



Norwegian Sea

SuperStar Taurus commenced operations in March 2000 calling at well-known destinations in Japan and Korea, pioneering a regular itinerary with homeport in Kobe. SuperStar Aries complemented the Kobe cruise itineraries in October 2000, with short cruises operating from Fukuoka, Japan to Korea. With the disposal of Star Aquarius in early 2001 in line with the Group's fleet modernisation strategy, the cruise operations in Japan will be focused in Fukuoka with SuperStar Taurus after the relocation of SuperStar Aries to Bangkok.

In October 2000, the Group discontinued the operations of Norwegian Capricorn Line, a former joint venture in Australia that operated the ship Norwegian Star. Norwegian Star was deployed to Taiwan in October 2000.

The Americas and Europe

In 2000, Norwegian Cruise Line offered cruise itineraries ranging from three days to over one month, and called at over 200 destinations in the Caribbean, Bermuda, Bahamas, Mexico, Alaska, Europe, Hawaii, New England, Central and South America, Antarctica, Africa, Australia and New Zealand.



Swimming Pool

The Group has developed, and is continuing to develop, innovative itineraries to position its Norwegian Cruise Line and Orient Lines ships in less competitive niche markets throughout the Americas and Europe, such as South America, New England, Scandinavia and the Mediterranean. This strategy reduces the Group's exposure to the traditional mass market-oriented Caribbean cruises departing from South Florida and Puerto Rico, and the Group anticipates that these new itineraries will produce higher yields than the traditional Caribbean itineraries.

The Group has announced unique and diverse itineraries for Norwegian Cruise Line in 2001 and 2002. The Norwegian Sky will feature cruises from Seattle to Alaska, and following the Alaska cruise season (in May to September every year), will offer a series of 10-day Hawaiian Island cruises. After its Alaska summer season in 2001, the Norwegian Wind will feature a series of South East Asia cruises and cruise tours between Hong Kong, Bangkok and Singapore. In December 2001, the Norwegian Wind will offer a 19-day cruise from Singapore to Sydney, followed by cruises to Australia, New Zealand, the South Pacific and Hawaii. The Norwegian Dream cruised to South America from December 2000 through March 2001 and, following a series of three repositioning cruises, will offer European and Mediterranean cruises in the summer and fall of 2001. The Norwegian Sea will offer a series of New England/Canada cruises out of New York city in the summer and fall of 2001. Upon delivery in September 2001, Norwegian Cruise Line's newest ship, the Norwegian Sun, will cruise from London to New York and will feature a series of 12-day Canada/New England cruises round trip from New York.

REVENUE MANAGEMENT

Repositioning the brand through “Freestyle Cruising”

The Directors believe that growth in the cruise industry will come from vacationers accustomed to land-based resort vacations switching to cruise vacations. To attract vacationers accustomed to land-based resort vacations, the Directors believe that a cruise experience should contain the desirable aspects of a good land-based resort vacation.

The Group is actively repositioning the NCL brand in the Americas and Europe along the innovative “Freestyle Cruising” concept, leveraging on its success in Star Cruises’ Asia operations.

The “Freestyle Cruising” concept, which reinforces the vacationing concept generally found in popular premium Asian land-based resorts, will be introduced on board all NCL’s newbuildings and onboard most of the existing NCL fleet by summer 2001.

This concept hinges on providing passengers with the flexibility to organise their own cruise experience. Unlike traditional cruising which typically revolves around strict meal regimes, passengers on “Freestyle Cruising” ships can enjoy open-seating dining at extended dining

hours, with the main dining rooms serving dinner from 5:30pm until midnight. In addition to the main dining rooms, several small gourmet and speciality restaurants provide fine a la carte dining.

A more relaxed dress code is adopted throughout the cruise. Staffing level onboard the ships is increased to one crew per cabin, ensuring the consistency of a high service level which is the hallmark of the “Freestyle Cruising” concept. Discretionary tipping is abolished, with tips built into the passengers’ bill at the end of the cruise. On the final day of the cruise, passengers are invited to disembark with the convenience akin to land-based hotel-like check out procedures.

NCL’s introduction of “Freestyle Cruising” in the Americas and Europe has been very well accepted within the travel industry. The growing popularity of this innovative cruising concept is evidenced by the emulation of certain facets of the “Freestyle Cruising” theme by other cruise operators.



Gymnasium



Las Vegas-style entertainment



SuperStar Gemini

Yield Management

The Group has developed a complex yield management system to significantly improve yield and maximise revenue growth. The system, which utilises a greater number of price points for each cruise/cabin category and entails detailed analysis of booking patterns, is designed to encourage earlier bookings of higher category cabins and a more orderly booking of lower category cabins. This system aims to secure higher yielding early bookings and avoid the need to cut prices to fill the ships.

PROSPECTS

Improved Profitability with Synergies between Star Cruises and NCL

The Directors believe that the Group will benefit from certain synergies between Star Cruises and NCL.

As a global cruise operator, the Group has the flexibility of deploying its fleet to markets that can maximise its yield. The deployment of the three newbuildings to NCL operations in the Americas and Europe ensure a level playing field against competition in these markets, while smaller or older vessels can be deployed to less

competitive markets. Adoption of an integrated yield management system across the fleet will ensure maximisation of revenue for these different markets.

NCL will tap into Star Cruises' established priority berthing and land tours network in Asia, and Star Cruises will benefit from sharing the huge American/European distribution network of NCL for its fly-cruise operations in Asia.

The Group shall continuously upgrade and standardise Norwegian Cruise Line/Orient Lines fleet and implement Star Cruises' well regarded safety and security standards - including zero alcohol tolerance policy for crew on duty, implementing high-fog sprinklers, installation of Voyage Data Recorders in the navigational centre and two officers on watch on the bridge.



Ocean Palace, SuperStar Gemini

The Group is also considering integrating certain aspects of its operations to achieve a higher level of cost efficiency. This move will see the consolidation of some sales and marketing offices and sharing of certain administrative functions within the Group. With the established network of suppliers globally, the Group can buy goods and services from wherever most cost effective.

Information technology is seen as the key element in the integration of Star Cruises and NCL. The Group is continuously standardising and upgrading its information technology systems. Cost-effective telecommunication tie-lines have been established between Miami with the rest of Star Cruises operations, including satellite communication to and from ships through the leased MEASAT facility. Operating interfaces in the various systems used by the Group will be implemented in stages to achieve operational efficiency.

Developing New Cruising Potentials

The cruise industry accounts for just over 1% of the global vacation industry. The growth potential is tremendous, predominantly from converting land-based vacationers to cruising.

Within the Asia Pacific market, Star Cruises is currently the leading cruise operator with over 50% of the regional cruise market capacity by lower berth and commanding in excess of 70% of the market share. Following the successful development of Hong Kong and Singapore as the cruising hubs in Asia, the Group has rapidly expanded into the new cruising markets of Japan, Korea, Taiwan and Thailand.

The Group is promoting fly-cruises from the largely untapped cruising markets in China and India into Hong Kong and Singapore.



Stardust Lounge, SuperStar Taurus

On the American and European front, the deployment of ships to less competitive yet innovative new itineraries holds promising higher yield potentials. Leveraging on the high brand recognition of NCL and repositioning the brand along the "Freestyle Cruising" concept for its newer and bigger ships, the Group is poised to promote higher market share in the established cruise markets.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our gratitude and heartfelt appreciation to the management and staff for their hard work and dedication that have contributed significantly to the Group's immense expansion over the year.

Our sincerest thanks also to the various Governments, authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and cooperation throughout the year.

Dato' Lim Kok Thay

Chairman, President and Chief Executive Officer

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