

*Dear Valued Shareholder,*

On behalf of the Board of Directors, I would like to present the Annual Report for the Star Cruises Group of Companies ("the Group") for the year ended 31 December 2003.

## A BRIEF REVIEW

### Asian Operations

The year 2003 went down on record as a turbulent one. Whilst the world focussed its attention on the war in Iraq, Asian economies in particular reeled from the onslaught of the Severe Acute Respiratory Syndrome ("SARS") epidemic as authorities battled to contain the spread of the deadly virus. The cruise industry was not spared either, resulting in an urgent redeployment of the two megaships SuperStar Leo and SuperStar Virgo to Australia from Hong Kong and Singapore respectively.

This move "Down Under" was well received with several sell out cruises, in spite of the extremely short lead time to prepare for such a major logistical exercise. Both SuperStar Leo and SuperStar Virgo offered cruises to more than 10 destinations along the western, southern and eastern seaboard of Australia as well as the South Pacific islands of Fiji, Vanuatu and New Caledonia.

The arrival of SuperStar Leo in Sydney was indeed significant and created a record of sorts by being the largest ship to have ever entered Sydney Harbour then and to have sailed under the Harbour Bridge.

The successful stint for three months has in fact paved the way for similar such deployments in the future on a seasonal basis as part of the Company's ongoing efforts to develop new markets and itineraries in that part of the world. Both SuperStar Leo and SuperStar Virgo returned to their homeports in the middle of the year to resume their respective itineraries with a gradual return to normalcy in the region.

### Special Cruises and New Growth Potential

Our concerted sales and marketing efforts in revitalising cruising in the region continued with a number of special cruises and maiden calls to Penang, Malaysia; Yangon, Myanmar and Bangkok and Ko Samui, Thailand on SuperStar Virgo. These cruises also catered to the growing sophistication of Star Cruises' passengers by offering longer cruises and elevating the concept of cruising in the region.

We are pleased to note that our operations out of Hong Kong coupled with intensified marketing efforts in China have seen niche segments like the meetings and incentives market grow with large incentive groups cruising on SuperStar Leo and SuperStar Virgo.

Itineraries to China were highlighted by special back to back and overnight cruises from Hong Kong to Shanghai on SuperStar Leo as well as a maiden call to the port of Ningbo.



*Tan Sri Lim Kok Thay  
Chairman, President and  
Chief Executive Officer*

## Safety and Security

On a different note, post 911 events have changed world scenarios with the threat of global terrorism, an issue that cannot be understated nor taken lightly. Star Cruises has, since its inception always placed a high priority on the safety and security of its ships, passengers and crew with stringent security measures and policies being observed across the fleet and on shore side.

Our priority in this vital area of operations was made all the more significant when Star Cruises became the first cruise company in the world to be issued an



*Captain and officers of SuperStar Virgo proudly display the Australian Quarantine and Inspection Services (AQIS) Certificates of Commendation with AQIS sea port officials.*

Leo and SuperStar Virgo conducted cruises with zero incidence of SARS. The Company implemented strong measures which included having a full medical team onboard, implementation of temperature checking procedures as well as observing a

## 10th Anniversary

What was a turbulent start to the year did end on a high note as the Company celebrated its tenth year of operations. A decade of great cruising has passed since we commenced operations with a single ship out of Singapore in 1993. Today Star Cruises is the leading cruise line in Asia-Pacific and the third largest cruise line in the world. The many notable achievements, awards and "firsts" bear testimony to the phenomenal growth of the Company in a relatively short span of time through an effective combination of modern technology, innovative cruise



*SuperStar Leo sails pass the Sydney Opera House towards the Harbour Bridge*

International Ship Security certificate for one of its ships SuperStar Aries, in compliance with the newly adopted International Ship and Port Facility Security or ISPS Code. All vessels across the fleet are expected to be ISPS certified by July 2004, when the code comes into mandatory effect.

Star Cruises was also awarded a certificate of commendation for its excellent co-operation with the Australian Quarantine and Inspection Services ("AQIS") during the recent stint in Australia when SuperStar

10-day "self imposed quarantine" on the high seas prior to her arrival in Australia, satisfying all requirements by the AQIS.

This endorsement is a recognition of the excellent health management system placed onboard our ships.



*Celebrating a decade of great cruising*



*The modern skyline of Shanghai, China*

concepts, prudent financial policies and a dynamic workforce.

Moving ahead into the next decade will see the Company continue to streamline its worldwide operations as well as achieve greater synergies across the fleet in adapting to a challenging environment.



