10. INTANGIBLE ASSETS *(continued)*

Negative goodwill arising on acquisition of remaining 15.5% of NCL

	GROUP	
	2000	1999
	US$'000	US$'000
Cost		
At 1 January	**—**	—
Additions	**(45,868)**	—
At year end	**(45,868)**	—
Accumulated amortisation		
At 1 January	**—**	—
Amortisation	**—**	—
At year end	**—**	—
Net book value at year end	**(45,868)**	—

<u>Acquisition of NCL</u>

In December 1999, the Group through a wholly-owned subsidiary, Arrasas Limited, acquired an interest of approximately 38.6% of the then outstanding shares of NCL as at 31 December 1999, a company incorporated under the laws of the Kingdom of Norway. As at 31 December 1999, this investment was accounted for under the equity method of accounting. As this acquisition was completed close to the balance sheet date, the Group did not include the results of NCL in the consolidated profit and loss account for the year ended 31 December 1999 on the basis that the effect of accounting for its share of such results would not be material. As at 31 December 1999, the cost in excess of the fair value of NCL's net assets acquired was US$203.5 million.

In January and February 2000, NCL issued a total of 16,613,517 shares as a result of the conversion of its convertible debts and options exercised under its share option plan. Following issuance of such shares, the Group's interest in NCL was 36.2%.

Certain related companies of the Group also acquired NCL's shares resulting in the Group and these related companies owning approximately 50% of NCL's shares as at 17 December 1999. Pursuant to the Norwegian Securities Trading Act (1997), the Group was required to make a mandatory offer for all outstanding ordinary shares and American Depository Shares ("ADS") of NCL not already owned by the Group and these related companies.

10. INTANGIBLE ASSETS *(continued)*

This mandatory offer was made on 13 January 2000 to each NCL shareholder (except for such shareholders who were US persons and all holders of NCL ADS (each ADS representing four ordinary shares)) at a price of 35 Norwegian Kronor ("NOK") (US$3.931 approximately based on the exchange rate at 31 December 2000) per share. In connection with this mandatory offer, the Group made a concurrent offer to purchase all outstanding ordinary shares of NCL that were held by US persons and all outstanding ADSs at the same price of NOK35 (US$3.931) per share, (NOK140 (US$15.722) per ADS). The offers were not subject to any conditions and expired on 10 February 2000.

As a result of these mandatory offers, the Group acquired a further interest of approximately 48.3% in NCL resulting in the Group owning, including ordinary shares previously held by the Group, a total interest of about 84.5% of NCL's outstanding shares. Approximately 10.9% of the NCL's outstanding shares were held by companies related with, but not subsidiaries of the Group.

Prior to this further acquisition of a 48.3% interest in NCL, the Group equity accounted for its share of the results of NCL, net of amortisation of goodwill of US$0.7 million as share of losses from associated company, in the consolidated profit and loss account. The Group's investment in NCL was reported in the accompanying balance sheets as "investment in associated company". Subsequent to the acquisition of this further interest in February 2000, the results of the operations of NCL have been consolidated using the purchase method of accounting.

As part of the NCL acquisition, on 29 March 2000, the Group acquired the other 50% interest in Norwegian Capricorn Line Limited ("Norwegian Capricorn") in which NCL owned a 50% interest with the intention of closing down the operation ("the joint venture acquisition"). Norwegian Capricorn operated a passenger cruise ship in and around Australia.

The Group recorded an amount of approximately US$10.9 million as a liability in respect of the acquisition of the other 50% interest in Norwegian Capricorn. Of the US$10.9 million, US$9.5 million represents the liabilities assumed by the Group in excess of assets acquired at the time the Group decided to acquire the remaining 50% interest in the joint venture. In connection with this joint venture acquisition, one of the former joint venture partners committed to provide additional funding in the amount of US$2.0 million provided that the Group continued the operations of the joint venture for a period of time. Such amount was paid to the Group subsequent to 29 March 2000 and was determined to be a contingent asset at the date of the joint venture acquisition. As such, this amount reduced the US$9.5 million loss recorded by the Group at the time of the acquisition. The remaining US$1.4 million relates to termination costs, (primarily severance costs and lease termination costs) that will be incurred as a result of the decision to terminate the joint venture operation.

10. INTANGIBLE ASSETS *(continued)*

In addition, the Group also recorded approximately US$11.5 million as part of the liabilities assumed to effect acquisition of NCL. Such liabilities are for nonrecurring expenses consisting principally of severance and related benefits to former employees of NCL, legal and other expenses associated with environmental violations, and other costs incurred by NCL due to implementation of various changes in operating strategies as a result of the acquisition of NCL by the Group. Such amounts relate primarily to severance and related benefit expense of NCL executives and officers amounting to approximately US$7.8 million of which approximately US$2.0 million was paid as at 31 December 2000. The Group anticipates paying the remaining balance in 2001. Legal and other expenses associated with environmental violations amounted to approximately US$2.8 million.

The Group recorded the assets acquired and liabilities assumed of NCL as at 1 March 2000. The excess of the total cost of acquisition over the fair value of assets acquired and liabilities assumed is classified as goodwill and is being amortised over 40 years.

Subsequently on 29 November 2000, the Group acquired a further 10.9% equity interest in NCL from these certain other companies related to the Group for a total cash consideration of approximately US$46 million resulting in the Group holding approximately 95.4% equity interest in NCL. The Group therefore on 30 November 2000, exercised its right under the Norwegian Public Limited Liability Company Act to initiate a compulsory acquisition of the remaining ordinary shares of NCL that it does not own at an offer price of NOK13 per share. In addition, the Group also purchased 47,194 ordinary shares that were held in treasury by NCL for approximately US$66,000. The fair value of NCL's net assets acquired in relation to the approximately 15.5% interest in NCL was in excess of the cost of acquisition in the amount of US$45.9 million and was taken to reduce the goodwill previously recorded. Following the compulsory acquisition, the ordinary shares and ADS of NCL were delisted from the Oslo Stock Exchange and the New York Stock Exchange in December 2000.

