



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

Dear Valued Shareholders,

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 2004.

REVIEW OF FINANCIAL RESULTS

For the year ended 31 December 2004, the Group recorded a net profit (before impairment loss, non-recurring expenses, non-cash foreign currency debts translation and forward contracts losses) of US\$31.4 million as compared with a net loss (before impairment loss, non-recurring expenses and forward contracts gain) of US\$12.3 million for the year 2003.

In 2004, the Group recorded an impairment loss of US\$14.5 million on s/s Norway and US\$5.1 million of non-recurring expenses, which were mainly for custom fines on m.v. Norwegian Star resulting from necessary alterations to the ship's Hawai'i/Fanning Island itinerary in response to a problem with the Azipod propulsion system. In addition, the Group recorded a non-cash Euro denominated debt translation loss of US\$9.5 million and forward contracts loss of US\$11.3 million as a result of the weakening US dollar.

In 2003, the Group had US\$5.3 million net proceeds from the loss-of-hire coverage arising from the s/s Norway boiler accident which partially offset a legal settlement provision of US\$18.5 million and US\$99.5 million of the ships and tradenames impairment losses. The forward contracts gain was US\$0.5 million.

As a result of these aforementioned factors, the Group recorded a net loss of US\$9.0 million for the year ended 31 December 2004 as compared to a net loss of US\$124.5 million for the year 2003.

During the year, the Group rationalised the banking arrangements between Star Cruises Limited ("the Company") and its subsidiary NCL Corporation Ltd. ("NCLC"). Prior to the rationalisation, the Company guaranteed all the borrowings of the new ships acquired after the purchase of NCL. In addition, there were upstream guarantees from the subsidiaries of NCLC for the corporate borrowings of the Company. After the rationalisation, all the borrowings of subsidiaries of NCLC that were previously guaranteed by the Company were replaced by a guarantee from NCLC. Likewise, all the upstream guarantees from the subsidiaries of NCLC were removed. I am glad to report that the rationalisation is now completed.

As part of the rationalisation, we also planned to move the mid-sized ships from NCL over to the Asia-Pacific operations and I am pleased to say that the first ship, the Norwegian Sea, will be moved over to Asia in September 2005. In addition, we also raised a US\$250 million 10-year Senior Notes, and US\$800 million term loan and revolving credit for NCLC. The facilities raised will give NCLC enough equity money to finance two more newbuildings and liquidity for their operations.



Norwegian Spirit (previously sailed as SuperStar Leo) makes her way along the waters of Alaska.

Towards the end of 2004, the Group made an investment in a low cost value airline – Valuair which operates out of Singapore. Unlike other no-frills airlines, Valuair offers limited facilities on board such as food, a longer seat pitch and assigned seating to name a few. Valuair’s flight range will extend up to 6 hours which will help bring passengers from the Asia-Pacific region to Singapore at a lower price thereby complementing our cruise packages out of Singapore.

The number of capacity days in the Asia-Pacific decreased from 2.5 million to 1.8 million as a result of the sale of the SuperStar Aries and SuperStar Capricorn and the transfer of the SuperStar Leo to NCL. The decision to transfer the SuperStar Leo to the NCL brand had to be taken to fill the gap that was left because of the delay in the delivery of the Pride of America. The delivery of the Pride of America was delayed because it took in water after a storm at Lloyd Werft in Bremerhaven where the ship was in its final stages of completion. We immediately made plans to move the Pride of Aloha (previously the Norwegian Sky) to Hawai’i in July 2004 earlier than its scheduled date to Hawai’i. This meant that the Norwegian Sky had to give up its very lucrative summer itinerary in Alaska and a decision was made to move the SuperStar Leo to fill the gap in the Alaska. The SuperStar Leo is now renamed Norwegian Spirit.



Press Conference held in conjunction of the formation of a strategic alliance between Star Cruises and Singapore’s first low cost carrier, Valuair on 20 December 2004.

A BRIEF REVIEW

Asian Operations

2004 saw the continued recovery of the Asia-Pacific region from the effects of Severe Acute Respiratory Syndrome which affected the operations in 2003. The passenger numbers are returning and in some markets, the number of passengers has exceeded that of 2002. This is very encouraging and it has proven once again that the cruise industry is a resilient industry.

The Indian market continues to be a good market for Asia-Pacific with ongoing efforts in promoting our cruises in the region being intensified in key market segments. We expanded our scope of sales and marketing activities in India with the opening of the third sales office in Ahmedabad, in the eastern part of the country in just over five years. In addition, Star Cruises embarked on a major road show covering the four key cities of Mumbai, Ahmedabad, New Delhi and Chennai. These efforts underline our commitment in further developing the cruise potential in line with the growing presence of the Star Cruises brand in India.

In North Asia, Star Cruises was proud to be part of a special joint project involving the cities of Fukuoka, Busan and Shanghai. A special six-night cruise charter by the Japan Tourism Board on SuperStar Gemini saw more than 1,000 guests embark and disembark from the three cities participating in an exchange of views on cultural, economic, educational and tourism issues.

