

REPORT OF THE DIRECTORS

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The Directors take pleasure in submitting their report on the activities and financial statements of the Group and of the Company for the year ended 31 December 1998 which have been prepared in accordance with the provisions of the Companies Acts, 1931 to 1993.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company and the Group is principally engaged in the business of cruise and cruise related operations.

SUBSIDIARIES

On 13 May 1998, Inter-Ocean Limited, a subsidiary of the Company, acquired the entire issued and paid-up share capital of Superstar Scorpio Limited.

On 20 July 1998, Star Cruise Services Limited ("SCSL"), a subsidiary of the Company, acquired the entire issued and paid-up share capital of Grand South Limited.

On 25 September 1998, SCSL incorporated Superstar Europe Services Limited as its wholly-owned subsidiary.

On 25 September 1998, Star Cruise Management Limited, a subsidiary of the Company, acquired the entire issued and paid-up share capital of Martley Shipping Inc.

On 12 October 1998, SCSL incorporated Superstar Leo Services Limited as its wholly-owned subsidiary.

RESULTS

The audited results of the operations of the Group for the year ended 31 December 1998 are as follows:

	Group US\$'000
Operating income / (loss)	
- continuing operations	49,987
- discontinued operations	(25,858)
Net interest expense	(821)
Exceptional items	(21,223)
Income before taxation	2,085
Taxation	(496)
Income after taxation	1,589
Minority shareholders' interests	785
Net income attributable to shareholders	2,374
Unappropriated income at beginning of year	76,006
Income available for appropriation	78,380
Appropriation:	
Proposed final dividend - US\$0.01 per ordinary share	(6,244)
Unappropriated income at end of year	72,136

CAPITAL STRUCTURE

On 30 June 1998, the issued and paid-up share capital of the Company was increased from US\$49,944,724 to US\$62,444,724 by the issue and allotment of 125,000,000 new ordinary shares of US\$0.10 each at an issue price of US\$2.10 per share to Resorts World Limited, a wholly-owned subsidiary of Sierra Springs Sdn Bhd, which in turn is a wholly-owned subsidiary of Resorts World Bhd, a company incorporated in Malaysia whose shares are listed on the Kuala Lumpur Stock Exchange.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

DIVIDEND

The Directors recommend payment of a final dividend of US\$0.01 per ordinary share of US\$0.10 each in respect of the year ended 31 December 1998 to be paid on 28 May 1999 to shareholders registered in the Register of Members at the close of business on 28 April 1999.

Based on the issued and paid-up share capital of the Company as at the date of this report, the final dividend would amount to US\$6,244,472.43.

DIRECTORS

The following persons have served on the Board as Directors of the Company since the date of the last report:

Dato' Lim Kok Thay
Mr Colin Au Fook Yew
Mr Lee Swee Hing
Mr William Ng Ko Seng (Appointed on 28 August 1998)
Mr Cong Ong (Appointed on 28 August 1998)

Dato' Lim Kok Thay is due to retire by rotation under Article 100(A) of the Company's Articles of Association and he, being eligible, has offered himself for re-election.

Mr William Ng Ko Seng and Mr Cong Ong are due to retire under Article 91 of the Company's Articles of Association and they, being eligible, have offered themselves for re-election.

SIGNIFICANT EVENTS DURING THE YEAR

- (i) The entire issued and paid-up share capital of the Company was listed on the Luxembourg Stock Exchange on 2 March 1998 and subsequently quoted on the Central Limit Order Book International ("CLOB International") of the Stock Exchange of Singapore on 3 April 1998.
- (ii) On 30 June 1998, the Company completed the issue and allotment of 125,000,000 new ordinary shares of US\$0.10 each at an issue price of US\$2.10 per share to Resorts World Limited, which aforesaid issue of shares was approved by shareholders of the Company at the Extraordinary General Meeting held on 5 June 1998.

AUDITORS

Our auditors, Price Waterhouse, have merged with Coopers & Lybrand and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

DATO' LIM KOK THAY
Chairman

9 March 1999