

Dear Valued Shareholders,

On behalf of the Board of Directors, I present the Financial Statements and Annual Report for the Star Cruises Group of Companies ("the Group") for the year ended 31 December 2001.

Financial Results

The Group recorded a net loss for the year ended 31 December 2001 of US\$16.0 million on revenue of US\$1.38 billion, compared to a net loss of US\$44.0 million on revenue of US\$1.33 billion in 2000. The results for year 2001 are not comparable to previous year's as the acquisition of the majority interest in NCL Holding ASA ("NCL") occurred only in February 2000. On a proforma basis, including NCL's results of operations for January and February 2000, the Group recorded a net loss of US\$16.0 million on revenue of US\$1.38 billion compared to a proforma net loss of US\$38.1 million on revenue of US\$1.47 billion in 2000.



Dato' KT Lim

Cost Control Initiatives

In light of the significant impact of the 11 September 2001 events on the vacation market and the general slowdown of the global economy, the Group, in November 2001, announced several measures to offset these impacts.

Deployment measures taken included delaying the reciprocal transfer of m.v. SuperStar Aries to Orient Lines and S/S Norway to Star Cruises and switching M/S Norwegian Sun's planned maiden season from Europe to Caribbean following her delivery in August 2001.

In Asia Pacific, the Star Cruises operations in Japan and Taiwan were rationalised in November 2001 to concentrate on outbound businesses from these markets. The rationalisation is also part of a reorganisation to refocus on the primary core markets in Singapore and Hong Kong. m.v. SuperStar Taurus, which was homeported in Japan for most of her charter period and Taiwan briefly was redelivered early to her owner in January 2002.

chairman's statement

Operating profit decreased 47.1% from US\$159.8 million for the year ended 31 December 2000 to US\$84.5 million for the year ended 31 December 2001. Operating profit for the year 2001 was adversely affected by charges of US\$54.9 million. These charges were mainly comprised of non-recurring expenses of US\$30.8 million, start up and promotional expenses of ships of US\$15.7 million and an impairment charge of US\$8.4 million related to a write down in the carrying value of a ship. The non-recurring expenses were primarily costs in rationalising the North Asia operations with the cessation of ship operations in Taiwan and Japan. The Group's North American market and the longer itinerary ship based in Europe and Asia were also negatively impacted by the events of 11 September 2001 resulting in lower occupancies and prices during the last quarter of 2001. Operating profit for year 2000 included an impairment loss of US\$38.7 million arising mainly from the sale of m.v. Star Aquarius. Excluding these one time charges and non-recurring expenses, the Group's operating profit would be US\$139.5 million for year 2001 as compared to proforma operating profit of US\$213.7 million for year 2000, a decrease of 34.7%.

For the year ended 31 December 2001, the Group recorded occupancy of 95% as compared to proforma occupancy of 96% in 2000.

In addition, measures that were also announced to further streamline the cost structure included salary restructuring for employees, centralisation of back-office functions and streamlining of sales and marketing functions and teams.

In North America, Norwegian Cruise Line and Orient Lines' shore operations have been merged to achieve better cost savings and integration.

The Group will add a second ship to the Hawaii market in 2002 in view of the strong bookings received for the m.v. Norwegian Star. The M/S Norwegian Wind will operate 11- and 10-night cruises from Honolulu starting from September 2002 through April 2003.

I believe that the measures taken will enable the Group to consolidate its operations and provide a strong foundation for the Group's future growth when the economic outlook becomes more positive.

Cruise Ferries brand

The Group launched "Cruise Ferries" in September 2001 in Hong Kong to venture into the passenger ferry market. The Cruise Ferries brand presently comprises m.v. Wasa Queen. m.v. Wasa Queen is expected to commence Hong Kong-China passenger ferry service in the first half of 2002.

I believe that Cruise Ferries will be able to provide an entry-point experience for first-time cruisers before they eventually move up to the mainstream brands.



Atrium, Norwegian Star

Fleet Deployment

The Group continued to offer three mainstream cruise brands namely Star Cruises, Norwegian Cruise Line and Orient Lines in 2001.

The Star Cruises brand with its ships homeported in Asia Pacific offers activity-oriented cruises while the Norwegian Cruise Line and Orient Lines brands offer longer destination-oriented cruises in Alaska, Bermuda, Europe, Caribbean, Mediterranean, Australia and Hawaii.

The Group's fleet was boosted by the arrival of two newbuilds i.e. the 78,309-grt M/S Norwegian Sun in September and the 91,000-grt m.v. Norwegian Star in December 2001. M/S Norwegian Sun is positioned in the Western Caribbean offering 14- and 7-night cruises while the m.v. Norwegian Star in Hawaii offers year-round 7-night cruises. Both vessels are expected to contribute positively to the Group's revenues in 2002.

Asia Pacific

In Singapore, m.v. SuperStar Virgo and m.v. SuperStar Gemini offered 7-, 5-, 4-, 3- and 2-night Straits of Malacca and Andaman Sea cruises to destinations in Malaysia and Thailand, including the new port of call of Phi Phi Islands in Thailand. The two smaller vessels in the fleet i.e. m.v. MegaStar Aries and m.v. MegaStar Taurus continued to operate private charters to the premium market.

In Hong Kong, m.v. SuperStar Leo offered 5-, 3-, 2- and 1-night South China Sea cruises to China, Vietnam and international waters, while m.v. Star Pisces and Wasa Queen operated 1-night and daily cruises respectively.