*Norwegian Dawn's Atrium*

**NORWEGIAN CRUISE LINE (NCL)**

**U.S. Operations**

Our commitment to the North American market and the expansion and renewal programme for NCL continues with confirmation orders for two new Freestyle Cruising ships, the largest ever built for Star Cruises. To date almost US\$2.5 billion has been committed to the programme with half the investment already in service and the balance under construction. The vessels are being constructed by Meyer Werft in Germany and are scheduled to be delivered in 2005 and 2006 respectively.

NCL's Norwegian Dawn continues to offer year round cruises from New York to the Bahamas and Florida which has proved popular since its positioning in New York in May 2003.

Norwegian Star which is currently sailing out of Hawaii will reposition to Los Angeles on the west coast and will for the first time offer regular scheduled Mexican Riviera Cruises in September 2004.

Hawaii continues to be a key focus in NCL's strategic positioning. Early in 2003 NCL successfully sought US Congressional approval to operate up to three modern European-built



*Norwegian Dawn at high sea*

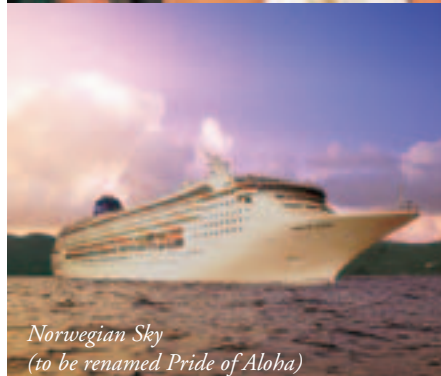
**FINANCIAL**

**Bond and Share Issuance**

During the year, Star Cruises issued US\$180 million of convertible bonds due in 2008 which was completed on 20 October 2003. In addition, Star Cruises undertook a rights issue of 7 new shares for every 100 existing shares. The rights issue that raised about US\$100 million was completed on 11 December 2003. It is envisaged that the proceeds from these fund raising exercises will be used for the acquisition or construction of vessels, as general working capital and/or to reduce certain outstanding bank loans.



*Hawaii*



*Norwegian Sky  
(to be renamed Pride of Aloha)*

ships under US flag in the domestic coastwise trade in Hawaii. Commencing July 2004, this will enable NCL, with its new brand NCL America, to offer unique inter-island Hawaii cruises that are not currently available in the market from any cruise line. Plans for introducing the new Pride of America as the first ship in this trade, have had to be adjusted as the result of an accident at the shipyard in January of 2004 that will significantly delay the completion of the ship.

NCL has announced that Norwegian Sky will be renamed Pride of Aloha and reflagged into the US register to take the place of Pride of America this summer and carry out her published seven-night cruises. This unforeseen redeployment of Norwegian Sky from her intended Alaska summer season will now also see the redeployment of SuperStar Leo from Hong Kong to support NCL's Alaska programme commencing May 2004.

The popular Homeland Cruising programme has been further expanded with the transfer of the Crown Odyssey from the Group's Orient Lines brand to the NCL brand in September 2003 and renamed as Norwegian Crown. The innovative Homeland Cruising programme with roundtrip departures from close-to-home ports have become the preferred method of cruise vacationing for millions of travellers in the U.S. and Canada.

### FLEET REJUVENATION

Fleet rejuvenation plans for the Star Cruises and NCL fleets are underway and will continue in 2004 and beyond. An integral part of this rejuvenation programme would involve the redeployment of ships within the Group from time to time to maximise growth and revenue opportunities in the various markets.

The strategy would see the transfer of medium capacity NCL ships to replace



*Norwegian Star's Oasis Pool*



*Norwegian Crown in Bermuda*



*Stardust Theater, Norwegian Star*

older Star Cruises vessels in high growth markets in Asia as NCL's newbuilds are introduced into the North American market. Towards this, SuperStar Capricorn and SuperStar Aries have been sold with the latter to be delivered in April 2004.

### NEW BUILDS

Two new freestyle cruising vessels, known currently as hull S.667 and S.668, will be based in large part on the highly successful Norwegian Dawn/Norwegian Star design, with modifications in both technical and passenger areas. Gross tonnage will be slightly higher than the Norwegian Dawn at an estimated 93,000 grt and the passenger capacity of each will be 2,400 lower berths. The ships are scheduled for delivery in late 2005 and early 2006.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to the management, staff and crew for their dedication and commitment that have contributed to the Group's performance in 2003.

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

20 February 2004