee shall make available its terms of reference.	No	Terms of reference of the Audit Committee (including its role and functions) are available on the Company's website.
C.3.5	Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer shall include in this Report a statement from the Audit Committee explaining its recommendation and the reason why the Board has taken a different view.	No	The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the external auditors. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditors.
C.3.6	The Audit Committee shall be provided with sufficient resources to discharge its duties.	No	The Audit Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.1.1	When the Board delegates aspects of its management and administration functions to Management, it must also give clear directions as to the powers of management.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the powers of management including circumstances where Management shall report back and obtain prior approval from the Board.
D.1.2	The issuer shall formalize the functions reserved to the Board and those delegated to Management and review those arrangements on a periodic basis.	No	There is a formal schedule of matters reserved for the Board's decision, including: (i) Overall strategic direction; (ii) Annual operating plan; (iii) Annual capital expenditure plan; (iv) Major acquisitions and disposals; (v) Major capital projects; and (vi) Monitoring of the Group's operating and financial performance.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.2.1	The Board shall prescribe sufficiently clear terms of reference of Board Committees.	No	Clear terms of reference have been adopted for the formal Board Committees of the Company, namely the Audit Committee, the Remuneration Committee, the Share Option Committee and any other ad hoc Board Committees established for specific transaction purposes.
D.2.2	The terms of reference of Board Committees shall require such committees to report back to the Board on their decisions or recommendations.	No	This term has been included in the terms of reference of Board Committees.

(I) STATEMENT OF COMPLIANCE (CONTINUED)

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.1.1	A separate resolution on each substantially separate issue shall be proposed by the Chairman of a general meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting.
E.1.2	Chairman of the Board shall attend the annual general meeting and arrange for the Chairmen of the Audit, Remuneration and Nomination Committees (as appropriate) or in his absence, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.	No	The Chairman of the Board and two members of each of the Audit Committee and the Remuneration Committee had attended the 2007 AGM of the Company.

E.2 Voting by poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.2.1	Procedures for and the rights of shareholders to demand a poll shall be disclosed in the issuer's circulars to shareholders.	No	Procedures for and the rights of shareholders to demand a poll have been disclosed in the Company's circulars to shareholders issued during the year under review.
E.2.2	The issuer shall count all proxy votes and, except where a poll is required, the Chairman of a meeting shall indicate to the meeting the level of proxies lodged on each resolution and the balance for and against the resolution.	No	The Company had held four general meetings during the year under review, namely the 2007 AGM and three special general meetings held on 29 January 2007, 2 May 2007 and 24 September 2007 respectively. Votes cast at the said general meetings were properly counted and recorded.
E.2.3	The Chairman of a meeting shall at the commencement of the meeting provide an explanation on: (a) the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and (b) the detailed procedures for conducting a poll and then answer questions from shareholders whenever voting by way of a poll is required.	No	Procedures for demanding and conducting a poll were properly explained during the Company's general meeting proceedings.

(II) STATE OF INTERNAL CONTROLS

(A) Board responsibility

The Board has the ultimate responsibilities for the Company's system of internal controls and through Audit Committee, has reviewed the adequacy and effectiveness of the system. The system is designed to provide reasonable, but not absolute, assurance against material misstatements or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

(B) Key internal control process

The key aspects of the internal control system, within the Company are as follows:-

(1) The Company has in place a formal organisation structure that clearly defines management roles, responsibilities and reporting lines.

(2) The Board has delegated the responsibilities to various committees with appropriate empowerment to implement and monitor the operating procedures and system of internal controls. These committees meet on a regular basis and address financial, operational and management matters.

(3) There are policies and guidelines to govern the delegation of authority to various levels of management staff, to ensure accountability and responsibility.

(4) The Company has in place several policies, which govern employees in observing high standards of ethics and integrity in the performance of duties.

(5) Policies and procedures to ensure compliance with internal controls and relevant laws and regulations are set out in the standard operating manuals, guidelines and directives issued by management, which are reviewed and updated from time to time.

(6) There is a strategic planning, annual budgeting and target-setting process, which include forecasts for each area of business with detailed reviews at all levels of operations. The Board reviews and approves budget.

(7) There is a comprehensive management and financial accounting system in place providing financial and operational performance measure indicators to the management, and the relevant financial information for reporting and disclosure purpose.

(8) Performance trends and forecasts, as well as actual performance, cash flow reports and other pertinent business/financial/operation statistics are reviewed and closely monitored by the respective operating units with oversight by Management Committee on a regular basis.

(9) Regulatory and Statutory compliance are monitored through the Company Secretary and Internal Auditors to support the Board on proper management of effective corporate governance practices and requirements.

(10) The Company has a Risk Management Programme to compliment the ongoing risk management delegated to various committees.

The programme is backed by a Risk Management Policy, having business units to perform risk assessment in a self-assessment format. The assessed risks are then consolidated for review by Risk Management Task Force ("RMTF") headed by the Chief Financial Officer and members represented by divisional or departmental heads from various operating units. RMTF oversees the process of the programme and meetings were held to assess the progress of the programme and review the risk profiles as well as the management of all key business risks.

The risk management framework/methodology encompasses a 7 systematic steps approach with emphasis on risk likelihood and related consequences. An in-house developed software is used to track the risk management approach and to record risk profiles.

(11) The Company has reporting mechanisms in place for improprieties or suspected fraudulent acts. There are few guidances provided in this aspect.

(II) STATE OF INTERNAL CONTROLS (CONTINUED)

(B) Key internal control process (continued)

(12) The Internal Audit Department is responsible for monitoring the Group's internal governance and provide objective assurance to the Board that a sound internal control system is maintained and operated by management in compliance with approved policies, procedures and standards.

The annual internal audit plan, which is established on a risk based approach, is reviewed and approved by the Audit Committee. Internal audit reports incorporating control weaknesses and remedial actions are issued to the relevant division/department heads upon completion of audits and summary of reports issued are included in the progress report tabled at Audit Committee meeting on a quarterly basis.

(13) The Board through the Audit Committee, has conducted periodic reviews of the effectiveness of the Group's system of internal controls, which include financial, operational, compliance controls and risk management functions. The review is supported by periodic reports received from the management, external and internal auditors.

(C) Statement from Directors

During the year, external and internal auditors reported some weaknesses in the system of internal controls. These weaknesses have not materially impacted the business or operations of the Company and hence have not been included in this statement. Nevertheless, measures have been or are being taken to address these weaknesses.

The Board is of the view that the Company maintains a reasonably sound and effective system of internal controls relevant to its level of operations.

(III) OTHER INFORMATION

In addition to the information disclosed above, set out below are the other information required to be disclosed pursuant to the rules on Corporate Governance Report contained in Appendix 23 to the Listing Rules.

(A) Board of Directors

(1) During the year under review, eight Board meetings were held and details of the Directors' attendance are set out below:

	Attendance
Executive Directors:	
Tan Sri Lim Kok Thay	6/8
(Chairman and Chief Executive Officer)	
Mr. Chong Chee Tut	8/8
(Chief Operating Officer)	
Mr. William Ng Ko Seng	8/8
Mr. David Colin Sinclair Veitch	8/8
INEDs:	
Mr. Alan Howard Smith	6/8
(Deputy Chairman)	
Mr. Tan Boon Seng	7/8
Mr. Lim Lay Leng	8/8

(B) Remuneration of Directors

(1) During the year under review, two Remuneration Committee meetings were held and details of attendance of the Remuneration Committee members are set out below:

	Attendance
Mr. Alan Howard Smith	2/2
(Chairman of the Remuneration Committee and INED)	
Tan Sri Lim Kok Thay	2/2
(Chairman and Chief Executive Officer)	
Mr. Lim Lay Leng	2/2
(INED)	

(III) OTHER INFORMATION (CONTINUED)

(B) Remuneration of Directors (continued)

(2) The principal duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management;

(b) to review and determine the specific remuneration packages of all Executive Directors and Senior Management and to review and make recommendations to the Board of the remuneration of Non-executive Directors (including INEDs);

(c) to review and approve performance-based remuneration;

(d) to review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of their office or appointment;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

(f) to ensure that no Directors or any of his associates is involved in deciding his own remuneration;

(g) when the occasion arises, to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules; and

(h) to consider other topics, as may be delegated by the Board.

(3) During the year 2007, the Remuneration Committee has:

(a) considered, reviewed and, where applicable, determined the specific remuneration packages (including annual bonus) of the Executive Directors and certain Senior Management; and

(b) recommended the Directors' fee for the year 2006 which has been approved by the shareholders of the Company at the 2007 AGM.

(4) No Director is involved in deciding his own remuneration.

(C) Nomination of Directors

(1) The Board will review its composition from time to time as appropriate to ensure that the Board has a balance of skills and experience appropriate for the business of the Company and that changes to its composition, if any, can be managed without undue disruption.

(2) During the financial year under review, there have not been any changes to Board composition.

(3) During the year 2007, the Board has:

(a) recommended Mr. Alan Howard Smith, Mr. Chong Chee Tut and Mr. David Colin Sinclair Veitch (who retired by rotation pursuant to the Company's Bye-laws), for re-appointment at the 2007 AGM of the Company. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders;

(b) re-designated Tan Sri Lim Kok Thay from the Chairman, President and Chief Executive Officer of the Company to the Chairman and Chief Executive Officer of the Company and appointed Mr. David Chua Ming Huat as President of the Company;

(c) re-appointed Tan Sri Lim Kok Thay as Chairman of the Company and Mr. Alan Howard Smith as Deputy Chairman of the Company, to hold office until the conclusion of the 2008 AGM of the Company pursuant to the Company's Bye-laws;

(d) re-appointed Tan Sri Lim Kok Thay, Mr. Alan Howard Smith and Mr. Lim Lay Leng as members of the Remuneration Committee to hold office until the conclusion of the 2008 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Remuneration Committee; and

(e) re-appointed Mr. Alan Howard Smith, Mr. Tan Boon Seng and Mr. Lim Lay Leng as members of the Audit Committee to hold office until the conclusion of the 2008 AGM of the Company and re-appointed Mr. Alan Howard Smith as the Chairman of the Audit Committee.

(III) OTHER INFORMATION (CONTINUED)

(D) Audit Committee

(1) During the year under review, four Audit Committee meetings were held and details of attendance of Audit Committee members are set out below:

	Attendance
INEDs:	
Mr. Alan Howard Smith	3/4
(Chairman of the Audit Committee)	
Mr. Tan Boon Seng	4/4
Mr. Lim Lay Leng	4/4

(2) The principal duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

(d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them before submission to the Board;

(e) in regard to (d) above,

(i) members of the Committee must liaise with the Company's Board, Senior Management and qualified accountant and discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss; and

(ii) the Committee should consider any significant or unusual items;

(f) to review the external auditor's management letter, any material queries raised by the auditor to Management in respect of the accounting records, financial accounts or systems of control and Management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(h) to review the Company's financial controls, internal control and risk management systems;

(i) to discuss with Management the system of internal control and ensure that Management has discharged its duty to have an effective internal control system;

(j) to review the internal audit programme and to review and monitor the effectiveness of the internal audit function;

(k) to review the Group's financial and accounting policies and practices;

(l) to consider any findings of major investigations of internal control matters and Management's response; and

(m) to consider other topics, as defined by the Board.

(III) OTHER INFORMATION (CONTINUED)

(D) Audit Committee (continued)

(3) During the year 2007, the Audit Committee has, inter alia:

(a) reviewed the financial reports for the year ended 31 December 2006, for the three months ended 31 March 2007, for the six months ended 30 June 2007 and for the nine months ended 30 September 2007;

(b) reviewed the internal and external audit plans;

(c) reviewed the internal and external audit reports;

(d) reviewed the Company's systems of internal controls;

(e) reviewed connected transactions and related party transactions as set out in the section headed "Connected Transactions" in the Directors' Report and in note 24 to the consolidated financial statements;

(f) considered the appointment of the external auditors including the proposed audit fees;

(g) considered the engagement of the external auditors to provide non-audit services;

(h) reviewed the findings and control recommendations of an audit report in respect of the operations of a department performed by the Company's external auditors; and

(i) reported to the Board conclusions of its review and recommendations on the matters set out above.

(E) Auditors' Remuneration

A remuneration of US$1.2 million was paid/payable to the Company's external auditors for the provision of audit services in 2007. During the same year, the fees paid/payable to the external auditors for non-audit related activities amounted to US$1.0 million, comprising tax services fees of US$0.2 million and regulatory reporting services fees of US$0.8 million.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	GROUP	
		2007 US$'000	2006 US$'000
Turnover	5	2,576,240	2,343,055
Operating expenses (excluding depreciation, amortisation and impairment loss)		(1,898,262)	(1,728,466)
Selling, general and administrative expenses (excluding depreciation)		(350,301)	(303,211)
Depreciation and amortisation	10	(243,058)	(215,926)
Impairment loss	6	(5,165)	(30,600)
		(2,496,786)	(2,278,203)
		79,454	64,852
Interest income		4,482	6,670
Finance costs	7	(234,295)	(200,944)
Share of losses of associates	8	(907)	(82)
Other expenses, net	9	(44,840)	(26,556)
		(275,560)	(220,912)
Loss before taxation	10	(196,106)	(156,060)
Taxation	11	(4,780)	(136)
Loss for the year		(200,886)	(156,196)
Attributable to:			
Equity holders of the Company		(200,806)	(156,196)
Minority interest		(80)	—
		(200,886)	(156,196)
Basic loss per share (US cents)	12	(2.77)	(2.76)
Diluted loss per share (US cents)	12	N/A*	N/A*

* Diluted loss per share is not shown as the diluted loss per share is less than basic loss per share.