In Thailand, m.v. SuperStar Aries offered 3- and 2-night Gulf of Thailand cruises to Vietnam. The m.v. SuperStar Aries has been replaced with m.v. SuperStar Capricorn. m.v. SuperStar Capricorn (formerly Hyundai Kumgang) was chartered to the Hyundai Group and was returned to the Group at the end of 2001 and introduced to the Thailand market in January 2002.

The Americas and Europe

In 2001, M/S Norwegian Dream offered 17-, 16- and 12-night Europe and Mediterranean cruises and 15- and 14-night South American cruises while M/S Norwegian Majesty, M/S Norwegian Sea, M/S Norwegian Wind, M/S Norwegian Sky and S/S Norway offered Caribbean cruises ranging from 3 to 14 nights. M/S Norwegian Sky and M/S Norwegian Wind also offered 7-night Alaska cruises. As a result of the deployment flexibility enjoyed by the three brands, M/S Norwegian Wind ventured into Asia offering exotic 7- and 11-night cruises at Star Cruises' regular ports of call.

M/S Norwegian Sun and m.v. Norwegian Star commenced cruises in the Caribbean and Hawaii respectively following their deliveries in the third and fourth quarter of the year.



Endless Summer Restaurant, Norwegian Star



Orient Lines continued its destination-oriented cruises in 2001. M/S Marco Polo and M/S Crown Odyssey cruised to Antarctica, South America, South-east Asia, South Pacific, Hawaii and Europe on cruises ranging from 11 to 16 nights.

Industry Recognition and 2001 Highlights

Star Cruises maintained its approximately 70% market share in Asia Pacific, a leadership position further reaffirmed with several awards received for its outstanding products and services. Star Cruises was named "Best Cruise Operator in Asia Pacific" for the fifth consecutive year by Travel Trade Gazette Asia (TTG Asia) and "Best Asia Pacific Line" by Nautilus Media. Star Cruises also won TravelWeekly East's "Innovator: Product" award under the Journey Maker category.

In recognition of the pioneering role of the Group in Asia Pacific, Star Cruises' founder Tan Sri Lim Goh Tong received the "Distinguished Contribution Award" from the Singapore Cruise Centre for his vision and foresight in developing the cruise industry in Singapore.

The historic dual-christening ceremony of m.v. Norwegian Star and M/S Norwegian Sun in Miami in November 2001 was the cruise industry's event of the year. It also marked the

are sailing near full capacity albeit at lower yields. This is extremely encouraging as it shows that cruising is a very resilient industry and has good following. A greater part of the Asia Pacific region has also been somewhat insulated from the post 11 September effects. In light of this, the Group has refocused strategies towards intra-regional or shorter-haul travel.

On a macro level, the cruise industry still presents tremendous growth potential given the growing popularity and proposition of cruising as a value-for-money and all-inclusive vacation, emergence of new cruisers from new source markets and loyalty of repeat cruisers. Cruising still presently occupies only a small percentage of the worldwide vacation industry.



"Best Cruise Operator in Asia-Pacific" TTG Asia (1997-2001)

revival of NCL as a serious contender in the North American cruise market. Both newbuilds are custom-designed to offer the revolutionary "Freestyle Cruising" concept with more speciality dining restaurants than any other modern cruise ships in the market today.

Prospects

Managing in the Wake of a Global Economic Downturn

The 11 September 2001 events and subsequent global economic downturn has had a short term impact on the cruise industry. However, despite the tragic events, all ships

Tapping Post-acquisition Synergies

The Group has begun to reap the synergies unique to a global cruise operator. Post-acquisition synergies in fleet deployment, human resources, procurement, information technology, and sales and marketing have been achieved on a gradual basis following successful integration of these operational functions. This has resulted in higher operational efficiency, better cost management, increased brand visibility, improved inventory management and improved yields to an extent.

The Group will continue to explore new areas to enhance fleetwide efficiencies in its efforts to remain competitive in a market facing increasing capacity. The introduction of "Freestyle Cruising" onboard all NCL vessels (excluding the S/S Norway) - has met with success. It is envisaged that this new freedom in cruising choice will appeal to younger adults opening up a whole new market segment.



Developing Cruising Potentials in Year 2002 and Ahead

Worldwide, the Group is well represented in over 20 locations with an extensive network of wholesalers and retailers to promote and cross-market fly cruise holidays for the Group's mainstream brands.

In Thailand, the completion of the US\$15 million Star Cruises Terminal, Laem Chabang is expected to further promote the growth of cruise tourism in Thailand. With a jetty measuring 365m, the terminal is operated by Star Cruises and is open to international cruise operators. It is envisioned that this world-class terminal will raise the profile of Bangkok as an emerging fly cruise hub in South-east Asia.



Warm and friendly international crew



Private Island Beach, Great Stirrup Cay

throughout the year. I am also grateful for the tremendous support from the local and central governments in the jurisdictions where we operate.

Dato' Lim Kok Thay
Chairman, President and Chief Executive Officer

22 February 2002

The encouraging bookings received for the m.v. Norwegian Star to date is an indication that the Group's newbuilding strategy which is to meet the demands of cruise markets is in line with expectations. On this note, the delivery of m.v. Norwegian Dawn in December 2002 for the NCL brand is expected to have a positive impact on the Group.

Acknowledgement

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

My sincerest thanks also to the various local authorities, business partners, consultants, travel agents, customers and loyal shareholders for their support and cooperation



Garden Villa, Norwegian Star