



Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report for the Star Cruises Group of Companies (“the Group”) for the year ended 31 December 2002.

Year 2002 was a challenging year for the cruise industry. Early on in the year, the industry was recovering from the lingering effects of the September 11 tragedy. The improving travel confidence and pattern were disrupted again by the unprecedented Bali bombings. The subsequent increase of terrorism threats and new travel alerts, in addition to the uncertain geopolitical environment,



Tan Sri Lim Kok Thay

were and will continue to be challenging for the cruise industry, the Group, and the leisure industry in general.

To mitigate the combined effects of all these challenges, the Group refocussed on its fleet deployment in particular with the Norwegian Cruise Line (“NCL”) brand. Homeland Cruising was introduced and NCL has now become the leader in round trip 7-day cruising from US and Canadian ports with plans for further fleet expansion and the addition of four more US homeports taking to 13 the number of US and Canadian ports from which NCL ships are homeported, thus eliminating the need to fly and reducing the overall cost of the vacation as a result.

chairman’s statement

One year on, I am pleased to say that the Group has performed credibly despite the challenges faced and has rebounded well.

In terms of newbuilding, the Group announced a two-pronged expansion plan in Asia-Pacific and North America for the Star Cruises and NCL brands and is presently in preliminary discussions with several shipyards for the construction of vessels for the Chinese markets for the Star Cruises brand in Asia-Pacific while the announced Project America vessel will be built for the NCL brand.

CORPORATE DEVELOPMENTS

Share Issuance

Earlier in the year, the Star Cruises Group issued US\$80 million of new shares to investors through a share placement despite the difficult capital markets. Towards the end of the year, the Group raised an additional US\$152 million through a rights issue of 7 new shares for every existing 50 shares. The rights

issue was fully taken up and completed on 12 December 2002. The capital raising exercise will lend strength to the balance sheet and enable the Group to expand its current fleet.

STAR CRUISES (ASIA-PACIFIC)

Awards and Achievements

On the awards front, Star Cruises was voted “Best Cruise Operator in Asia-Pacific” by Travel Trade Gazette Asia (“TTG Asia”) for a record sixth consecutive years since 1997. Star Cruises also won a major safety and environment award at the Lloyd’s List-SMM 2002 Awards in Hamburg, Germany.

In April, Star Cruises received the “Best Innovative Product” at the Outbound Travel Mart in India as well as “The Best Website” award at the Golden Web Awards by TravelWeekly East in Singapore. This award-winning culture continues to reflect positively on the Group’s outstanding product and services and high international standards.



Dazzles, Norwegian Dawn

Cruise Development in China

In line with the expansion of the Chinese cruise market, SuperStar Gemini was redeployed to serve the Northeast China-South Korea region with ports of call in Dalian and Qingdao in May 2002. Her repositioning coincided with the FIFA World Cup Finals 2002 which was held and co-hosted for the first time in Asia.

I am pleased to report in November 2002, Star Cruises created history in China with the dual arrival of SuperStar Leo and SuperStar Aries in Shanghai. Both ships were berthed alongside the Gao Yang Pier in Shanghai and were showcased to government officials, travel trade and media. SuperStar Leo in particular created history by becoming the largest ever cruise ship to clear the Yangpu Bridge. She had earlier sailed to Shanghai for the first time in August 2002.

SuperStar Aries became the first ship in 50 years to sail from Keelung to Shanghai calling at Ishigaki, Japan prior to her arrival in Shanghai. This historic sailing marked an important milestone for the Group in developing cruise itineraries between China, Taiwan and Japan.

The Group will continue to develop the rapidly emerging China market by adding to the existing fleet comprising SuperStar Leo, Star Pisces, SuperStar Gemini and Wasa Queen currently serving the eastern and southern seaboard of China.

Moving forward and in view of the increasing sophistication of Star Cruises' passengers in Asia-Pacific, SuperStar Virgo will offer several longer cruises to the major South East Asia destinations of Bangkok, Ho Chi Minh City, Yangon, Kota Kinabalu, Ko Samui and Penang as part of the Group's plans to develop South East Asia into a major cruise region while SuperStar Leo will offer longer cruises to Shanghai and Ho Chi Minh City including overnight stays in 2003.



Aqua Restaurant, Norwegian Dawn

NORWEGIAN CRUISE LINE (NORTH AMERICA)

Norwegian Cruise Line's strategic positioning for 2003 and beyond will be focussed on Freestyle Cruising, Homeland Cruising and Hawaii.



Delivery of Norwegian Dawn

In December 2002, Norwegian Cruise Line took delivery of the Norwegian Dawn which is presently offering Eastern and Western Caribbean cruises. The 92,250-grt Norwegian Dawn is the sister ship of Norwegian Star and was christened in New York on 16 December 2002.

I am pleased to note that the ship has received rave reviews and tremendous response from travel agents and media when she was showcased in New York. With her imminent positioning in New York from May 2003 onwards, she will be able to offer passengers from the North Eastern United States the perfect opportunity to cruise without having to fly. Norwegian Dawn was initially scheduled for a summer and fall itinerary from New York but due to the encouraging response we have decided to offer a year round itinerary from New York city to the Bahamas and Florida.



"Best Cruise Operator in Asia-Pacific" TTG Asia (1997-2002)

Homeland Cruising

NCL's popular Homeland Cruising programme will be further expanded with the addition of four more US homeports (Baltimore, Charleston, Houston and New Orleans) from which cruisers can go Freestyle Cruising with NCL.

The Crown Odyssey which is currently in the Orient Lines' brand will be remodeled for Freestyle Cruising and transferred to the NCL brand in September 2003. She has been renamed



Pool Deck, Norwegian Dawn

Norwegian Crown. After the transfer of Norwegian Crown to the NCL fleet in September 2003, Orient Lines will revert to a one-ship line with the Marco Polo offering niche destination-focussed cruises.

Following these changes, NCL ships will sail on round trip itineraries seasonally from thirteen US and Canadian homeports i.e. Baltimore, Boston, Charleston, New Orleans, Philadelphia, Orlando (Port Canaveral), San Juan, Seattle and Vancouver, and year-round from Miami, Houston, Honolulu and New York.



Project America and Hawaii

NCL entered into a contract with Lloyd Werft in Germany to complete the first Project America vessel whereby the ship will be enlarged to approximately 81,000 gross tonnes with a lower berth capacity of 2,100.

On 20 February 2003, the US 2003 Omnibus Appropriation Bill was signed into law whereby NCL was permitted to complete the construction of the two Project America ships overseas and, together with a third existing ship in the NCL fleet, document these vessels in the US register with US



Pier, Private Island

coastwise trading rights. This will allow the ships to sail between and among US ports without the need to call at a foreign port.

The three ships will be based in the Hawaii islands and will allow the Group to grow the NCL's existing business by offering inter-island itineraries that are not available now.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to the management, staff and crew for their hard work and dedication that have contributed significantly to the Group's improved performance in 2002.

My sincere thanks also to the various local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and co-operation throughout the year. I am also grateful for the tremendous support from the central and local governments in the jurisdictions where we operate.

Tan Sri Lim Kok Thay

Chairman, President and Chief Executive Officer

24 February 2003



Villa Lounge, Norwegian Dawn