BALANCE SHEETS

As at 31 December 2007

	Note	GROUP		COMPANY	
		2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	15	590,994	598,994	—	—
Deferred tax assets	29	43	573	—	—
Property, plant and equipment	16	5,200,573	4,863,047	135	—
Lease prepayments	17	289,554	2,259	—	—
Investments in subsidiaries	18	—	—	2,919,986	2,888,233
Investments in associates	19	—	5,860	—	—
Restricted cash		1,682	1,650	—	—
Other assets	20	61,708	68,284	3,262	4,561
		6,144,554	5,540,667	2,923,383	2,892,794
CURRENT ASSETS					
Consumable inventories	21	49,066	38,451	—	—
Trade receivables	22	20,156	21,408	—	—
Prepaid expenses and others		62,399	68,997	2,625	1,989
Derivative financial instruments	32	1,953	—	—	—
Amounts due from related companies	24	—	99	—	—
Restricted cash		1,375	1,226	—	—
Cash and cash equivalents	23	149,086	468,827	2,915	335,579
		284,035	599,008	5,540	337,568
TOTAL ASSETS		6,428,589	6,139,675	2,928,923	3,230,362

	Note	GROUP		COMPANY	
		2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	25	742,625	678,439	742,625	678,439
Reserves:					
Share premium		1,495,033	1,324,829	1,495,033	1,324,829
Additional paid-in capital		94,450	94,513	91,046	91,109
Convertible bonds – equity component	27	4,391	14,400	4,391	14,400
Foreign currency translation adjustments		(18,102)	(22,522)	—	—
Unamortised share option expense		(342)	(818)	(93)	(297)
Cash flow hedge reserve		(713)	(1,598)	(2,014)	(81)
Retained earnings / (Accumulated losses)		(344,750)	(143,944)	117,468	169,542
		1,972,592	1,943,299	2,448,456	2,277,941
Minority interest		66,780	—	—	—
TOTAL EQUITY		2,039,372	1,943,299	2,448,456	2,277,941
LIABILITIES					
NON-CURRENT LIABILITIES					
Long-term borrowings	26	3,322,888	3,184,399	345,000	779,042
Derivative financial instruments	32	2,996	1,729	2,996	1,729
Other long-term liabilities	28	4,801	1,744	—	—
Deferred tax liabilities	29	38	295	—	—
		3,330,723	3,188,167	347,996	780,771
CURRENT LIABILITIES					
Trade creditors	30	121,414	139,274	—	—
Current income tax liabilities		1,562	1,069	—	—
Provision, accruals and other liabilities	31	275,388	324,135	10,326	107,717
Current portion of long-term borrowings	26	312,020	218,804	120,848	62,500
Derivative financial instruments	32	1,297	2,985	1,297	1,433
Amounts due to related companies	24	571	—	—	—
Advance ticket sales		346,242	321,942	—	—
		1,058,494	1,008,209	132,471	171,650
TOTAL LIABILITIES		4,389,217	4,196,376	480,467	952,421
TOTAL EQUITY AND LIABILITIES		6,428,589	6,139,675	2,928,923	3,230,362
NET CURRENT ASSETS / (LIABILITIES)		(774,459)	(409,201)	(126,931)	165,918
TOTAL ASSETS LESS CURRENT LIABILITIES		5,370,095	5,131,466	2,796,452	3,058,712

Tan Sri Lim Kok Thay
Chairman and Chief Executive Officer

Mr. Chong Chee Tut
Chief Operating Officer

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	GROUP	
		2007 US$'000	2006 US$'000
OPERATING ACTIVITIES			
Cash generated from operations	(a)	337,819	420,846
Interest paid		(209,348)	(190,305)
Interest received		4,567	6,998
Income tax paid		(3,692)	(2,077)
Net cash inflow from operating activities		129,346	235,462
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	(b)	(206,619)	—
Purchase of property, plant and equipment		(674,867)	(828,522)
Proceeds from sale of property, plant and equipment		105,336	122,824
Proceeds from disposal of a subsidiary / (Cash and bank balances of a subsidiary disposed of)	(c)	14,686	(381)
Acquisition of additional equity investment in an associate		(107,992)	(5,857)
Proceeds from disposal of an associate		166,696	—
Proceeds from an equity investment and a loan from a minority shareholder of a subsidiary		7,523	—
Acquisition of additional shares in a subsidiary, including repayment of loan to a minority shareholder		(7,523)	—
Net cash outflow from investing activities		(702,760)	(711,936)
FINANCING ACTIVITIES			
Proceeds from long-term borrowings		1,109,925	1,864,557
Repayments of long-term borrowings		(835,964)	(1,444,313)
Proceeds from issuance of ordinary shares and option shares to independent third parties, net of issuance costs		83,629	—
Proceeds from rights issue, net of approximately US$2.0 million issuance costs		—	204,128
Proceeds from issuance of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes		1,048	33
Proceeds from / (Refund of) excess rights issue application		(98,843)	98,843
Payment of loan arrangement fees		(8,193)	(18,315)
Restricted cash, net		(181)	45,308
Net cash inflow from financing activities		251,421	750,241
Effect of exchange rate changes on cash and cash equivalents and bank overdraft		3,918	5,696
Net increase / (decrease) in cash and cash equivalents and bank overdraft		(318,075)	279,463
Cash and cash equivalents and bank overdraft at beginning of year		467,161	187,698
Cash and cash equivalents and bank overdraft at end of year	23	149,086	467,161
NON-CASH INVESTING ACTIVITY			
Acquisition of motor vehicles by means of finance lease		580	8,379
NON-CASH FINANCING ACTIVITY			
Conversion of convertible bonds			
- liability component (including accrued interest)		139,704	—
- equity component		10,009	—
		149,713	—

Notes to Consolidated Cash Flow Statement

(a) Cash generated from operations

	GROUP 2007 US$'000	GROUP 2006 US$'000
OPERATING ACTIVITIES		
Loss before taxation	(196,106)	(156,060)
Depreciation and amortisation		
– relating to operating function	228,856	203,104
– relating to selling, general and administrative function	14,202	12,822
	243,058	215,926
Interest expense, net of capitalised interest	234,295	200,944
Interest income	(4,482)	(6,670)
Impairment loss	5,165	30,600
Loss on translation of debts	92,024	35,122
Gain on disposal of property, plant and equipment	(2,594)	(16,707)
Impairment of non-cruise related investment	—	10,285
Gain on disposal of a subsidiary	—	(1,337)
Gain on disposal of an associate	(53,749)	—
Loss / (Gain) on derivative instruments	(3,802)	4,051
Others	(2,921)	(2,241)
	310,888	313,913
Decrease / (Increase) in:		
Trade receivables	1,108	3
Consumable inventories	(10,615)	(5,245)
Prepaid expenses and others	1,513	41
Other assets	1,173	(4,677)
Increase / (Decrease) in:		
Trade creditors	(17,860)	49,548
Provisions, accruals and other liabilities	26,642	35,588
Amounts due to related companies	670	(217)
Advance ticket sales	24,300	31,892
Cash generated from operations	337,819	420,846

(b) Acquisition of a subsidiary, net of cash acquired

On 19 March 2007, the Company through an indirect wholly-owned subsidiary, New Orisol Investments Limited ("New Orisol"), acquired 75% of the share capital of Macau Land Investment Corporation ("MLIC"). An indirect subsidiary of MLIC has been granted by the Government of Macau with a lease over a piece of land in Macau (subject to such grant of lease being published in the Gazette of Macau). The purchase price was approximately US$200.6 million. The acquisition of MLIC Group did not have a material impact on the Group's income statement for the year ended 31 December 2007.

The net assets acquired and cash flow arising from the acquisition of MLIC Group are as follows:

	As at date of acquisition US$'000
Net assets acquired:	
Property, plant and equipment	1,360
Lease prepayments	287,270
Prepaid expenses and others	3
Cash and bank balances	357
Accruals and other liabilities	(21,550)
Net assets	267,440
Minority interest	(66,860)
Net assets acquired	200,580
Purchase consideration settled in cash	200,580
Assignment of loans from minority shareholders	6,396
Cash and bank balances in subsidiary acquired	(357)
Cash outflow on acquisition	206,619

(c) Disposal of a subsidiary

In September 2006, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Laem Chabang Cruise Centre Co., Ltd. ("LCCC") for a cash consideration of approximately US$14.3 million, net of cash and bank balances. The effective date of the disposal of LCCC was in December 2006 and the disposal proceeds were subsequently received in the first quarter of 2007. The details of the net assets disposed of and the cash flow arising from the disposal are shown below:

	As at date of disposal US$'000
Net assets disposed of:	
Property, plant and equipment	14,476
Lease prepayments	780
Trade and other receivables	375
Cash and bank balances	381
Trade and other creditors	(322)
	15,690
Reserve on exchange differences realised on disposal	(2,341)
Gain on disposal of a subsidiary	1,337
Total cash consideration received in the first quarter of 2007	14,686

Net cash inflow on disposal:	
Cash consideration received in the first quarter of 2007	14,686
Cash and bank balances disposed of	(381)
	14,305

The subsidiary which was disposed of contributed US$2.2 million and US$0.4 million to the Group's revenue and net profit, respectively, for the year ended 31 December 2006.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
GROUP	Share capital US$'000	Share premium US$'000	Additional paid-in capital US$'000	Convertible bonds – equity component US$'000	Foreign currency translation adjustments US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Accumulated losses US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2007	678,439	1,324,829	94,513	14,400	(22,522)	(818)	(1,598)	(143,944)	1,943,299	—	1,943,299
Exchange translation differences	—	—	—	—	4,420	—	—	—	4,420	—	4,420
Cash flow hedge:											
– Gain on financial instruments	—	—	—	—	—	—	3,469	—	3,469	—	3,469
– Transferred to consolidated income statement	—	—	—	—	—	—	(2,584)	—	(2,584)	—	(2,584)
Net amounts not recognised in the consolidated income statement	—	—	—	—	4,420	—	885	—	5,305	—	5,305
Loss for the year	—	—	—	—	—	—	—	(200,806)	(200,806)	(80)	(200,886)
Total recognised income / (expense) for 2007	—	—	—	—	4,420	—	885	(200,806)	(195,501)	(80)	(195,581)
Issue of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	395	653	—	—	—	—	—	—	1,048	—	1,048
Issue of ordinary shares to the independent third parties, net of issuance costs	25,500	49,086	—	—	—	—	—	—	74,586	—	74,586
Issue of option shares to the independent third parties, net of issuance costs	—	9,043	—	—	—	—	—	—	9,043	—	9,043
Issue of ordinary shares upon conversion of convertible bonds	38,291	111,422	—	(10,009)	—	—	—	—	139,704	—	139,704
Minority interest arising from acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	66,860	66,860
Amortisation of share option expense	—	—	—	—	—	413	—	—	413	—	413
Forfeiture of share option	—	—	(63)	—	—	63	—	—	—	—	—
At 31 December 2007	742,625	1,495,033	94,450	4,391	(18,102)	(342)	(713)	(344,750)	1,972,592	66,780	2,039,372

GROUP	Share capital US$'000	Share premium US$'000	Additional paid-in capital US$'000	Convertible bonds – equity component US$'000	Foreign currency translation adjustments US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings / (Accumulated losses) US$'000	Total US$'000
	Attributable to equity holders of the Company								
At 1 January 2006	530,018	1,269,089	93,893	14,400	(24,052)	(1,087)	5,368	12,252	1,899,881
Exchange translation differences	—	—	—	—	1,530	—	—	—	1,530
Cash flow hedge:									
– Loss on financial instruments	—	—	—	—	—	—	(1,672)	—	(1,672)
– Transferred to consolidated income statement	—	—	—	—	—	—	(5,294)	—	(5,294)
Net amounts not recognised in the consolidated income statement	—	—	—	—	1,530	—	(6,966)	—	(5,436)
Loss for the year	—	—	—	—	—	—	—	(156,196)	(156,196)
Total recognised income / (expense) for 2006	—	—	—	—	1,530	—	(6,966)	(156,196)	(161,632)
Issue of 7 rights shares for every 25 existing shares, net of issuance costs of approximately US$2.0 million	148,409	55,719	—	—	—	—	—	—	204,128
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	12	21	—	—	—	—	—	—	33
Amortisation of share option expense	—	—	—	—	—	889	—	—	889
Modification of share option	—	—	1,030	—	—	(1,030)	—	—	—
Forfeiture of share option	—	—	(410)	—	—	410	—	—	—
At 31 December 2006	678,439	1,324,829	94,513	14,400	(22,522)	(818)	(1,598)	(143,944)	1,943,299

COMPANY	Share capital US$'000	Share premium[1] US$'000	Additional paid-in capital[1] US$'000	Convertible bonds – equity component US$'000	Unamortised share option expense US$'000	Cash flow hedge reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2007	678,439	1,324,829	91,109	14,400	(297)	(81)	169,542	2,277,941
Cash flow hedge:								
– Loss on financial instruments	—	—	—	—	—	(1,257)	—	(1,257)
– Transferred to income statement	—	—	—	—	—	(676)	—	(676)
Net amounts not recognised in the income statement	—	—	—	—	—	(1,933)	—	(1,933)
Loss for the year	—	—	—	—	—	—	(52,074)	(52,074)
Total recognised expense for 2007	—	—	—	—	—	(1,933)	(52,074)	(54,007)
Issue of ordinary shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	395	653	—	—	—	—	—	1,048
Issue of ordinary shares to the independent third parties, net of issuance costs	25,500	49,086	—	—	—	—	—	74,586
Issue of option shares to the independent third parties, net of issuance costs	—	9,043	—	—	—	—	—	9,043
Issue of ordinary shares upon conversion of convertible bonds	38,291	111,422	—	(10,009)	—	—	—	139,704
Amortisation of share option expense	—	—	—	—	141	—	—	141
Forfeiture of share option	—	—	(63)	—	63	—	—	—
At 31 December 2007	742,625	1,495,033	91,046	4,391	(93)	(2,014)	117,468	2,448,456
At 1 January 2006	530,018	1,269,089	90,981	14,400	(214)	5,368	213,983	2,123,625
Cash flow hedge:								
– Gain on financial instruments	—	—	—	—	—	2,057	—	2,057
– Transferred to income statement	—	—	—	—	—	(7,506)	—	(7,506)
Net amounts not recognised in the income statement	—	—	—	—	—	(5,449)	—	(5,449)
Loss for the year	—	—	—	—	—	—	(44,441)	(44,441)
Total recognised expense for 2006	—	—	—	—	—	(5,449)	(44,441)	(49,890)
Issue of 7 rights shares for every 25 existing shares, net of issuance costs of approximately US$2.0 million	148,409	55,719	—	—	—	—	—	204,128
Issue of ordinary shares pursuant to the Pre-listing Employee Share Option Scheme	12	21	—	—	—	—	—	33
Amortisation of share option expense	—	—	—	—	45	—	—	45
Modification of share option	—	—	515	—	(515)	—	—	—
Forfeiture of share option	—	—	(387)	—	387	—	—	—
At 31 December 2006	678,439	1,324,829	91,109	14,400	(297)	(81)	169,542	2,277,941

Note:

1. These reserves are non-distributable as dividends to equity holders of the Company.

1. GENERAL INFORMATION

Star Cruises Limited (the "Company") is an exempted company continued into Bermuda with limited liability and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and traded on the Central Limit Order Book International of Singapore Exchange Securities Trading Limited. The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the business of cruise and cruise related operations.

On 17 August 2007, the Group announced that it had entered into a Subscription Agreement with Apollo Management, L.P. ("Apollo") pursuant to which Apollo through its direct or indirect wholly-owned subsidiaries agreed to make a US$1 billion cash equity investment in NCL Corporation Ltd. ("NCLC"), a then wholly-owned subsidiary of the Company, in return for 50% equity interest in NCLC through newly issued shares in NCLC. At the Special General Meeting held on 24 September 2007, the shareholders of the Company voted unanimously in favour for Apollo's investment in NCLC. As all the closing conditions including the obtaining of consent from certain lenders had been satisfied, completion of the Apollo transaction took place on 7 January 2008. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company. For the purpose of this annual report, the definition of the Group up to 6 January 2008 refers to the Company and its subsidiaries (which includes the NCLC Group). Upon completion of the Apollo transaction on 7 January 2008, the definition of the Group refers to the Company and its subsidiaries (with the NCLC Group being accounted for as a jointly controlled entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of consolidated financial statements in conformity with HKFRS 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

Standards that are effective in 2007

From 1 January 2007, the Group has adopted the following standard, amendment and interpretations to existing HKFRS, which are relevant to its operations.

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of Financial Statements – Capital Disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives", requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the Group entities have changed the terms of their contracts, HK(IFRIC) – Int 9 does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and interpretations that are not yet effective and have not been early adopted

The Group has not early adopted the following standards and interpretations that have been published but are not yet effective. The adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
HK(IFRIC) – Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

(b) Group accounting

(i) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the year. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds from the disposal and the Group's share of its net assets, including the cumulative amount of any exchange differences that relate to the subsidiary recognised in equity in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision of impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Joint venture

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of post-acquisition results of jointly controlled entities in the consolidated income statement and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

(c) Intangible assets

Intangible assets consist of goodwill and trade name.

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group's share of net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Separately recognised goodwill is tested annually for impairment or where there are indications of possible impairment and is carried at net carrying amount less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trade name of Norwegian Cruise Line is estimated to have an indefinite useful life and, therefore, is not subject to amortisation. Trade name is tested annually for impairment or where there are indications of possible impairment and is carried at net carrying amount less accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

The results and financial position of those subsidiaries and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated using the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated using the average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

(e) Revenue and expense recognition

Revenues are recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the period. Where services are provided on credit, ongoing credit evaluations are performed and potential credit losses are expensed at the time accounts receivable are estimated to be uncollectible.