SuperStar Gemini departed Taiwan for Port Klang, Malaysia in October where she will be based till March 2005. Two successful special public ship showcases were held in conjunction with her deployment in Port Klang to coincide with the year-end school and festive holidays.



Public queue up for ship tour of SuperStar Gemini during her showcases in Port Klang in Malaysia in November and December 2004.

China which continues to be one of the key areas of our business focus saw Star Cruises become the first company to receive a licence to operate a 100% owned international travel agency in Shanghai. This was indeed a significant highlight which supports our efforts to develop a rapidly growing tourism market. It is also an extension of our overall business activities on the Chinese mainland in actively promoting cruises in the Asia-Pacific region.

Star Cruises signed a Memorandum of Understanding with the Nanhu Vocational School in Shanghai to jointly introduce and organise the Genting – Star International Cruise Management Programme for youth. The programme aims to provide students with a level of vocational education and training of international standard in building a talented pool of dedicated professionals to support the cruise and hospitality economy in China.

These initiatives complement the ongoing upgrading and improvement of our infrastructure and facilities in our cruise hubs such as the opening of a new reservations office in Hong Kong in providing our guests with the convenience and ease to cruise on our ships.

In eleven years of operations, Star Cruises has always endeavoured to provide vacationers with the best possible and memorable cruise experiences aboard its fleet of ships with levels of service excellence, high safety standards and a range of world class entertainment, dining and recreation options. A glowing testimony to this would be the winning of the “Best Cruise Operator in Asia-Pacific 2004” award for the seventh time. It is also a reflection of the dedication and commitment displayed by the staff and crew in striving to provide the very best at all times.



For the Asian Operations, the year ended on a sombre note when the devastating Asian Tsunami hit parts of South Asia on 26 December 2004. Star Cruises reacted to temporarily replace the Phuket calls by SuperStar Virgo and SuperStar Gemini with calls to Langkawi and Penang in Malaysia.

NORWEGIAN CRUISE LINE (NCL)

NCL Operations

The Group’s US operations continue to figure prominently under the NCL, NCL America and Orient Lines brands. With a fleet of 15 ships in operation and under construction, NCL made US maritime history in July 2004 when it introduced the reflagged Pride of Aloha under the NCL America brand on its Hawaiian itineraries. The Pride of Aloha is the first US-flagged ship in almost half a century with a fully US-based crew. Changes in fleet wide global operations have also seen the introduction of SuperStar Leo, now known as Norwegian Spirit into the NCL fleet in May with cruise itineraries to Alaska. She currently offers seven-day cruises calling at Barbados, Grenada, St. Lucia, Antigua and Tortola as well as a five-day cruises from Miami calling at Grand Cayman and Roatan, Bay Islands and Honduras.

In line with the growth strategy of the NCL America brand cruise product in Hawai’i, NCLC acquired Polynesian Adventure Tours, one of two major tour bus companies in Hawai’i at a purchase price of approximately US\$5 million in November 2004. With over 100 motor coaches and buses, a statewide presence and reputation for exceptional customer service coupled with a loyal clientele, the acquisition will position NCL to develop the ground operations necessary to serve the core of its tour and transfer requirements.

SAFETY & SECURITY

Star Cruises always places high priority on safety and security and we are pleased to note that Star Cruises ships and ports are now compliant with the International Ship and Port Facilities Code which came into mandatory effect in July 2004.

FLEET RATIONALISATION

Fleet rationalisation plans continue with the planned redeployment of medium capacity vessels like the Norwegian Sea from the NCL fleet to the Asia-Pacific. This is in line with Star Cruises’ aim to modify its fleet profile in Asia in order to have a greater number of relatively modern vessels of medium capacity instead of mega ships. This would allow for greater deployment flexibility and diversification in a developing market where demand patterns have yet to be established.

NEWBUILDS

The Star Cruises Group has set up a corporate newbuilding office in London to oversee its newbuild projects which will see the completion of two vessels in 2005.

Pride of Aloha on her way to Hawaii from San Francisco.



The first of 67 keel blocks that will complete the hull of NCL America's Pride of Hawaii. In the background is NCL Corporation's Norwegian Jewel, scheduled for delivery in August 2005.

The Pride of America and the Norwegian Jewel are scheduled for delivery in June and August 2005 respectively, whilst NCL is expected to take delivery of the third newbuild, the Pride of Hawaii in April 2006.

In line with renewing the NCL fleet, NCL had on 24 December 2004 entered into a contract for the building of a new 2,400-berth ship. The ship will be built at Meyer Werft in Papenburg, Germany and will be delivered in February 2007.

The new ship will be the eighth new ship introduced to the NCL fleet since Star Cruises took control of NCL in early 2000.

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 2004.

I wish to also express Star Cruises' sorrow and offer our condolences to the victims of the Asian Tsunami that hit parts of Asia on 26 December 2004 and look forward to the speedy recovery of the affected areas and the return to normalcy.

My sincere thanks to the various local authorities, business partners, consultants, travel partners, 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

22 February 2005



Artist's Impression of Norwegian Jewel's Atrium Lobby