

REPORT OF THE DIRECTORS

The Directors take pleasure in submitting their report on the activities and financial statements of the Company and its subsidiaries for the year ended December 31, 1999 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 subsidiaries are principally engaged in the business of cruise and cruise related operations.

SIGNIFICANT EVENTS DURING THE YEAR

- (i) During the year, the Company had restated its financial statements for the period from November 10, 1993 (date of incorporation) to December 31, 1994 and the four years ended December 31, 1998 in accordance with generally accepted accounting principles in the United States of America ("US GAAP") to be comparable with major cruise companies whose financial statements are prepared under US GAAP. Accordingly, the financial statements for the year ended December 31, 1999 have been presented in accordance with US GAAP.
- (ii) On December 16, 1999, the Company announced that Arrasas Limited, a wholly-owned subsidiary of the Company, and certain affiliated companies had acquired approximately 97.9 million shares of 2.30 NOK each in NCL Holding ASA ("NCL") representing approximately 38.6% of the then issued share capital of NCL. NCL is a company incorporated and registered under the laws of the Kingdom of Norway whose shares are listed on the Oslo Stock Exchange. NCL American Depositary Shares are traded on the New York Stock Exchange in the form of American Depositary Receipts.

On December 17, 1999, the Company further announced that Arrasas Limited and these certain affiliated companies had acquired a further 28 million NCL shares resulting in a total holding of approximately 125.9 million NCL shares. The Company and these affiliated companies therefore owned approximately 50% of the NCL shares then outstanding and that a Mandatory Offer according to Chapter 4 of the Norwegian Securities Trading Act (1997) to acquire the remaining outstanding NCL shares at 35 NOK per share was required. The Mandatory Offer was made by Arrasas Limited subsequent to the year end, further details of which are set out in Note 15(a) to the financial statements.

SUBSIDIARIES

On February 26, 1999, Inter-Ocean Limited, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Superstar Express Limited.

On May 17, 1999, Star Cruise Services Limited ("SCSL"), a wholly-owned subsidiary of the Company, acquired the entire issued and paid-up share capital of Superstar Virgo Services Limited and Superstar Libra Services Limited.

On June 10, 1999, Marvellous Venture Sdn Bhd ("MVSb"), an indirect wholly-owned subsidiary of the Company, subscribed for new ordinary shares in Star Cruises Terminal Sdn Bhd ("SCTSB") [formerly known as Cape Thunder Sdn Bhd] to the extent that SCTSB became a 99% owned subsidiary of MVSb. Following a capital restructuring exercise undertaken by SCTSB and subscription for new ordinary shares by MVSb on December 1, 1999, SCTSB became a wholly-owned subsidiary of MVSb on the aforesaid date. As a result of the foregoing, the following companies in the SCTSB group became indirect subsidiaries of the Company :

- Port Klang Cruise Centre Sdn Bhd
- Langkawi Cruise Centre Sdn Bhd
- Mitsuitronics Sdn Bhd
- Glamourous Trendy Sdn Bhd

SUBSIDIARIES (CONTINUED)

On June 25, 1999, the Company acquired the entire issued and paid-up share capital of Superstar Scorpio Services Limited ("SSSL"). The Company subsequently disposed of SSSL to SCSL.

On September 9, 1999, the Company and certain subsidiaries subscribed for new ordinary shares in Laem Chabang Cruise Centre Co., Ltd ("LCCC"), a company incorporated in Thailand, representing 99.99% of the issued and paid-up share capital of LCCC.

On October 12, 1999, the Company acquired the entire issued and paid-up share capital of Superstar Taurus Limited ("STL"). The Company subsequently disposed of STL to SCSL.

RESULTS

The audited results of the operations of the Company and its subsidiaries for the year ended December 31, 1999 are as follows (in thousands of US dollars):

| | |
|-----------------------|-----------|
| Revenues | \$391,685 |
| Cost and expenses | (284,828) |
| | <hr/> |
| Operating income | 106,857 |
| Non-operating expense | (16,648) |
| | <hr/> |
| Net income | \$90,209 |

CAPITAL STRUCTURE

During the year, the Company issued a total of 220,000 new ordinary shares of US\$0.10 each at an issue price of US\$1.356 per share by virtue of the exercise of options granted pursuant to The Star Cruises Employees' Share Option Scheme.

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

DIVIDEND

The Directors do not recommend the declaration of any dividend in respect of the year ended December 31, 1999.

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
 Mr Cong Ong

Mr Colin Au Fook Yew and Mr Lee Swee Hing are due to retire by rotation under Article 100(A) of the Company's Articles of Association and they, being eligible, have offered themselves for re-election.

AUDITORS

The auditors, PricewaterhouseCoopers, Certified Public Accountants, 22nd Floor, Prince's Building, Hong Kong SAR have offered themselves for re-appointment as auditors of the Company in accordance with Section 12 of the Companies Act, 1982.

On behalf of the Board

DATO' LIM KOK THAY
Chairman

May 19, 2000