Deposits received from customers for future voyages are recorded as advance ticket sales until such passenger revenue is earned. Interest income and expense are recognised on a time proportion basis using the effective interest method.

Gaming revenue for casinos includes gaming win. Although disclosed as revenue, gaming win meets the definition of a gain under HKAS 39 "Financial Instruments: Recognition and Measurement".

(f) Drydocking expenses

Drydocking costs represent major inspection and overhaul costs and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally every two to three years. The Group has included these drydocking costs as a separate component of the ship costs in accordance with HKAS 16 "Property, Plant and Equipment".

(g) Advertising costs

The Group's advertising costs are generally expensed as incurred. Costs incurred that result in tangible assets, including brochures, are treated as prepaid supplies and expensed as consumed.

(h) Start up expenses

Start up expenses, which primarily comprise expenses of deploying a ship from the dockyard to its port of operations and repositioning a ship to develop a new market, including crew payroll and ship expenses, are expensed as incurred and included in operating expenses. Marketing expenses incurred during this period are included in selling, general and administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, bank overdrafts, which are repayable on demand and form an integral part of an enterprise's cash management, are also included as a component of cash and cash equivalents. Bank overdrafts are shown within the current portion of long-term borrowings on the balance sheet.

(k) Restricted cash

Restricted cash consists of cash collateral in respect of certain agreements.

(l) Convertible bonds

The fair value of the liability component and the equity conversion component are determined at issuance of the convertible bonds.

The fair value of the liability component, included in long-term borrowings is calculated using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is included as a component of reserves in shareholders' equity. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain as a separate line item within equity until the conversion option is exercised (in which case the balance stated in equity component will be transferred to share premium).

The finance cost recognised in the consolidated income statement in respect of convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balance of the liability component of the convertible bonds for each accounting period. The costs incurred in connection with the issue of convertible bonds are deferred and amortised over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date.

(m) Consumable inventories

Consumable inventories consist mainly of provisions and supplies and are carried at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is determined on the basis of estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade receivables

Trade receivables are carried at invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtors and the probability that the debtor will default in payments are considered indicators that the trade receivables are impaired. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

(o) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, the asset is recognised.

(p) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance charges are charged to the consolidated income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. The land held under a long-term lease is classified as an operating lease if the risks and rewards incidental to ownership will not be transferred to the lessee. Rental payments applicable to such operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Assets under leases (continued)

(iii) Sale and leaseback transactions – where the Group is the lessee

A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved and the economic and commercial substance of the whole arrangement.

(a) Finance leases

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount shall be deferred and amortised over the lease term. Each lease payment is allocated between the repayment of finance lease liabilities and finance charges so as to achieve a constant periodic rate of interest on the finance lease liability outstanding.

(b) Operating leases

Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated income statement over the lease periods.

(q) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Significant cruise ship refurbishing costs are capitalised as additions to the cruise ship, only when it is probable that future economic benefits associated with these items will flow to the Group and the costs of these items can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Cruise ships and passenger ferry are depreciated to their estimated residual values on a straight-line basis over periods ranging from 15 to 30 years. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Jetties, building and terminal building	20 – 50 years
Equipment and motor vehicles	3 – 20 years

Deferred software development costs consist principally of salaries and fringe benefits of certain programmers and system analysts and outside consultant fees incurred in connection with the enhancement of significant internal data processing systems. These costs are included in property, plant and equipment and amortised when the software is available for use using the straight-line method over their estimated useful lives, not exceeding ten years.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. On 1 January 2007, the Group revised the estimated useful life of the jetties from 90 and 99 years to 50 years to more realistically reflect its remaining estimated useful life. The change in the useful life of the jetties did not have any material effect on the results and financial position of the Group for the year ended 31 December 2007.

Freehold land is not depreciated as it has infinite life. No depreciation is provided on property, plant and equipment, which are under construction. The Group capitalises interest based on the weighted average cost of borrowings on cruise ships and other capital projects during the period required to get such assets ready for their intended use. Interest capitalisation ceases when the asset is substantially completed.

Costs incurred on project which are at an exploratory stage are expensed to the consolidated income statement when incurred until such time that it can be demonstrated that the project has commenced and is commercially viable, whereupon such costs are capitalised. All project costs previously expensed to the consolidated income statement are not capitalised upon the commencement of the project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Property, plant and equipment (continued)

Capitalised project costs are reviewed at the end of each reporting period in order to determine if these costs should continue to be capitalised. When a project has been aborted or circumstances indicate that a project has become commercially not viable, all costs previously capitalised relating to such projects are expensed to the consolidated income statement.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note w).

(r) Earnings per share

Basic earnings per share is computed by dividing net profit by the weighted average number of ordinary shares in issue during each year.

Diluted earnings per share is computed 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 have an effect on the adjusted weighted average number of shares in issue as the average option price is lower than the average market price.

(s) Share option expense

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

Where the terms and conditions of the options are modified before the vesting date, the incremental fair value of the options granted, measured immediately before and after the modification, is recognised in the consolidated income statement over the remaining vesting period. If the modification occurred after the vesting date, the incremental fair value of the options granted, measured immediately before and after the modification, is recognised immediately in the consolidated income statement.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

(t) Retirement benefit costs

Contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave employment before the schemes' contributions are being fully vested.

Expenses in respect of a retirement scheme providing benefits based on final pay are charged to the consolidated income statement in the period to which they relate. The pension obligations, which are wholly unfunded, are determined based on the estimates of the effects of future events on the actuarially determined net present value of accrued pension obligations and are determined by a qualified actuary on a regular basis. Actuarial gains and losses are recognised as an expense over the average remaining service lives of the employees.

(u) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Borrowings and borrowing costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(w) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that investments in subsidiaries, associates, property, plant and equipment, goodwill and trade names are impaired. If any indication of impairment of an asset exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. In the case of goodwill and trade name, impairment assessment is performed at least on an annual basis. Such impairment losses are recognised in the consolidated income statement. For the purpose of assessing impairment, assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The Group measures the amount of the impairment by comparing the carrying amount of an asset to its recoverable amount, which is the higher of an asset's net selling price or its value in use. The Group estimates recoverable amount based on the best information available making whatever estimates, judgements and projections considered necessary. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties less costs of disposal. The estimation of value in use is measured using various financial modeling techniques such as discounting future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful lives at discount rates which commensurate with the risk involved.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment losses made against goodwill is not reversed. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(x) Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade names, inventories, receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, intangible assets and lease prepayments, including additions resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, turnover is based on the country in which the customer is located.

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rate risk, cash flow interest rate risk and fuel price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group enters into derivative instruments, primarily foreign currency forward contracts, fuel swap agreements and interest rate swaps to limit its exposures to fluctuations in foreign currency exchange rates and fuel prices, and to modify its exposure to interest rate movements and to manage its interest costs. The Group also applies fuel surcharge to mitigate the fluctuation in fuel prices.

(i) Foreign currency exchange rate risk

The Group's exposure to foreign currency exchange rate risk relates primarily to the ship building contracts and the Euro-denominated debt. The ship contracts are denominated in Euro and the associated debt agreements are denominated in either U.S. dollar or Euro with certain conversion options. If denominated in Euro, the principal and interest payments for the debt will be payable in Euro, and will be subject to the exchange rate of the Euro at the time these payments are due. From time to time, the Group enters into foreign currency forward contracts and/or option contracts for these payments.

At 31 December 2007 and 2006, if Euro had weakened/strengthened by 5% against the U.S. dollar with all other variables held constant, the gain/loss on translation of the Euro denominated debt would be as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Gain/Loss on translation of Euro denominated debt	63,093	39,448

The Group is also exposed to foreign currency exchange rate fluctuations on the U.S. dollar value of the Group's foreign currency denominated forecasted transactions. The Group's principal net foreign currency exposure relates to the Singapore dollar, the Hong Kong dollar, and the Euro. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts and/or option contracts for a portion of the remaining exposure relating to these forecasted transactions.

At 31 December 2007 and 2006, if the Singapore dollar had weakened/strengthened by 5% against U.S. dollar with all other variables held constant, the foreign exchange losses/gains as a result of translation of Singapore dollar denominated trade receivables would be as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Foreign exchange losses/gains	308	380

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as sales of services made on deferred credit terms. For cash and cash equivalents and deposits with banks, the Group deposits the cash with reputable financial institutions. The Group seeks to control credit risk by setting credit limits and ensuring that services are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a debtor to be unlikely. In addition, certain debtors provide security to the Group in the form of bank guarantees.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	GROUP			
	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
2007				
Bank borrowings	303,558	248,680	1,325,752	1,748,456
Derivative financial instruments	1,333	371	361	—
Trade creditors	121,414	—	—	—
Accruals and other liabilities	268,756	—	—	—
2006				
Bank borrowings	218,804	396,809	1,256,431	1,514,617
Derivative financial instruments	1,872	534	207	—
Trade creditors	139,274	—	—	—
Accruals and other liabilities	315,191	—	—	—

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	GROUP			
	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
2007				
Forward foreign exchange contracts				
– cash flow hedges:				
– outflow	6,899	6,293	12,586	—
– inflow	6,500	6,000	12,000	—
2006				
Forward foreign exchange contracts				
– cash flow hedges:				
– outflow	25,100	6,469	17,704	—
– inflow	24,639	6,500	18,000	—

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iv) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly semi-annually), the difference between the fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

At 31 December 2007 and 2006, ignoring the amounts covered by the interest rate swaps, a hypothetical one percentage point increase/decrease in interest rates on the long-term borrowings that are carried at variable rates would increase/reduce the interest expense as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Increase/Decrease in interest expense	27,594	23,340

(v) Fuel price risk

The Group's exposure to market risk on changes in fuel prices relates to the consumption of fuel on its ships. The Group mitigates the financial impact of fluctuation in fuel prices by applying fuel surcharge and entering into fuel swap agreements.

(b) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

During the year ended 31 December 2007, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. The gearing ratios at 31 December 2007 and 2006 were as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Total borrowings (note 26)	3,634,908	3,403,203
Less: cash and cash equivalents (note 23)	(149,086)	(468,827)
Net debt	3,485,822	2,934,376
Total equity	2,039,372	1,943,299
Total capital	5,525,194	4,877,675
Gearing ratio	63%	60%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclose in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. To the extent that the derivative is not effective as a hedge, gains and losses are recognised in the consolidated income statement as gains or losses on derivative instruments.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts accumulated in equity are recognised in the consolidated income statement as the underlying hedged items are recognised.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Derivatives that do not qualify for hedge accounting and those not designated as hedges

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the consolidated income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and trade names

The Group determines whether goodwill and trade names are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill and/or trade names are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose suitable discount and royalty rates in order to calculate the present value of those cash flows. The carrying amount of goodwill and trade names as at 31 December 2007 was US$591.0 million (2006: US$599.0 million). More details are given in note 15.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of assets

The Group reviews its assets, other than goodwill and trade names, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Where an impairment indicator exists, the recoverable amount of the asset is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Group takes into consideration assumptions that are mainly based on market condition existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. The carrying value of the property, plant and equipment as at 31 December 2007 was US$5.2 billion (2006: US$4.9 billion). More details are given in note 16.

(c) Estimated useful lives of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

(d) Share-based employee compensation

The fair value of share option granted is calculated using the extended binomial options pricing model based on certain highly subjective assumptions. Such subjective assumptions include the volatility of the share price, expected dividend per share, risk-free interest rate and expected option life and accordingly, any changes to the variables adopted may materially affect the estimation of the fair value of an option.

(e) Contingencies

Periodically, the Group assesses potential liabilities related to any lawsuits or claims brought against the Group or any asserted claims, including tax, legal and/or environmental matters. Although it is typically very difficult to determine the timing and ultimate outcome of such actions, the Group uses its best judgement to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, the Group takes into consideration estimates of the amount of insurance recoveries, if any. In accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group accrues a liability when it believes a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recoveries, although the Group believes that the estimates and judgements are reasonable, it is possible that certain matters may be resolved for amounts materially difference from any estimated provisions or previous disclosures.

5. TURNOVER AND SEGMENT INFORMATION

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. Cruise and cruise related revenues consist of passenger ticket revenues of approximately US$1,707.8 million and US$1,549.4 million for the years ended 31 December 2007 and 2006, respectively. The remaining portion of the revenue relates to revenues from onboard and other related services.

The Group's turnover, assets and capital expenditure in its principal markets of Asia Pacific and North America are analysed as follows:

2007	Turnover US$'000	Total assets US$'000	Capital expenditure US$'000
Asia Pacific	452,500	1,199,436	385,065
North America[1]	1,873,010	4,861,049	571,505
Europe and others	250,730	—	—
	2,576,240	6,060,485	956,570
Goodwill		368,104	
		6,428,589	

2006	Turnover US$'000	Total assets US$'000	Capital expenditure US$'000
Asia Pacific	399,528	853,789	9,376
North America[1]	1,719,492	4,693,029	831,765
Europe and others	224,035	—	—
	2,343,055	5,546,818	841,141
Goodwill		368,104	
Other unallocated assets		224,753	
		6,139,675	

Note:

1. Substantially, all the turnover arises in the United States of America.

6. IMPAIRMENT LOSS

	GROUP 2007 US$'000	GROUP 2006 US$'000
Impairment loss: Ship and onboard equipment	2,565	23,600
Reversal of previously recognised impairment loss	(5,400)	—
Trade name	8,000	7,000
	5,165	30,600

The Group completed a review of its trade names and various ships for impairment purposes in December 2006 and determined that the Orient Lines trade name and m.v. Marco Polo were impaired. Accordingly, for the year ended 31 December 2006, the Group wrote down the carrying value of the ship and their related assets in the amount of US$23.6 million and the carrying value of Orient Lines trade name in the amount of US$7.0 million, being the excess of the carrying value over their recoverable amounts. The recoverable amount of the ship was determined by reference to the estimated net selling price whereas the recoverable amount of the trade name was determined by reference to the estimated value in use.

On 25 May 2007, the Group entered into a sale and leaseback arrangement of m.v. Marco Polo with a third party. m.v. Marco Polo has been delivered to its new owner in late July 2007 and leased back by the Group under the bareboat charter agreement. As a result of this disposal, the Group recorded a US$5.4 million reversal of its 2006 impairment loss, being the amount by which the sale proceeds exceeded the carrying value of m.v. Marco Polo. At the same time, the Group wrote off the remaining carrying value of Orient Lines trade name in the amount of US$8.0 million.

In addition to the above, the Group also recorded an impairment loss of US$2.6 million during the year ended 31 December 2007, being the excess of the carrying value of the Oceanic, formerly known as Independence, over its net selling price.

7. FINANCE COSTS

	GROUP 2007 US$'000	GROUP 2006 US$'000
Amortisation of:		
– bank loans arrangement fees	18,329	16,262
– issuance costs of convertible bonds and US$250 million unsecured Senior Notes	1,489	1,786
Interest on:		
– bank loans	183,682	142,757
– convertible bonds and US$250 million unsecured Senior Notes	34,960	40,384
Loans arrangement fees written off	781	7,297
Total borrowing costs incurred	239,241	208,486
Less: interest and loans arrangement fees capitalised in property, plant and equipment	(4,946)	(7,542)
Total finance costs	234,295	200,944

For the cash flow hedges, the amounts that have been removed from equity and included in interest expense of the Group for the years ended 31 December 2007 and 2006 were US$0.7 million and US$7.5 million, respectively.

8. SHARE OF LOSSES OF ASSOCIATES

In the fourth quarter of 2005, the Group through a wholly-owned subsidiary, Star Cruises Asia Holding Ltd., subscribed for 5 shares for S$5 in Resorts World at Sentosa Pte. Ltd. ("RWS").

In 2006, the Group further subscribed for 9,062,495 shares for S$9,062,495 in RWS. Upon due subscription, the Group held 9,062,500 shares representing 25% interest in RWS. The Group accounted for its interest in RWS using the equity method and has recorded its portion of RWS's net operating results as share of profit/(loss) of an associate.

In May 2007, the Group disposed of its 25% equity interest in RWS for a total consideration of S$255 million. The disposal has resulted in the Group ceasing to have any interest in RWS.

During the year ended 31 December 2007, the Group accounted for its share of loss from RWS of approximately US$905,000, being the Group's portion of RWS's results from 1 January 2007 to the date when the Group ceased to have any interest in RWS. During the year ended 31 December 2006, the Group's share of profits from RWS amounted to approximately US$3,000.

In addition, the Group has also accounted using the equity method for its 30% share of loss in Cruise City Holdings Limited ("Cruise City"), a company which has a wholly-owned subsidiary set up for the purpose of preparing for an expression of interest submitted to Hong Kong Government for development of a cruise terminal. During the years ended 31 December 2007 and 2006, the Group accounted for its share of loss in Cruise City of US$2,000 and US$85,000, respectively.

9. OTHER EXPENSES, NET

	GROUP	
	2007 US$'000	2006 US$'000
Gain on disposal of property, plant and equipment (note (i))	(2,594)	(16,707)
Loss/(Gain) on derivative instruments:		
– Forward contracts	(3,697)	4,482
– Fuel swaps	(105)	(431)
Loss on foreign exchange	9,340	1,593
Loss on translation of debts	92,024	35,122
Gain on disposal of a subsidiary (note (ii))	—	(1,337)
Gain on disposal of an associate, RWS (see note 8)	(53,749)	—
Impairment of non-cruise related investment	—	10,285
Shipyard compensation income (note (iii))	—	(7,283)
Other expenses, net	3,621	832
	44,840	26,556

Notes:

(i) In October 2007, the Group disposed of m.v. SuperStar Gemini for US$69.0 million and realised a gain on disposal of the vessel of approximately US$2.7 million. In September 2006, the Group disposed of m.v. Norwegian Crown for US$110 million and realised a gain on disposal of the vessel of approximately US$16.7 million.

(ii) In December 2006, the Group disposed of a subsidiary, Laem Chabang Cruise Centre Co., Ltd. for a cash consideration of approximately US$14.3 million, net of cash and bank balances, and realised a gain on disposal of US$1.3 million.

(iii) In September 2006, NCLC entered into a €29 million or US$36.8 million, based on the Euro/U.S. dollar exchange rate at 30 September 2006, settlement agreement in connection with NCLC's pre and post-ship delivery claims against the builder of m.v. Pride of America. Settlement amount of approximately US$7.3 million was related to the claims for post-delivery costs incurred by NCLC.

10. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	GROUP	
	2007 US$'000	2006 US$'000
Total depreciation and amortisation analysed into:	243,058	215,926
– relating to operating function	228,856	203,104
– relating to selling, general and administrative function	14,202	12,822
Staff costs (see note 13)	584,395	522,718
Fuel costs	238,574	201,525
Operating leases – land and buildings	12,981	11,127
Ship charter costs	13,510	4,477
Auditors' remuneration – audit fees	1,212	1,266
Advertising expenses	96,078	85,468
Impairment loss (see note 6)	5,165	30,600
Proceeds from insurance arbitration award	(3,500)	—

11. TAXATION

	GROUP	
	2007 US$'000	2006 US$'000
Overseas taxation		
– Current taxation	3,589	1,816
– Deferred taxation	(127)	(423)
	3,462	1,393
Under/(Over) provision in respect of prior years		
– Current taxation	917	(1,200)
– Deferred taxation	401	(57)
	4,780	136
Deferred taxation charged/(credited) in respect of temporary differences (see note 29)	274	(480)

11. TAXATION (CONTINUED)

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 below, 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.

	GROUP	
	2007 US$'000	2006 US$'000
Loss before taxation	(196,106)	(156,060)
Tax calculated at domestic tax rates applicable to profit in the respective countries	(87,501)	(51,984)
Tax effects of:		
– Income not subject to taxation purposes	(243)	(10,079)
– Expenses not deductible for taxation purposes	32,065	4,774
– Utilisation of previously unrecognised tax losses	(17)	(14)
– Deferred tax assets not recognised	58,598	58,240
– Others	560	456
Under/(Over) provision in respect of prior years	1,318	(1,257)
Tax expense	4,780	136

NCLC, which is incorporated in Bermuda, is subject to U.S. federal income taxation with respect to certain income derived from its foreign-flagged operations and the income derived from its U.S. subsidiaries (which commenced operations in 2004 under the NCL America brand).

NCLC's foreign-flagged operations derive income from the international operation of ships ("Shipping Income"). Under Section 883 of the Code, certain foreign corporations, though engaged in the conduct of a trade or business within the United States, are exempt from U.S. federal income taxes on (or in respect of) gross income derived from the international operation of ships. NCLC believes that substantially all of its income from the international operation of ships is properly categorised as exempt Shipping Income. Effective for taxable years beginning after 24 September 2004, the Internal Revenue Service issued final regulations interpreting Section 883 of the Code. These final regulations list several items of income which are not considered to be incidental to the international operation of ships and, to the extent derived from U.S. sources, are subject to U.S. federal income taxes. Income items considered non-incidental to the international operation of ships include income from the sale of single-day cruises, shore excursions, air and other transportation, and pre- and post-cruise land packages. NCLC recorded an income tax expense of US$0.7 million and an income tax benefit of US$1.2 million for the years ended 31 December 2007 and 2006, respectively.

Income derived from NCLC's U.S. subsidiaries generally is subject to U.S. federal income taxation at graduated rates of up to 35%, after an allowance for deductions. U.S. source dividends paid by NCL America generally would be subject to a 30% withholding tax.

12. LOSS PER SHARE

Loss per share has been calculated as follows:

	GROUP	
	2007 US$'000	2006 US$'000
BASIC		
Loss attributable to equity holders of the Company	(200,806)	(156,196)
Weighted average outstanding ordinary shares, in thousands	7,252,052	5,662,860
Basic loss per share in US cents	(2.77)	(2.76)
DILUTED		
Loss attributable to equity holders of the Company	(200,806)	(156,196)
Weighted average outstanding ordinary shares, in thousands	7,252,052	5,662,860
Effect of dilutive ordinary shares, in thousands	8,584	507
Weighted average outstanding ordinary shares after assuming dilution, in thousands	7,260,636	5,663,367
Diluted loss per share in US cents	N/A*	N/A*

* Diluted loss per share for the years ended 31 December 2007 and 2006 are not shown as the diluted loss per share is less than basic loss per share.

13. STAFF COSTS

Staff costs include employee salaries and other employee related benefits but excluding directors' remuneration.

	GROUP	
	2007 US$'000	2006 US$'000
Wages and salaries	551,450	493,313
Unutilised annual leave	793	154
Termination benefits	1,104	2,031
Social security costs	22,685	19,820
Non-cash share option expenses	117	441
Post-employment benefits (see note 36)	8,246	6,959
	584,395	522,718

14. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of emoluments of the Directors of the Company for the years ended 31 December 2007 and 2006 are set out as follows:

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits[(a)] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Accrued unfunded pension liability US$'000	Non-cash share option expenses US$'000	Total US$'000
2007									
Tan Sri Lim Kok Thay	12	1,249	260	7	4	1,532	—	113	1,645
Mr. Alan Howard Smith	55	—	—	—	—	55	—	—	55
Mr. Chong Chee Tut	12	570	95	158	18	853	—	13	866
Mr. William Ng Ko Seng	12	303	81	55	2	453	—	9	462
Mr. David Colin Sinclair Veitch	12	1,497	103	193	—	1,805	1,178	161	3,144
Mr. Tan Boon Seng	49	—	—	—	—	49	—	—	49
Mr. Lim Lay Leng	52	—	—	—	—	52	—	—	52
	204	3,619	539	413	24	4,799	1,178	296	6,273

Name of directors	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits[(a)] US$'000	Contribution to provident fund US$'000	Subtotal US$'000	Accrued unfunded pension liability US$'000	Non-cash share option expenses US$'000	Total US$'000
2006									
Tan Sri Lim Kok Thay	12	1,189	248	7	3	1,459	—	208	1,667
Mr. Alan Howard Smith	58	—	—	—	—	58	—	—	58
Mr. Chong Chee Tut	12	488	102	151	20	773	—	25	798
Mr. William Ng Ko Seng	12	290	60	75	2	439	—	23	462
Mr. David Colin Sinclair Veitch	12	1,437	148	186	—	1,783	(770)	192	1,205
Mr. Tan Boon Seng	48	—	—	—	—	48	—	—	48
Mr. Lim Lay Leng	52	—	—	—	—	52	—	—	52
	206	3,404	558	419	25	4,612	(770)	448	4,290

Note:

(a) Other benefits include housing allowances, other allowances and benefits in kind.

14. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Details of the emoluments of the five highest paid individuals in the Group are as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Fees	36	36
Basic salaries, discretionary bonuses, housing allowances, other allowances and benefits in kind	5,528	5,443
Contributions to provident fund	23	23
Accrued unfunded pension liability	1,246	(621)
Non-cash share option expenses	304	437
	7,137	5,318
Number of Directors included in the five highest paid individuals	3	3

The emoluments of the 5 individuals fall within the following bands:

	Number of individuals	
	2007	2006
HK$5,000,001 – HK$5,500,000	—	1
HK$5,500,001 – HK$6,000,000	2	—
HK$6,000,001 – HK$6,500,000	—	1
HK$6,500,001 – HK$7,000,000	1	—
HK$7,500,001 – HK$8,000,000	—	1
HK$9,000,001 – HK$9,500,000	—	1
HK$12,500,001 – HK$13,000,000	1	1
HK$24,500,001 – HK$25,000,000	1	—

15. INTANGIBLE ASSETS

Intangible assets consist of the following items:

	Goodwill US$'000	Trade names US$'000	Total US$'000
GROUP			
At 1 January 2007	368,104	230,890	598,994
Impairment loss (see note 6)	—	(8,000)	(8,000)
At 31 December 2007	368,104	222,890	590,994
At 1 January 2006	368,104	237,890	605,994
Impairment loss (see note 6)	—	(7,000)	(7,000)
At 31 December 2006	368,104	230,890	598,994

Impairment tests

Goodwill

The Group has concluded that NCLC business has a single reportable and operating segment, with each ship considered to be a component. Each component constitutes a business for which discrete financial information is available and management regularly reviews the operating results and, therefore, each component is considered a reporting unit. NCLC's reporting units have similar economic characteristics, including similar margins and similar products and services, therefore, NCLC aggregates all of the reporting units in assessing goodwill.

The recoverable amount is determined based on value-in-use calculations. The impairment review of goodwill is based on the expected future cash flows of the ships approved by management covering a four-year period with a residual period using the estimated growth rate of 2.5% and discount rate of 12.0%. The growth rate used is based on past performance and management's expectation of the future. The impairment review also considers fair value estimated by the guideline method which utilises market values of companies with similar operations and the transaction approach whereby NCLC estimates fair value based on the recent Apollo transactions.

Trade name

The recoverable amount of trade name is determined based on value-in-use calculations. The impairment review of the trade name is based on the expected future cash flows of the ships which are under the Norwegian Cruise Line trade name, using the estimated current royalty rate and anticipated revenue. The estimated current royalty rate for Norwegian Cruise Line trade name was based on a royalty rate of 2.4%. The estimated growth rate of 2.5% and discount rate of 12.0% are applied on the value-in-use calculations.

Based on the impairment assessment above, the Group concluded that there is no impairment with regards to the Group's goodwill and the Norwegian Cruise Line's trade name. The Group wrote off the remaining carrying value of Orient Lines trade name of US$8 million during the year ended 31 December 2007 following the disposal of m.v. Marco Polo (the only ship which operates under the Orient Lines trade name). During the year ended 31 December 2006, the Group recorded an impairment loss of US$7 million in respect of the Orient Lines trade name, which was concluded based on the excess of its carrying amount over the value in use.

16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

GROUP

	Cruise ships, passenger ferry and ship improvements US$'000	Land, jetties, building, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Cruise ships under construction US$'000	Equipment and other construction in progress US$'000	Total US$'000
Cost						
At 1 January 2007	5,255,484	69,829	280,190	198,294	28,947	5,832,744
Exchange differences	288	3,693	1,299	—	—	5,280
Reclassification of property, plant and equipment	576,097	7,445	16,644	(576,097)	(24,089)	—
Additions	89,821	1,033	16,716	532,693	29,037	669,300
Write off	(905)	(446)	(5,770)	—	—	(7,121)
Disposals	(196,457)	—	(9,125)	—	(4,005)	(209,587)
At 31 December 2007	5,724,328	81,554	299,954	154,890	29,890	6,290,616
Accumulated depreciation and impairment						
At 1 January 2007	(811,522)	(17,135)	(141,040)	—	—	(969,697)
Exchange differences	(87)	(884)	(1,185)	—	—	(2,156)
Charge for the year	(211,582)	(2,759)	(28,717)	—	—	(243,058)
Reversal of previously recognised impairment loss/(Impairment loss)	5,400	—	—	—	(2,565)	2,835
Write off	905	446	5,752	—	—	7,103
Disposals	106,467	—	5,898	—	2,565	114,930
At 31 December 2007	(910,419)	(20,332)	(159,292)	—	—	(1,090,043)
Net book value						
At 31 December 2007	4,813,909	61,222	140,662	154,890	29,890	5,200,573

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP (continued)

	Cruise ships, passenger ferry and ship improvements US$'000	Land, jetties, building, terminal building and improvements US$'000	Equipment and motor vehicles US$'000	Cruise ships under construction US$'000	Equipment and other construction in progress US$'000	Total US$'000
Cost						
At 1 January 2006	4,380,744	85,506	215,640	431,259	25,542	5,138,691
Exchange differences	293	5,688	1,478	—	—	7,459
Reclassification of property, plant and equipment	982,021	934	26,161	(987,950)	(21,166)	—
Additions	44,715	1,242	15,628	754,985	24,571	841,141
Write off	—	(5,904)	(627)	—	—	(6,531)
Disposals	(152,289)	(8)	(1,518)	—	—	(153,815)
Disposal of a subsidiary	—	(17,629)	(107)	—	—	(17,736)
Adjustments[1]	—	—	23,535	—	—	23,535
At 31 December 2006	5,255,484	69,829	280,190	198,294	28,947	5,832,744
Accumulated depreciation and impairment						
At 1 January 2006	(646,089)	(20,963)	(108,721)	—	—	(775,773)
Exchange differences	(68)	(1,115)	(1,301)	—	—	(2,484)
Charge for the year	(188,767)	(3,596)	(23,563)	—	—	(215,926)
Impairment loss	(23,600)	—	—	—	—	(23,600)
Write off	—	5,360	588	—	—	5,948
Disposals	47,002	4	1,116	—	—	48,122
Disposal of a subsidiary	—	3,175	85	—	—	3,260
Adjustments[1]	—	—	(9,244)	—	—	(9,244)
At 31 December 2006	(811,522)	(17,135)	(141,040)	—	—	(969,697)
Net book value						
At 31 December 2006	4,443,962	52,694	139,150	198,294	28,947	4,863,047

Note:

1. As at 31 March 2006, software development costs relating to a subsidiary has been reclassified as property, plant and equipment to be consistent with the Group's presentation.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2007 and 2006, the net book value of property, plant and equipment pledged as security for the Group's long-term bank loans amounted to US$5.1 billion and US$4.6 billion, respectively.

Net book value of land comprises:

	GROUP	
	2007 US$'000	2006 US$'000
Hong Kong:	—	—
Outside Hong Kong:		
Freehold land	6,508	6,508

	COMPANY	
	2007 US$'000	2006 US$'000
Cost		
At 1 January	—	—
Additions	150	—
At 31 December	150	—
Accumulated depreciation		
At 1 January	—	—
Charge for the year	(15)	—
At 31 December	(15)	—
Net book value	135	—

17. LEASE PREPAYMENTS

The Group's interest in leasehold land represents prepaid operating lease payments which are analysed as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Hong Kong:	—	—
Outside Hong Kong:		
Long leasehold (not less than 50 years)	1,135	1,077
Medium leasehold (less than 50 years but not less than 10 years)	288,419	1,182
	289,554	2,259

	GROUP	
	2007 US$'000	2006 US$'000
At 1 January	2,259	1,739
Addition during the year	—	1,190
Acquisition of a subsidiary (see note below)	287,270	—
Disposal of a subsidiary	—	(780)
Amortisation of prepaid operating lease for the year	(46)	(59)
Translation differences	71	169
At 31 December	289,554	2,259

Note:

The leasehold land is situated outside Hong Kong with a lease term of 25 years commencing on the date of the gazette of the land by the Government of Macau, and renewable for further terms thereafter, up to 2049. Amortisation of the leasehold land prepayment takes into account the period of renewal.

18. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2007 US$'000	2006 US$'000
Investments at cost:		
Unlisted shares	1,838,317	1,841,909
Amounts due from subsidiaries	1,081,914	1,051,384
Amounts due to subsidiaries	(245)	(5,060)
	2,919,986	2,888,233

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

A list of principal subsidiaries is included in note 37 to the consolidated financial statements.

19. INVESTMENTS IN ASSOCIATES

The movements of the investments in associates are as follows:

	GROUP	
	2007 US$'000	2006 US$'000
At 1 January	5,860	—
Additional investments during the year	107,992	5,857
Share of profit / (loss) of an associate	(905)	3
Disposal of an associate	(112,947)	—
At 31 December	—	5,860

In the fourth quarter of 2005, the Company through a direct wholly-owned subsidiary, Star Cruises Asia Holding Ltd., acquired 25% interest in RWS, a company set up to own, develop and operate the Integrated Resort at Sentosa. In May 2007, the Group disposed of its 25% equity interest in RWS and therefore ceased to have any interest in RWS.

In December 2005, the Company through an indirect wholly-owned subsidiary, Cruise City (BVI) Limited, acquired 30% interest in Cruise City, a company which has a wholly-owned subsidiary set up for the purpose of preparing for an expression of interest submitted to Hong Kong Government for development of a cruise terminal. During the year ended 31 December 2007, the Group's share of the results of Cruise City, which is unlisted and its share of the assets and liabilities are as follows:

2007					
Name	Country of incorporation	Assets	Liabilities	Loss	% interest held
		US$'000	US$'000	US$'000	
Cruise City	British Virgin Islands	29	116	2*	30

* As at 31 December 2007, the Group has accrued for its share of loss in Cruise City of US$87,000, which is in excess of its investment in Cruise City. This is in view of the Group's constructive obligations towards Cruise City.

20. OTHER ASSETS

	GROUP 2007 US$'000	GROUP 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Loan arrangement fees	44,277	48,239	3,262	3,964
Convertible bonds and senior notes issuance costs	5,883	7,555	—	597
Others	11,548	12,490	—	—
	61,708	68,284	3,262	4,561

21. CONSUMABLE INVENTORIES

	GROUP 2007 US$'000	GROUP 2006 US$'000
Food and beverages	18,279	15,227
Supplies and consumables	30,787	23,224
	49,066	38,451

22. TRADE RECEIVABLES

	GROUP 2007 US$'000	GROUP 2006 US$'000
Trade receivables	23,412	24,571
Less: Provisions	(3,256)	(3,163)
	20,156	21,408

At 31 December 2007 and 2006, the ageing analysis of the trade receivables is as follows:

	GROUP 2007 US$'000	GROUP 2006 US$'000
Current to 30 days	11,352	16,124
31 days to 60 days	4,458	1,961
61 days to 120 days	2,461	2,459
121 days to 180 days	1,266	1,759
181 days to 360 days	3,150	2,125
Over 360 days	725	143
	23,412	24,571

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

22. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	GROUP	
	2007 US$'000	2006 US$'000
US dollar	7,369	9,575
Singapore dollar	6,161	7,604
Hong Kong dollar	3,709	1,468
Australia dollar	1,574	—
UK Pound Sterling	510	1,445
Euro	13	288
Other currencies	820	1,028
	20,156	21,408

Movements on the provision for impairment of trade receivables are as follows:

	GROUP	
	2007 US$'000	2006 US$'000
At 1 January	(3,163)	(2,294)
Provision for receivables impairment	(2,527)	(4,712)
Receivables written off during the year as uncollectible	2,434	3,843
At 31 December	(3,256)	(3,163)

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. As at 31 December 2007 and 2006, the trade receivables that were past due but not impaired are not material.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables mentioned above.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Deposits with banks – maturing within 3 months	48,400	242,631	2,803	216,443
Cash and bank balances	100,686	226,196	112	119,136
	149,086	468,827	2,915	335,579

23. CASH AND CASH EQUIVALENTS (CONTINUED)

The cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
US dollar	70,013	76,313	3	10,714
Singapore dollar	31,796	46,579	50	19,768
Hong Kong dollar	23,469	322,682	2,796	305,039
Australia dollar	5,346	1,320	—	—
Euro	3,964	1,853	66	58
UK Pound Sterling	2,673	2,314	—	—
Japanese Yen	1,961	5,013	—	—
Other	9,864	12,753	—	—
	149,086	468,827	2,915	335,579

For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdraft as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Cash and cash equivalents	149,086	468,827
Bank overdraft (see note 26)	—	(1,666)
	149,086	467,161

The effective interest rate on deposits with banks – maturing within 3 months and its average maturity days are as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Effective interest rate	3.0%	3.2%	2.1%	3.1%
Average maturity days	6 days	5 days	2 days	5 days

24. 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 which is held directly and indirectly by GZ Trust Corporation as trustee of a discretionary trust established for the benefit of certain family members of the late Tan Sri Lim Goh Tong, is a substantial shareholder of the Company.

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

Kien Huat Development Sdn Bhd ("KHD") is a company wholly-owned indirectly by a brother of Tan Sri Lim Kok Thay.

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 ("RWL"), which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

VXL Capital Limited ("VXL Capital") is a company in which a brother of Tan Sri Lim Kok Thay has a substantial interest and is listed on the Stock Exchange.

WorldCard International Limited ("WCIL") is a company in which a subsidiary of each of the Group and GIPLC has a 50% interest. The Group's share of losses from WCIL amounted to US$108,000 and US$133,000 for the years ended 31 December 2007 and 2006, respectively. As at 31 December 2007, the Group's share of losses in WCIL has exceeded its interest in WCIL by US$176,000 and this has been recorded in accruals and other liabilities as the Group has constructive obligations towards WCIL.

Significant related party transactions entered into or subsisting between the Group and these companies during the years ended 31 December 2007 and 2006 are set out below:

(a) KHD, together with its related companies, are 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$- and US$8,000 for the years ended 31 December 2007 and 2006, respectively. In addition, approximately US$381,000 and US$483,000 were paid by KHD on behalf of the Group to the third party contractors during the years ended 31 December 2007 and 2006, respectively.

(b) GB and its related companies provide certain services to the Group, including treasury management services, secretarial and share registration services, air ticket purchasing services, leasing of office space and other support services (such as information technology support services, travel services, other purchasing services, central reservation services and risk management services). In January 2008, GB Group ceased to provide treasury management services to the Group as the Group had taken over the treasury function from GB Group. Amounts charged to the Group in respect of these services were approximately US$2,431,000 and US$2,008,000 in the years ended 31 December 2007 and 2006, respectively.

(c) WCIL, together with its related companies, operate and administer the WorldCard programme on an international basis. The Group also implemented joint promotion and marketing programmes for the purpose of promoting the respective businesses of the Group and the RWB Group.

During the years ended 31 December 2007 and 2006, the following transactions took place:

	GROUP	
	2007 US$'000	2006 US$'000
Amounts charged from the GB Group to the Group	410	511
Amounts charged to the GB Group by the Group	263	164

(d) In January 2007, the Group engaged VXL Financial Services Limited ("VXLFS"), a then wholly-owned subsidiary of VXL Capital, to provide financial advisory services in relation to the acquisition of Macau Land Investment Corporation ("MLIC") Group and the amount paid to VXLFS in respect of this service amounted to US$1.8 million.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Amounts outstanding at the end of each fiscal year in respect of the above transactions were included in the balance sheets within amounts due from / (to) related companies. The related party transactions described above were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

(e) On 15 December 2006, the Group entered into a shareholders' agreement with GIPLC in relation to the management and operation of RWS. Pursuant to the shareholders' agreement, RWS was owned as to 25% by the Group and 75% by GIPLC and the Group's total funding commitment towards the development cost of the project amounted to S$455 million. The shareholders' agreement had been approved by independent shareholders of the Company on 29 January 2007 in accordance with the Listing Rules. As at 31 December 2006, the carrying amount of the investment in RWS amounted to US$5.9 million and is included within the investments in associates. The Group's share of profits from RWS amounted to US$3,000 for the year ended 31 December 2006.

On 27 March 2007, the Group entered into a sale and purchase agreement with GIPLC to dispose of its 25% interest in RWS for a total consideration of S$255 million. Following approval by independent shareholders of the Company on 2 May 2007, the disposal of 25% interest in RWS was completed on 29 May 2007. As a result, the shareholders' agreement with GIPLC in relation to RWS entered into on 15 December 2006 was terminated and the Group ceased to have any interest in RWS. The Group recorded a gain of US$53.7 million on the disposal of its equity interest in RWS during the year ended 31 December 2007.

(f) On 16 January 2007, the Group entered into a shareholders' agreement with GIPLC in relation to the management and operation of a newly formed joint venture company ("JV"), New Orisol Investments Limited. The JV was owned as to 75% by the Group and 25% by GIPLC. The purpose of the JV is to carry out the acquisition of MLIC Group and to develop and build on a piece of land a hotel that will house, inter alia, a casino which will be subject to receiving the relevant authorisation from the Government of Macau. On 2 March 2007, the Group completed its acquisition of GIPLC's 25% indirect interest in the JV at its investment cost of HK$58.5 million ("New Orisol Acquisition"). Upon completion of the New Orisol Acquisition on 2 March 2007, the shareholders' agreement with GIPLC was terminated and the JV became a wholly-owned subsidiary of the Group. Completion of the acquisition of MLIC Group by the JV took place on 19 March 2007.

(g) On 8 December 2005, the Group, VXL Capital and a non-related party (the "parties") had entered into a joint venture agreement (the "JV Agreement") for the purpose of preparing for an expression of interest submitted to the Hong Kong Government for the development of a cruise terminal. Each of the Group and VXL Capital has a 30% interest in the joint venture company.

On 16 November 2007, the parties entered into a supplemental agreement (the "Supplemental Agreement") to supplement and amend the terms of the JV Agreement in view of a recent invitation for tender issued by the Hong Kong Government for the development at Kai Tak, Hong Kong of a cruise terminal whereby the parties agree, inter alia, to form a new joint venture with any other third party in response to the invitation.

(h) On 16 November 2007, the Group entered into a memorandum of agreement with VXL Capital and non-related parties whereby the parties agree, inter alia, to form a joint venture for the purpose of submitting a tender for the development of a cruise terminal at Kai Tak, Hong Kong in response to the recent invitation issued by the Hong Kong Government as explained in item (g) above.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with Directors

(i) Certain Directors of the Company and the Group were granted share options entitling them to subscribe for ordinary shares in the share capital of the Company under both the Pre-listing Employee Share Option Scheme and Post-listing Employee Share Option Scheme. Share options granted are exercisable at the price of US$0.2524 (as adjusted) and US$0.3953 (as adjusted) per share under the Pre-listing Employee Share Option Scheme and HK$2.8142 (US$0.36) (as adjusted) and HK$1.6202 (US$0.21) (as adjusted) per share under the Post-listing Employee Share Option Scheme. Details of the movements of the share options during the year ended 31 December 2007 and the outstanding share options as at 31 December 2007 are set out in the section headed "Share Options" in the Report of the Directors.

Key management compensation

(j) The key management compensation is analysed as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Salaries and other short-term employee benefits	11,498	11,009
Post-employment benefits	1,582	(318)
Non-cash share option expenses	346	559
	13,426	11,250

25. SHARE CAPITAL

	GROUP/COMPANY Authorised share capital			
	Preference shares of US$0.10 each		Ordinary shares of US$0.10 each	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January 2006 and 31 December 2006	10,000	1	9,999,990,000	999,999
At 1 January 2007	10,000	1	9,999,990,000	999,999
Addition during the year	—	—	5,000,000,000	500,000
At 31 December 2007	10,000	1	14,999,990,000	1,499,999

25. SHARE CAPITAL (CONTINUED)

	GROUP/COMPANY Issued and fully paid ordinary shares of US$0.10 each	
	No. of shares	US$'000
At 1 January 2006	5,300,177,247	530,018
Issue of shares pursuant to the Pre-listing Employee Share Option Scheme	124,421	12
Issue of 7 ordinary shares for every 25 existing ordinary shares pursuant to a rights issue, net of approximately US$2.0 million issuance costs (note (i))	1,484,084,467	148,409
At 31 December 2006	6,784,386,135	678,439
At 1 January 2007	6,784,386,135	678,439
Issue of shares pursuant to the Pre-listing and Post-listing Employee Share Option Schemes	3,951,569	395
Issue of ordinary shares to the independent third parties, net of issuance costs (note (ii))	255,000,000	25,500
Issue of ordinary shares upon conversion of convertible bonds	382,908,142	38,291
At 31 December 2007	7,426,245,846	742,625

Notes:

(i) In December 2006, the Company issued 1,484,084,467 ordinary shares of US$0.10 each in the proportion of 7 new ordinary shares for every 25 existing ordinary shares held pursuant to a rights issue at the subscription price of HK$1.08 (US$0.1388), with an aggregate proceed of approximately US$204.1 million, net of issuance costs. The closing price per ordinary share on 7 November 2006, the trading date immediate before the Underwriting Agreement was entered into, was HK$1.50 (US$0.19) on the Stock Exchange.

As at 31 December 2007, the Group has applied approximately US$144.5 million of the net proceeds from the rights issue for funding the construction of vessels (US$93.1 million of which were incurred in 2006). As at 31 December 2007, the balance of unapplied proceeds of approximately US$59.6 million was placed with banks.

(ii) In February 2007, the Company issued 255 million new ordinary shares of US$0.10 each at the subscription price of HK$2.29 (US$0.29) per share, with an aggregate proceed of approximately US$74.6 million, net of issuance costs to the independent third parties. In addition, these independent third parties have also been granted non-transferable options at a premium of HK$0.28 (US$0.04) per option share to subscribe for 255 million ordinary shares. Each option is exercisable once at an exercise price of HK$3.00 (US$0.39) per ordinary share at any time from the date of completion of the subscription of 255 million new ordinary shares to the second anniversary of the date of the share option agreements. As at 31 December 2007, none of the options were exercised.

The net proceeds from the issuance of 255 million ordinary shares and the grant of options have been used for part funding of the acquisition of equity interest in MLIC Group. As at 31 December 2007, there were no unapplied proceeds from this issuance of shares and grant of options.

26. LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
SECURED:				
US$750 million secured term loan and revolving credit facility	402,500	645,000	402,500	645,000
€298 million secured Pride of America loans	278,092	307,365	—	—
US$334.1 million secured Norwegian Jewel loan	270,218	297,239	—	—
€308.1 million secured Pride of Hawaii loan	381,713	378,209	—	—
US$800 million secured loan facility	605,000	510,000	—	—
€624 million secured Norwegian Pearl / Gem facility	880,146	410,753	—	—
US$610 million revolving credit facility	490,000	390,000	—	—
UNSECURED:				
US$250 million unsecured Senior Notes	250,000	250,000	—	—
Convertible bonds (see note 27)	63,348	196,542	63,348	196,542
Bank overdraft (see note 23)	—	1,666	—	—
Others	13,891	16,429	—	—
Total liabilities	3,634,908	3,403,203	465,848	841,542
Less: Current portion	(312,020)	(218,804)	(120,848)	(62,500)
Long-term portion	3,322,888	3,184,399	345,000	779,042

The carrying amounts of the long-term borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
US dollars	2,373,049	2,614,241	465,848	841,542
Euro	1,261,859	788,962	—	—
	3,634,908	3,403,203	465,848	841,542

As at 31 December 2007, the outstanding balances of long-term borrowings denominated in Euro were approximately €864.9 million (2006: €597.7 million).

As at 31 December 2007 and 2006, the net carrying amounts of the Group's long-term borrowings, including interest accrued and net of transaction costs incurred would be US$3.63 billion and US$3.37 billion, respectively.

As at 31 December 2007 and 2006, the net carrying amounts of the Company's long-term borrowings, including interest accrued and net of transaction costs incurred would be US$0.47 billion and US$0.84 billion, respectively.

As at 31 December 2007, approximately 31% of the Group's long-term borrowings was fixed (2006: 41%) and approximately 69% was variable (2006: 59%), after taking the effect of interest-rate swaps and the fixing of interest rates on certain of the long-term borrowings. The outstanding notional amount of interest-rate swap was approximately US$268.6 million as at 31 December 2007 (2006: US$329.5 million).

26. LONG-TERM BORROWINGS (CONTINUED)

The following is a schedule of repayments of the long-term borrowings in respect of the outstanding borrowings as at 31 December 2007 and 2006.

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Within one year	312,020	218,804	120,848	62,500
In the second year	248,680	413,351	57,500	259,042
In the third to fifth years	1,325,752	1,256,431	172,500	332,500
After the fifth year	1,748,456	1,514,617	115,000	187,500
	3,634,908	3,403,203	465,848	841,542

The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates (after taking into consideration the borrowings which have been hedged using interest rate swaps of approximately US$268.6 million (2006: US$329.5 million)) are as follows:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
6 months or less	2,490,782	2,006,105	133,922	315,477
6-12 months	63,348	—	63,348	—
1-5 years	13,890	196,542	—	196,542
Over 5 years	798,310	871,033	—	—
	3,366,330	3,073,680	197,270	512,019

The secured long-term borrowings were secured by, amongst other securities, a mortgage over each associated vessel.

The weighted average interest rates at the balance sheet date were as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Bank borrowings in US dollars	6.4%	6.6%	6.7%	6.5%
Bank borrowings in Euro	5.7%	4.7%	—	—
US$250 million unsecured Senior Notes	10.6%	10.6%	—	—
Convertible bonds	7.4%	7.4%	7.4%	7.4%

27. CONVERTIBLE BONDS

In October 2003, the Company issued US$180 million 2% Convertible Bonds (the "Bonds") due in 2008. The Bonds are listed on the Luxembourg Stock Exchange. The issue price of the Bonds was 100% of their principal amount and the Bonds carried interest at the rate of 2% per annum payable semi-annually in arrears. Subject to certain conditions, the Bonds carried a right of conversion into fully-paid ordinary shares of the Company at an initial conversion price of HK$3.18 (US$0.41 based on a fixed rate of exchange applicable on conversion of the Bonds of HK$7.743 = US$1.00) per share, subject to reset and adjustments. Pursuant to the "Rights Issues of Shares or Option over Shares" as stated in the terms and conditions of the Bonds, the rights issue undertaken by the Company has resulted in an adjustment to the conversion price at which ordinary shares of the Company will be issued upon conversion of the Bonds. The adjusted conversion price applicable with effect from 28 December 2006 has been adjusted to HK$2.53 per share.

On or at any time after 20 October 2005, the Company may, subject to satisfaction of certain conditions, redeem all or a portion of the Bonds at their Early Redemption Amount (as defined in the Terms and Conditions of the Bonds) which represents a gross yield of 5.55% on a semi-annual basis for the Bondholder plus any accrued interest provided that the closing price of the Company's ordinary shares for a defined duration of time is at least 125% of the conversion price in effect on the relevant trading day. In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of US$180 million, the Company shall have the option to redeem such outstanding Bonds in whole but not in part at the Early Redemption Amount plus any accrued interest.

The Bonds may be redeemed, at the option of the bondholders, in the event of a Change in Control or Delisting (as such terms are defined in the Terms and Conditions of the Bonds), at the Early Redemption Amount together with any accrued but unpaid interest.

Unless previously converted, redeemed or purchased and cancelled as set out in the Terms and Conditions of the Bonds, the Bonds will be redeemed on 20 October 2008 at 120.136% of the outstanding principal amount thereof, plus any accrued but unpaid interest.

Detailed terms and conditions of the Bonds are constituted by the trust deed dated 20 October 2003 entered into between the Company and the trustee.

The analysis of the Bonds recorded in the balance sheet is as follows:

	GROUP/COMPANY	
	2007 US$'000	2006 US$'000
Face value of the Bonds issued on 20 October 2003	180,000	180,000
Remaining equity component	(4,391)	(14,400)
Equity component transferred to share premium	(10,009)	—
Equity component	(14,400)	(14,400)
Liability component on initial recognition	165,600	165,600
Interest accrued as at 1 January	30,942	20,721
Interest expense for the year	8,382	13,821
Interest paid during the year	(1,872)	(3,600)
Conversion of the Bonds to ordinary shares	(139,704)	—
Liability component	63,348	196,542

The fair value of the liability component of the Bonds at 31 December 2007 amounted to US$63.1 million. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.7%. Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 7.4% to the liability component.

As at 31 December 2006, none of the Bonds were redeemed or purchased by the Company or converted into ordinary shares of the Company. As at 31 December 2007, approximately US$125.1 million of the US$180 million Bonds have been converted into ordinary shares of the Company. None of the Bonds were redeemed or purchased by the Company.

28. OTHER LONG-TERM LIABILITIES

	GROUP	
	2007 US$'000	2006 US$'000
Deferred lease liability	959	115
Pension plan	2,290	747
Others	1,552	882
	4,801	1,744

29. DEFERRED TAX

	GROUP Excess of capital allowances over depreciation	
	2007 US$'000	2006 US$'000
Deferred tax liabilities		
The movement on the deferred tax liabilities account is as follows:		
At 1 January	295	574
Exchange difference	(1)	32
Deferred taxation credited to consolidated income statement	(256)	(311)
At 31 December	38	295
The amount shown in the balance sheet includes the following:		
Deferred tax liabilities to be settled after more than 12 months	38	295

	GROUP Tax losses	
	2007 US$'000	2006 US$'000
Deferred tax assets		
The movement on the deferred tax assets account is as follows:		
At 1 January	573	359
Exchange difference	—	45
Deferred taxation credited / (charged) to consolidated income statement	(530)	169
At 31 December	43	573
The amount shown in the balance sheet includes the following:		
Deferred tax assets to be recovered after more than 12 months	43	573

As at 31 December 2007, the U.S. subsidiaries have cumulative operating loss carryforwards for federal and state tax purposes of approximately US$586 million as at 31 December 2007 (2006: US$394 million), expiring at various times commencing 2024. In addition, as at 31 December 2007, the unused tax losses which have no expiry date and for which no deferred tax asset was recognised in the consolidated balance sheet was approximately US$195 million (2006: US$173 million).

30. TRADE CREDITORS

The ageing of trade creditors as at 31 December 2007 and 2006 is as follows:

	GROUP 2007 US$'000	GROUP 2006 US$'000
Current to 60 days	113,463	137,275
61 days to 120 days	3,584	1,037
121 days to 180 days	701	144
Over 180 days	3,666	818
	121,414	139,274

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

The carrying amount of trade creditors are denominated in the following currencies:

	GROUP 2007 US$'000	GROUP 2006 US$'000
US dollar	109,843	132,189
Hong Kong dollar	5,279	1,296
UK Pound Sterling	1,587	2,086
Ringgit Malaysia	1,170	1,220
Singapore dollar	778	926
Euro	765	317
Other currencies	1,992	1,240
	121,414	139,274

31. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accruals and other liabilities consist of the following:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Payroll, taxes and related benefits	48,822	40,655	—	—
Interest accrued	50,668	36,522	9,276	1,422
Provision for legal and settlement costs (see below)	6,632	8,944	—	—
Excess of rights issue application	—	98,843	—	98,843
Others	169,266	139,171	1,050	7,452
	275,388	324,135	10,326	107,717

The movement of the provision for legal and settlement costs is as follows:

	GROUP US$'000
As at 1 January 2007	8,944
Additional provision during the year	8,889
Amounts paid during the year	(11,201)
As at 31 December 2007	6,632

32. FINANCIAL INSTRUMENTS

The fair values of financial instruments including derivatives are determined based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realised as at the balance sheet date or that will be realised in the future and do not include expenses that could be incurred in an actual sale or settlement. The following are the estimated fair values of the Group's financial instruments and the methods used to estimate such fair values:

(a) Certain short-term financial instruments

The carrying amounts of cash, cash equivalents, trade receivables, trade creditors and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

(b) Long-term borrowings

The carrying amounts and fair value of the long-term borrowings (including the current portion) are as follows:

	GROUP		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Carrying amounts	3,634,908	3,403,203	465,848	841,542
Fair value	3,659,056	3,424,153	465,608	843,302

The difference between the fair value and carrying value of the long-term borrowings is due to the debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of long-term borrowings is estimated based on rates currently available for the same or similar terms and remaining maturities.

(c) Interest rate swaps and foreign exchange forward contracts

(i) The Group has several interest rate swaps with an aggregate notional amount of US$430.4 million (as at 31 December 2007, the outstanding notional amount was approximately US$228.8 million) to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. 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 December 2007, the estimated fair market value of the interest rate swaps was approximately US$2.9 million, which was unfavourable to the Group and the Company. This amount has been recorded within the current and non-current portion of the derivative financial instruments in the accompanying balance sheets.

These interest rate swaps have been designated as cash flow hedges. The changes in the fair value of these interest rate swaps are included as a separate component of reserves and are recognised in the income statements as the underlying hedged items are recognised.

(ii) The Group has a series of 5.5% capped USD London Interbank Offer Rate-in-arrears interest rate swaps with a notional amount of approximately US$140.8 million (as at 31 December 2007, the outstanding notional amount was approximately US$39.8 million) to limit its exposure to fluctuations in interest rate movements if the interest 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 6 years from August 2003.

As at 31 December 2007, the estimated fair market value of these interest rate swaps was approximately US$0.4 million, which was favourable to the Group and the Company. This amount has been recorded within the non-current portion of the derivative financial instruments in the accompanying balance sheets. The changes in the fair value of these interest rate swaps are included in interest expense in the income statements.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate swaps and foreign exchange forward contracts (continued)

(iii) During the year ended 31 December 2007, the Group entered into fuel swap agreements with an aggregate notional amount of US$41.0 million, to pay fixed price for fuel. As at 31 December 2007, the outstanding notional amount was approximately US$32.1 million, maturing through December 2008 and the estimated fair market value of the fuel swap was approximately US$1.3 million, which was favourable to the Group. This amount has been recorded within the current portion of the derivative instruments in the consolidated balance sheet. These fuel swaps have been designated and qualified as cash flow hedges. The changes in the fair value of these fuel swaps are included as a separate component of reserves and are recognised in the consolidated income statement as the underlying hedged items are recognised.

(iv) The Group has various Singapore dollars forward contracts and the notional amount of these contracts was approximately US$206.7 million (as at 31 December 2007, the outstanding notional amount was approximately US$24.5 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 December 2007, the estimated fair market value of these forward contracts was approximately US$1.8 million, which was unfavourable to the Group and the Company. The changes in the fair value of these forward contracts are recognised as other expense in the income statements. This amount has been recorded within the current and non-current portion of the derivative financial instruments in the accompanying balance sheets.

(v) During the year ended 31 December 2007, the Group entered into forward contracts to buy Euro against US dollars and the notional amount was approximately US$267.7 million. As at 31 December 2007, the outstanding notional amount was approximately US$108.8 million, maturing through April 2008. As at 31 December 2007, the estimated fair market value of these forward contracts was approximately US$0.6 million, which was favourable to the Group. The changes in the fair value of these forward contracts are recognised as other income in the consolidated income statement. This amount has been recorded within the current portion of the derivative financial instruments in the consolidated balance sheet.

The fair values of the above 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 December 2007.

33. COMMITMENTS

(i) Capital expenditure

In September 2006, NCLC Group contracted with a shipyard to purchase two ships with anticipated deliveries in the first and third quarters of 2010. NCLC Group has an option for a third ship with anticipated delivery in 2011. The option for a third ship was not exercised and expired in the third quarter of 2007.

The aggregate cost of the ships under construction and on firm order (based on the Euro/U.S. dollar exchange rate at the balance sheet dates) as at 31 December 2007 and 2006 are as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Contracted but not provided for – Cruise ships and other related costs	2,239,609	2,398,454

In December 2007, a subsidiary of the Group entered into a promissory agreement for the purchase of a residential property in Macau from an independent third party. The total contract price is approximately US$63.5 million and the Group has paid a deposit of 20% as at 31 December 2007. The remaining 80% will be paid in the first quarter of 2008.

(ii) Operating leases

Rent expense under non-cancellable operating lease commitments were US$12.4 million and US$10.7 million for the years ended 31 December 2007 and 2006, respectively.

At 31 December 2007 and 2006, future minimum lease payments payable under non-cancellable operating leases are as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Within one year	8,351	7,042
In the second to fifth year inclusive	23,750	21,280
After the fifth year	30,433	34,903
	62,534	63,225

The rent expense under non-cancellable operating lease commitments mainly relates to rental of offices occupied by the Group and motor vehicles.

(iii) Other commitments

As at 31 December 2007 and 2006, the Group has future commitments to pay for usage of certain port facilities, as follows:

	GROUP	
	2007 US$'000	2006 US$'000
Within one year	10,635	10,987
In the second and fifth year inclusive	56,729	34,890
After the fifth year	80,332	52,862
	147,696	98,739

34. CONTINGENT LIABILITIES

(i) Contingencies

On 23 September 2005, NCLC entered into a Letters of Credit Facility agreement (the "L/C Facility") in an aggregate maximum amount of US$100 million to part secure the risks of processing certain of NCLC Group credit card sales transactions. As a result of the equity investment of US$1.0 billion by Apollo in NCLC in January 2008, NCLC is no longer required to maintain the L/C Facility. However, if certain covenant restrictions are triggered, NCLC may be required to post collateral again (see note 38 (a)).

(ii) Material litigation

(1) A proposed class action suit was filed on 1 August 2000 in the U.S. District Court for the Southern District of Texas against Norwegian Cruise Line Limited ("NCLL"), alleging that it violated the Americans with Disabilities Act of 1990 ("ADA") in its treatment of physically impaired passengers. The same plaintiffs also filed on the same date a proposed class action suit in a Texas state court alleging that NCLL and a third party violated Texas' Deceptive Trade Practices and Consumer Protection Act. The state court's grant of NCLL motion for summary judgement was reversed in part on appeal and remanded for trial. On 6 June 2005, the U.S. Supreme Court ruled in the Federal matter that the ADA is applicable to foreign-flagged cruise ships that operate in U.S. waters to the same extent that it applies to U.S. flagged ships. The U.S. Supreme Court remanded the case to the Fifth Circuit Court of Appeals to determine which claims in the lawsuit remain and the Fifth Circuit remanded the case to the trial court. NCLL believes that it has meritorious defenses to these claims and, accordingly, is defending vigorously this action.

(2) A proposed class action suit was filed on 17 May 2001 in the U.S. District Court for the Southern District of New York alleging that during the period from January 1998 through March 2005, NCLL failed to pay unlicensed seafarers overtime wages in accordance with their contracts of employment. The court entered an order certifying the case as a class action. In March 2005, the parties reached a settlement which was subsequently approved by the court. NCLL has fulfilled its obligations under the settlement agreement. The satisfaction of the settlement did not have a material impact on its financial position, results of operations or cash flows.

(3) In May 2003, an explosion in the boiler room onboard the s/s Norway resulted in the death of eight crew members and the injury of approximately 20 other crew members. All personal injury claims stemming from this incident have been resolved. The National Transportation Safety Board has concluded its investigation and issued its final report and the incident remains under criminal investigation by the United States Attorney's Office for the Southern District of Florida through an impaneled grand jury proceeding. NCLL is cooperating with this investigation.

(4) On 16 June 2006, a complaint was filed against NCL (Bahamas) Ltd. ("NCLB") in the Circuit Court of Miami-Dade County, Florida, alleging breach of contract and fraudulent misrepresentation stemming from two 2004 charter sailings of m.v. Pride of Aloha. NCLB believes that it has meritorious defenses to these claims and, accordingly, is defending vigorously this action.

(5) On 24 August 2006, NCLB and NCL America Inc. ("NCLA") were served with a complaint by the U.S. Equal Employment Opportunity Commission to correct alleged unlawful employment practices on the basis of national origin and religion and to provide relief to seven former employees who were allegedly terminated as a result of same. The case has been set for trial in the United States District Court for the District of Hawaii on 6 May 2008. NCLB and NCLA believe that they have meritorious defenses to these claims and, accordingly, are defending vigorously this action.

In addition, the Group is routinely involved in personal injury and personal property damage claims typical of the cruise ship business. After application of deductibles, these claims are covered by insurance and other indemnity arrangements. In the opinion of management, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect on the results of operation, cash flows, and financial position of the Group.

The Group had evaluated its overall exposure with respect to all its then threatened and pending litigation. To the extent required, the Group has accrued amounts for all estimable probable losses associated with its deemed exposure. As at 31 December 2007, the Group had accrued amounts of approximately US$6.6 million for the above pending legal matters.

35. SHARE OPTION SCHEMES

(i) Pre-listing Employee Share Option Scheme

Prior to the de-merger from GIPLC in December 1997, the employees of the Group were offered share options in GIPLC under the "Genting International Employees' Share Option Scheme for Executives". Subsequently, a share option scheme known as "The Star Cruises Employees' Share Option Scheme for Executives" ("the Pre-listing Employee Share Option Scheme") was implemented for the benefit of the employees of the Group. The employees of the Group were offered options under the Pre-listing Employee Share Option Scheme in exchange for the unexpired share options previously granted by GIPLC.

On 23 August 2000, the share option agreement was modified to reflect a four for one bonus share and to accelerate the original vesting period to comply with the requirements of the Stock Exchange. With effect from 30 November 2000, the date of listing of the Company's shares on the Stock Exchange (the "Listing"), no further options can be granted under the Pre-listing Employee Share Option Scheme.

A summary of the Pre-listing Employee Share Option Scheme is given below:

Purpose

To grant options to selected employees of the Group and Star Cruises Investments Limited, acting as a trustee company for the employees under the said scheme.

Participants

Employees of the Group who are executives of any company comprised in the Group.

Total number of shares available for issue

Prior to the Listing, the allocation of the total amount of options under the Pre-listing Employee Share Option Scheme could not exceed 5% of the issued ordinary shares of the Company at any time during the existence of the Pre-listing Employee Share Option Scheme. No further options can be granted under the Pre-listing Employee Share Option Scheme following the Listing.

Maximum entitlement of each employee

Prior to the Listing, the Board of Directors might in its absolute discretion at any time and from time to time as it deemed fit make an offer to any employee whom the Board of Directors might in its absolute discretion select to subscribe for ordinary shares of the Company in accordance with the terms of the Pre-listing Employee Share Option Scheme provided always that any such offer by the Board in the case of any one employee should not exceed three million shares of the Company or zero point two per centum (0.2%) of the issued ordinary shares of the Company per offer, whichever was the higher amount.

Period within which the shares must be taken up under an option

Prior to the Listing, options would expire at the retirement age of the employees, which is 55 years old, and if the retirement period was less than 10 years from the date of an offer, the option period for the remaining tranches would expire on the tenth year from the grant date or at any age to be determined by the Board. Following the Listing, the options will expire in the tenth year from their original grant date.

35. SHARE OPTION SCHEMES (CONTINUED)

(i) Pre-listing Employee Share Option Scheme (continued)

Minimum period for which an option must be held before it can be exercised

Under the Pre-listing Employee Share Option Scheme, the Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised. Prior to the Listing, the options generally became exercisable as to 50% of the amount granted 4 years after the grant date and the remaining can be exercised annually in tranches subject to a minimum amount per tranche per year at various dates in the future until the retirement age of the employees.

Following the Listing, options vest over a period of 10 years from 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 of 10% over the remaining option period.

Amount payable on acceptance of the option and period within which payments must be made

Prior to the Listing, an offer of options under the Pre-listing Employee Share Option Scheme should be open for acceptance within three months from the date of such offer or such period as the Board of Directors may at its sole discretion determine. An option price of US$1 was payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

Prior to the Listing, options were generally granted at an exercise price per share equal to the average of the middle market quotation of the share as quoted and shown in the daily official list issued by the Luxembourg Stock Exchange or any approved stock exchange as the Directors deemed relevant for the five market days preceding the date of the offer in writing to the employee.

Remaining life of the Pre-listing Employee Share Option Scheme

No further options may be granted under the Pre-listing Employee Share Option Scheme following the Listing. The options remaining outstanding thereunder (as modified) remain exercisable under the Pre-listing Employee Share Option Scheme on the terms and conditions subject to the respective grants.

Details of the movement during the year for options outstanding are set out in section headed “Share Options” in the Report of the Directors.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007	
	Average exercise price in US$ per share	Options (thousands)
At 1 January	0.3119	22,121
Exercised	0.2624	(2,362)
Cancelled/forfeited	0.3450	(5,681)
At 31 December	0.3068	14,078

35. SHARE OPTION SCHEMES (CONTINUED)

(i) Pre-listing Employee Share Option Scheme (continued)

	2006 Average exercise price in US$ per share	2006 Options (thousands)
At 1 January	0.3341	29,006
Exercised	0.2686	(119)
Cancelled/forfeited	0.3407	(8,098)
At 27 December 2006 before adjusting for the effects of rights issue	0.3319	20,789
At 28 December 2006 after adjusting for the effects of rights issue, and 31 December 2006	0.3119	22,121

A summary of the share options outstanding as at 31 December 2007 is as follows:

	Options outstanding		Options exercisable
Exercise price	Number outstanding (in thousands)	Weighted average remaining life (years)	Number (in thousands)
US$0.2524	8,715	1.1	5,312
US$0.3953	5,363	1.2	3,297
	14,078	1.1	8,609

(ii) Post-listing Employee Share Option Scheme

The Company adopted a share option scheme on 23 August 2000 which was effected on 30 November 2000 upon listing of the Company's shares on the Stock Exchange and amended on 22 May 2002 (the "Post-listing Employee Share Option Scheme") to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange effective 1 September 2001.

A summary of the Post-listing Employee Share Option Scheme is given below:

Purpose

The main purpose of the Post-listing Employee Share Option Scheme is to motivate the employees of the Group including any executive directors of any company in the Group.

Participants

The participants are the employees of the Group including any executive director of any company in the Group.

Total number of shares available for issue

The maximum number of shares available for issue under the Post-listing Employee Share Option Scheme and options to be granted under any other schemes of the Company is 132,733,953, representing approximately 3.2% of the issued share capital of the Company as of 22 May 2002 (the date of adoption of the Post-listing Employee Share Option Scheme (as amended)) and approximately 1.8% of the issued share capital as at the date of this Report.

35. SHARE OPTION SCHEMES (CONTINUED)

(ii) Post-listing Employee Share Option Scheme (continued)

Maximum entitlement of each employee

The total number of shares issued and to be issued upon exercise of the options granted to any one employee (including the exercised, cancelled and outstanding options) in any 12-month period up to and including the proposed date of the latest grant shall not exceed 1 per cent. of shares in issue, provided that the Company may grant further options in excess of this 1 per cent. limit subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such employee and his associates (as defined in the Listing Rules) abstaining from voting.

Granting options to Directors, Chief Executive or Substantial Shareholders

Any grant of options to a Director, the Chief Executive or a Substantial Shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is a grantee of the options).

If the Company proposes to grant options to a Substantial Shareholder (as defined in the Listing Rules) or any Independent Non-executive Director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the shares as quoted in the Stock Exchange's daily quotation sheet at the offer date of such option,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which the connected persons (as defined in the Listing Rules) of the Company shall abstain from voting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

Period within which the shares must be taken up under an option

The period during which the options may be exercised will be determined by the Board of Directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted.

Minimum period for which an option must be held before it can be exercised

The Board of Directors of the Company may determine at its absolute discretion the minimum period, if any, for which an option must be held before it can be exercised.

Amount payable on acceptance of the option and period within which payments must be made

An offer of options shall be open for acceptance for a period of ninety days after the date of offer or such period as the Board of Directors may at its sole discretion determine. An option price of US$1 shall be payable by the employee concerned on acceptance of the option.

Basis of determining the exercise price of the shares

The exercise price shall be determined by the Board of Directors of the Company, save that such price will not be less than the highest of (a) the closing price of the shares as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

35. SHARE OPTION SCHEMES (CONTINUED)

(ii) Post-listing Employee Share Option Scheme (continued)

Remaining life of the Post-listing Employee Share Option Scheme

The Post-listing Employee Share Option Scheme will remain in force until 29 November 2010.

Other than the share options granted on 23 August 2004 which become exercisable in part or in full for a period of eight years commencing from two years after the date of offer, the options 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. All outstanding share options are subject to further terms and conditions set out in the relevant offer letters and provisions of the Post-listing Employee Share Option Scheme.

Details of the movement during the year for options outstanding are set out in the section headed "Share Options" in the Report of Directors.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007	
	Average exercise price in HK$ per share	Options (thousands)
At 1 January	2.6579	85,977
Exercised	2.0990	(1,590)
Cancelled/forfeited	2.8114	(1,253)
At 31 December	2.6663	83,134

	2006	
	Average exercise price in HK$ per share	Options (thousands)
At 1 January	2.8313	83,739
Cancelled/forfeited	2.9173	(2,880)
At 27 December 2006 before adjusting for the effects of rights issue	2.8282	80,859
At 28 December 2006 after adjusting for the effects of rights issue	2.6580	86,038
Cancelled/forfeited	2.8142	(61)
At 31 December 2006 after adjusting for the effects of rights issue	2.6579	85,977

35. SHARE OPTION SCHEMES (CONTINUED)

(ii) Post-listing Employee Share Option Scheme (continued)

A summary of the share options outstanding as at 31 December 2007 is as follows:

	Options outstanding		Options exercisable
Exercise price	Number outstanding (in thousands)	Weighted average remaining life (years)	Number (in thousands)
HK$2.8142	72,836	4.7	50,479
HK$1.6202	10,298	6.6	10,298
	83,134	4.9	60,777

36. PENSIONS AND OTHER POST RETIREMENT OBLIGATIONS

NCLC has a frozen defined contribution plan (the "Plan") for its shoreside employees. Effective 1 January 2002, the Plan was amended to cease future employer contributions. The Plan is subject to the provisions of the U.S. Employment Retirement Income Security Act of 1974 ("ERISA").

In addition, NCLC maintains a 401(k) Plan (the "401(k) Plan"). The 401(k) Plan covers substantially all its shoreside employees. Participants may contribute up to 100% of eligible compensation each pay period, subject to certain limitations. NCLC makes matching contributions equal to 100% of the first 3% and 50% of the next 7% of the participant's contributions and such contributions shall not exceed 6.5% of each participant's compensation. NCLC's matching contributions are vested according to a five-year schedule.

NCLC maintains an unfunded Supplemental Executive Retirement Plan ("SERP Plan"), a defined contribution plan, for certain of its key employees whose benefits are limited under the Plan and the 401(k) Plan. NCLC records an expense for amounts due to the SERP Plan on behalf of each participant that would have been contributed without regard to any limitations imposed by the U.S. Internal Revenue Code.

NCLC's contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Approximately US$0.22 million and US$0.13 million of the forfeited contributions were utilised in the years ended 31 December 2007 and 2006, respectively. As at 31 December 2007 and 2006, US$0.04 million each, were available to reduce future contributions.

In addition, NCLC maintains an unfunded Supplemental Senior Executive Retirement Plan ("SSERP Plan"), a defined benefit plan, for selected senior executives. NCLC has recorded an accrual at 31 December 2007 and 2006 of approximately US$9.5 million and US$8.6 million, respectively, with respect to the SSERP Plan in the accompanying balance sheet. NCLC records an expense related to the SSERP Plan for such amounts based on the following actuarial assumptions: 5% discount rate and 5% annual increase in compensation.

NCLC recorded expenses related to the above described defined contribution plans and SSERP Plan of approximately US$4.2 million and US$1.6 million for the years ended 31 December 2007 and 2006, respectively. No amounts are required to be or were contributed under the SERP or SSERP Plan by NCLC as at 31 December 2007 and 2006 as the SERP and SSERP Plans are unfunded.

In addition to the above plans, the Group also contributes to other statutory defined contribution plans, including provident fund scheme of various countries in which it operates.

37. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiary companies as at 31 December 2007:

Name of Company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital	Effective equity interest in percentage	Principal activities
			(in thousands)		
Subsidiaries held directly:					
Star Cruises Asia Holding Ltd.	Bermuda	Bermuda	US$158,032	100.00	Investment holding
Star NCLC Holdings Ltd.	Bermuda	Bermuda	US$10	100.00	Investment holding
Subsidiaries held indirectly:					
NCL Corporation Ltd.	Bermuda	Bermuda	US$12	100.00	Holding company
Star Cruise Management Limited	Note (1)	Isle of Man	US$2,000	100.00	Investment holding, ship management and marketing services
Cruise Properties Limited	Isle of Man	Isle of Man	RM197,600	100.00	Investment holding
Inter-Ocean Limited	Note (2)	Isle of Man	US$52,000	100.00	Investment holding and cruise services
Star Cruise Services Limited	Note (2)	Isle of Man	US$52,000	100.00	Investment holding and cruise services
NCL International, Ltd.	Bermuda	Bermuda	US$12	100.00	Holding company
NCL (Bahamas) Ltd.	Note (2)	Bermuda	US$12	100.00	Operating company
NCL America Holdings, Inc.	USA	Delaware, USA	US$0.01	100.00	Holding company
NCL America Inc.	USA	Delaware, USA	US$0.003	100.00	Operating company
Superstar Virgo Limited	Note (2)	Isle of Man	US$25,000	100.00	Bareboat chartering
Norwegian Star Limited	Note (2)	Isle of Man	US$0.002	100.00	Cruise services
Norwegian Dawn Limited	Note (2)	Isle of Man	US$0.002	100.00	Cruise services
Norwegian Sun Limited	Note (2)	Bermuda	US$12	100.00	Cruise services
Norwegian Spirit, Ltd.	Note (2)	Bermuda	US$12	100.00	Cruise services
Pride of Aloha, Inc.	USA	Delaware, USA	US$0.01	100.00	Cruise services
Pride of America Ship Holding, Inc.	USA	Delaware, USA	US$0.001	100.00	Cruise services
Polynesian Adventure Tours, Inc.	USA	Hawaii, USA	US$30	100.00	Bus services
PAT Tours, Inc.	USA	Delaware, USA	US$0.01	100.00	Baggage services
Norwegian Jewel Limited	Note (2)	Isle of Man	US$0.002	100.00	Cruise services
Pride of Hawaii, Inc.	USA	Delaware, USA	US$0.003	100.00	Cruise services

37. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of Company	Principal country of operation	Country of incorporation	Issued and fully paid up share capital	Effective equity interest in percentage	Principal activities
			(in thousands)		
Subsidiaries held indirectly (continued):					
Norwegian Pearl, Ltd.	Note (2)	Bermuda	US$12	100.00	Cruise services
Norwegian Gem, Ltd.	Note (2)	Bermuda	US$12	100.00	Cruise services
F3 One, Ltd.	Note (2)	Bermuda	US$12	100.00	Cruise services
F3 Two, Ltd.	Note (2)	Bermuda	US$12	100.00	Cruise services
Star Cruises Ship Management Sdn. Bhd.	Malaysia	Malaysia	RM150	100.00	Operator of ship simulator for training purposes and marine and technical administrative services
My Inn (Hangzhou) Hotel Co. Limited	People's Republic of China	People's Republic of China	RMB44,850	100.00	Hotel operation and hotel management
Suzhou My Inn Hotel Co., Ltd.	People's Republic of China	People's Republic of China	US$8,000	100.00	Operation and management of internal facilities of budget hotel and hotel room
Suzhou Trip-X Information Technologies Co., Ltd.	People's Republic of China	People's Republic of China	US$4,000	100.00	Software development of tourist information system
Genting Star (Shanghai) Education Information Consulting Co., Limited	People's Republic of China	People's Republic of China	US$140	100.00	Education information consulting (except study abroad consulting and agent service)
Treasure Island Entertainment Complex Limited	Macau	Macau	MOP100	75.00	Development of hospitality facilities

RM: Malaysian Ringgit
RMB: Renminbi
MOP: Macau Pataca

Notes:

(1) This company provides ship management and marketing services to cruise ships operating substantially in international waters.
(2) These companies provide cruise services substantially in international waters.

38. SIGNIFICANT SUBSEQUENT EVENTS

(a) On 7 January 2008, the Group completed the deemed disposal arising from subscription for new shares by Apollo in a then major subsidiary, NCLC through an equity investment of US$1 billion. As a result, NCLC ceased to be a subsidiary of the Company and became a jointly controlled entity of the Company. Star Cruises intends to exercise its rights under the Reimbursement and Distribution Agreement in relation to the Apollo transaction. NCLC intends to transfer m.v. Pride of Aloha to Star Cruises, and continue to deploy m.v. Pride of America in Hawaii. Star Cruises intends to deploy m.v. Pride of Aloha in the Asian market. It is estimated that upon completion of these transactions, the Group will in year 2008 record a gain of approximately US$74 million.

(b) Under the terms of the indenture agreement dated 15 July 2004 between NCLC and The Bank of New York Trust Company, N.A. (as successor to JP Morgan Chase Bank), as trustee, governing the 10 5/8% Senior Notes due 2014 ("Notes"), the Apollo investment constitutes a "change of control" requiring NCLC, within 30 days of the closing of the investment, to offer to repurchase any and all of the outstanding Notes at a purchase price equal to 101% of the outstanding principal amount of the Notes, together with all accrued but unpaid interest up to but not including the date of repurchase.

(c) On 7 January 2008, the Group entered into a shareholders' agreement with VXL Capital Limited and non-related parties, in relation to the management and operation of a newly formed joint venture company ("JV"). The purpose of the JV is to prepare and submit a tender to the Hong Kong Government for the development of a cruise terminal at Kai Tak, Hong Kong, in response to a recent invitation for tender issued by the Hong Kong Government. As at the date of this report, the Group's total funding commitment towards the JV has not been determined.

(d) On 11 February 2008, NCLC announced the withdrawal of m.v. Pride of Aloha from Hawaii effective 11 May 2008. The ship will be transferred to Star Cruises Asia and will be re-flagged and deployed in Asia in the summer of 2008.

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 25 February 2008.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STAR CRUISES LIMITED

(Continued into Bermuda with limited liability)

We have audited the consolidated financial statements of Star Cruises Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 116, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated and Company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 February 2008

AUDITED FIVE YEARS FINANCIAL SUMMARY

	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000
Results					
Turnover	2,576,240	2,343,055	1,967,353	1,699,007	1,618,208
Results from operations before impairment loss	84,619	95,452	145,937	134,827	79,049
Impairment loss	(5,165)	(30,600)	(1,400)	(14,500)	(99,545)
	79,454	64,852	144,537	120,327	(20,496)
Interest income	4,482	6,670	8,484	2,985	2,613
Finance costs	(234,295)	(200,944)	(155,930)	(110,005)	(94,227)
Share of losses of associates	(907)	(82)	(5,219)	—	—
Other income / (expenses), net	(44,840)	(26,556)	28,675	(23,920)	(11,123)
Profit / (Loss) before taxation	(196,106)	(156,060)	20,547	(10,613)	(123,233)
Taxation	(4,780)	(136)	(2,641)	(971)	(1,663)
Profit / (Loss) for the year	(200,886)	(156,196)	17,906	(11,584)	(124,896)
Attributable to:					
Equity holders of the Company	(200,806)	(156,196)	17,906	(11,584)	(124,896)
Minority interest	(80)	—	—	—	—
	(200,886)	(156,196)	17,906	(11,584)	(124,896)
Basic earnings / (loss) per share (US cents)	(2.77)	(2.76)	0.32	(0.21)	(2.36)
Diluted earnings per share (US cents)	N/A*	N/A*	0.32	N/A*	N/A*
Assets and Liabilities					
Total assets	6,428,589	6,139,675	5,410,879	4,985,113	4,795,991
Total liabilities	(4,389,217)	(4,196,376)	(3,510,998)	(3,159,603)	(2,973,498)
Total equity	2,039,372	1,943,299	1,899,881	1,825,510	1,822,493

* Diluted loss per share for the years ended 31 December 2007, 2006, 2004 and 2003 are not shown, as the diluted loss per share is less than the basic loss per share.

PROPERTIES SUMMARY

As at 31 December 2007

	Location	Lot No.	Approximate land area	Approximate gross built-up area	Lease term (years)	Usage
1.	Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2930 (previously Lot PT 740)	137,962ft² (12,817m²)	96,123ft² (8,930m²)	90	J
2.	An adjoining site to the Star Cruises Jetty, Porto Malai, Langkawi, Kedah Darul Aman, Malaysia	Lot 2931 (previously Lot PT 741)	40,462ft² (3,759m²)	—	90	J
3.	Star Cruises Terminal (Building), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 64547	252,728ft² (23,479m²)	292,888ft² (27,210m²)	99	T
4.	Star Cruises Terminal (Car Park), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 64548	270,489ft² (25,129m²)	—	99	T
5.	Star Cruises Terminal (Jetty), Pulau Indah, Pelabuhan Klang (Port Klang), Selangor Darul Ehsan, Malaysia	Lot PT 63807	262,103ft² (24,350m²)	104,050ft² (9,666.5m²)	99	J
6.	Star Cruises Jetty, Kijal, Kemaman, Terengganu Darul Iman, Malaysia	Lot PT 4580	65,122ft² (6,050m²)	8,124ft² (754.75m²)	30	J
7.	Great Stirrup Cay, Berry Islands, Bahamas	—	91.32 hectares (225.72 acres)	—	—	I
8.	1750 Xin Zha Road, Jing An District, Shanghai 200040 China	Lot No: 39	219m²	364.8m²	50	O
9.	Cuiyan Road, Suzhou Industrial Park, Suzhou, China	Lot No: 75034	4,220m²	—	40	O/H
10.	A piece of land located at "Terreno a aterrar junto à Praca de Ferreira do Amaral" in Macau which is generally known as "1 Lago Nam Van, Macao"	Reclamation Area (Lot A)	8,100m²	—	25	H/C

Notes:

i. The Group owns 100% of each of the properties listed in items 1 to 9 above. The Group owns 75% of the property listed in item 10 above by virtue of the Group's equity interest in the company which owns the property.

ii. Usage:

J — Jetty
T — Passenger Terminal
I — Island, an island owned by the Group and used for cruise destination
O — Office
H — Hotel
C — Casino (subject to approval of the Government of the Macau)

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Fax: (1) 305 436 4140

SCHEDULED PORTS OF CALL BY CRUISE LINE 2008

STAR CRUISES
The Leading Cruise Line In Asia-Pacific

ASIA
Bali, Indonesia
Bangkok* (Laem Chabang), Thailand
Danang, Vietnam
Haikou, China
Halong Bay, Vietnam
Ho Chi Minh City, Vietnam
Hong Kong
Hualien, Taiwan
Ishigaki, Japan
Kaohsiung, Taiwan
Keelung, Taiwan
Komodo, Indonesia
Ko Samui, Thailand
Kuala Lumpur* (Port Klang), Malaysia
Kota Kinabalu, Malaysia
Krabi, Thailand
Kuching, Malaysia
Langkawi, Malaysia
Malacca,Malaysia
Miyako, Japan
Naha, Japan
Nha Trang, Vietnam
Penang, Malaysia
Penghu, Taiwan
Phuket, Thailand
Sanya, China
Singapore
Xiamen, China
Yonaguni, Japan
Zhanjiang, China

AUSTRALASIA
Adelaide, Australia
Albany, Australia
Brisbane, Australia
Broome, Australia
Exmouth, Australia
Cairns, Australia
Darwin, Australia
Fremantle, Australia
Melbourne, Australia
Milne Bay (Alotau), Papua New Guinea
Sydney, Australia
Townsville, Australia
Whitsundays, Australia
Willis Islands, Australia

NCL NORWEGIAN CRUISE LINE
FREESTYLE CRUISING

ALASKA
Juneau, Alaska
Ketchikan, Alaska
Skagway, Alaska

NORTH AMERICA
Astoria, Oregon
Baltimore, Maryland
Bar Harbor, Maine
Boston, Massachusetts
Charleston, South Carolina
Charlottetown, Prince Edward Island
Halifax, Nova Scotia
Key West, Florida
Los Angeles, California
Martha's Vineyard, Massachusetts
Miami, Florida
New Orleans, Louisiana
New York, New York
Newport, Rhode Island
Philadelphia, Pennsylvania
Orlando* (Port Canaveral), Florida
Prince Rupert, British Columbia
Provincetown, Massachusetts
Quebec City, Quebec
Bay of Fundy (Saint John), New Brunswick
San Francisco, California
Seattle, Washington
St. John's, Newfoundland
Sydney, Nova Scotia
Vancouver, British Columbia
Victoria, British Columbia

SOUTH AMERICA
Arica, Chile
Buenos Aires, Argentina
Lima* (Callao), Peru
Coquimbo, Chile
Iquique, Chile
Manta, Ecuador
Montevideo, Uruguay
Puerto Chacabuco, Chile
Puerto Madryn, Argentina
Puerto Montt, Chile
Punta Arenas, Chile
Ushuaia, Argentina
Santiago* (Valparaiso), Chile
Stanley, Falkland Islands

EUROPE
Ajaccio, Corsica
Amsterdam, Netherlands
Arrecife, Lanzarote, Canary Islands
Barcelona, Spain
Belfast, Northern Ireland
Seville*(Cadiz), Spain
Cagliari, Scandinia, Italy
Cannes, France
Rome* (Civitavecchia), Italy
Corfu, Greece
Cork, Ireland
London* (Dover), England
Dublin, Ireland
Dubrovnik, Croatia
Falmouth, England
Gibraltar, United Kingdom
Greenock, Scotland
Guernsey, Channel Islands
Invergordon, Scotland
Iraklion,Greece
Istanbul, Turkey
Ephesus* (Izmir), Turkey
Olympia* (Katakolon), Greece
La Coruna, Spain
Las Palmas, Canary Islands
Paris* (Le Havre), France
Lerwick, Shetland Islands
Lisbon, Portugal
Florence/Pisa* (Livorno), Italy
Granada* (Malaga), Spain
Mykonos, Greece
Naples, Italy
Nice, France
Palma, Majorca, Spain
Athens* (Piraeus), Greece
Ponta Delgada, Azores
Reykjavik, Iceland
Rhodes, Greece
Santorini, Greece
Edinburgh* (South Queensferry), Scotland
London* (Southampton), England
Tallinn, Estonia
Valletta, Malta
Venice, Italy
Vigo, Spain
Nice* (Villefranche), France
Berlin* (Warnemunde), Germany
Waterford, Ireland
Brussels/Brugge* (Zeebrugge), Belgium

SCANDINAVIA & RUSSIA
Aalesund, Norway
Bergen, Norway
Copenhagen, Denmark
Geiranger, Norway
Hellesylt, Norway
Helsinki, Finland
Honningsvaag, Norway
Kristiansund, Norway
Oslo, Norway
St. Petersburg, Russia
Stavanger, Norway
Stockholm, Sweden
Trondheim, Norway

AFRICA
Agadir, Morocco
Alexandria, Egypt
Casablanca, Morocco
Ceuta, Spanish Morocco

CARRIBEAN & BERMUDA
Belize City, Belize
Bridgetown, Barbados
Castries, St. Lucia
Grand Bahama Island, Bahamas
George Town, Grand Cayman
Great Stirrup Cay, Bahamas
Hamilton, Bermuda
King's Wharf, Bermuda
Nassau, Bahamas
Oranjestad, Aruba
Philipsburg, St. Maarten
Roseau, Dominica
Samana, Dominican Republic
San Juan, Puerto Rico
Santo Tomas de Castilla, Guatemala
St. George's, Bermuda
St. George's, Grenada
St. John's, Antigua
St. Thomas, US Virgin Islands
Tortola, British Virgin Islands
Willemstad, Curacao

PANAMA CANAL & MEXICO
Acapulco, Mexico
Cabo San Lucas, Mexico
Cartagena, Colombia
Costa Maya, Mexico
Cozumel, Mexico
Manzanillo, Mexico
Mazatlan, Mexico
Puerto Limon, Costa Rica
Puerto Quetzal, Guatemala
Puerto Vallarta, Mexico
Puntarenas, Costa Rica
Santa Marta, Colombia
Zihuatanejo/Ixtapa, Mexico

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Punta Arenas, Chile
Punta del Este, Uruguay
Recife, Brazil
Rio de Janeiro, Brazil
Salvador de Bahia, Brazil
Santiago* (Valparaiso), Chile
Stanley, Falkland Islands
Talcahuano, Chile
Ushuaia, Argentina
Valdivia*(Corral), Chile

EUROPE
Arrecife, Lanzarote, Canary Islands
Cadiz, Spain
Gibraltar, United Kingdom
Lisbon, Portugal

ANTARCTICA
Cape Horn
Cuverville Island
Deception Island
Drake Passage
Half Moon Island
Paradise Harbor
Port Lockroy

* Ship will berth in port in parenthesis
** Ports of call are correct at time of print and are subject to change.

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