The compulsory offer period lapsed on 7 February 2001. As at 8 February 2001, persons holding 8,916,969 shares accepted the offer and persons holding 1,845,677 shares rejected the offer. The persons holding the remaining 1,618,172 shares have not responded to the offer, and pursuant to Norwegian law are deemed to have accepted the offer. The persons who have explicitly accepted the offer and those who are deemed to have accepted the offer were paid for their shares on 23 February 2001. In relation to those persons who have not accepted the offer, Arrasas Limited is in a position to raise a valuation request to Oslo City Court for the court to determine the offer price resulting in a collective offer price to each of those persons. In the event that the court determines an offer price that is higher than NOK13 per share, Arrasas Limited would be required to pay all persons subject to this compulsory offer the difference between the such higher price and NOK13 per share.

11. FIXED ASSETS

Fixed assets consist of the following:

GROUP

Year ended 31 December 2000	Cruise ships	Land, leasehold land, jetties, terminal building and improvements	Equipment and motor vehicles	Cruise ships under construction	Jetties, terminal and other construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost and valuation						
At 1 January 2000	1,250,226	51,435	128,650	67,869	4,545	1,502,725
Exchange differences	—	(22)	(260)	—	(414)	(696)
Assets of subsidiary acquired	1,293,298	1,009	15,136	96,254	—	1,405,697
Reclassification of asset	3,157	3,151	—	—	(6,308)	—
Additions	56,340	70	31,633	170,232	10,754	269,029
Assets written off	—	—	(436)	—	—	(436)
Revaluation	—	(3,562)	—	—	353	(3,209)
Disposals	(16,500)	—	(7,175)	—	—	(23,675)
At 31 December 2000	**2,586,521**	**52,081**	**167,548**	**334,355**	**8,930**	**3,149,435**
Accumulated depreciation						
At 1 January 2000	(101,802)	(1,920)	(38,777)	—	—	(142,499)
Exchange differences	—	9	148	—	—	157
Impairment of fixed assets	(27,873)	—	(5,731)	—	—	(33,604)
Charge for the year	(88,569)	(1,136)	(18,119)	—	—	(107,824)
Revaluation	—	2,240	—	—	—	2,240
Assets written off	—	—	125	—	—	125
Disposals	397	—	6,259	—	—	6,656
At 31 December 2000	**(217,847)**	**(807)**	**(56,095)**	**—**	**—**	**(274,749)**
Net book value						
At 31 December 2000	**2,368,674**	**51,274**	**111,453**	**334,355**	**8,930**	**2,874,686**
At 31 December 1999	1,148,424	49,515	89,873	67,869	4,545	1,360,226

Net book value of land, leasehold land, jetties, terminal building and improvements comprises:

	GROUP	
	2000	1999
	US$'000	US$'000
Hong Kong:	**—**	—
Outside Hong Kong:		
Freehold	**6,508**	—
Long leasehold (not less than 50 years)	**43,725**	48,542
Medium leasehold (less than 50 years but not less than 10 years)	**1,041**	973
	51,274	49,515

11. FIXED ASSETS *(continued)*

The analysis of the cost or valuation at 31 December 2000 of the above assets is as follows:

GROUP

Year ended 31 December 2000	Cruise ships	Land, leasehold land, jetties, terminal building and improvements	Equipment and motor vehicles	Cruise ships under construction	Jetties, terminal and other construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At cost	2,586,521	4,297	167,548	334,355	3,353	3,096,074
At 2000 valuation	—	47,784	—	—	5,577	53,361

In conjunction with the listing of the Company's entire share capital on The Stock Exchange of Hong Kong Limited, certain of the Group's properties were revalued at 30 September 2000 by the Directors on the basis of an open market valuation by Jones Lang LaSalle Limited, an independent property valuer.

The carrying amount of these certain properties would have been US$56.5 million (1999: US$53.4 million) had they been stated at cost less accumulated depreciation.

The Group contracted for the sale of MegaStar Capricorn and MegaStar Sagittarius for a total cash consideration of US$33.0 million which approximates their carrying value. MegaStar Capricorn was delivered to the new owner in November 2000 and MegaStar Sagittarius was delivered to the new owner in March 2001. These sales had no material impact on the results of operations for the year ended 31 December 2000 and are not expected to have a material impact on the results of operations for the year ending 31 December 2001.

At 31 December 2000, the net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to US$2.2 billion (1999: US$0.7 billion).

12. INVESTMENT IN ASSOCIATED COMPANY

	GROUP	
	2000	1999
	US$'000	US$'000
Share of net assets other than goodwill	—	224,811
Goodwill	—	203,535
	—	428,346
Listed investment at cost:		
Shares	—	428,346
Market value of listed shares	—	416,961

In December 1999, the Group through a wholly owned subsidiary, Arrasas Limited acquired an interest of approximately 38.6% in NCL, a company incorporated under the laws of the Kingdom of Norway. This investment has been accounted for under the equity method of accounting last year. During the year, the Group acquired the remaining interest in NCL and has included the results and assets and liabilities of NCL in the consolidated accounts of the Group from 1 March 2000. The ordinary shares and ADS of NCL were delisted from the Oslo Stock Exchange and the New York Stock Exchange in December 2000 (see note 10 above).

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2000	1999
	US$'000	US$'000
Investment at cost:		
Unlisted shares	**1,234**	60
Amount due from subsidiaries	**2,039,506**	1,113,447
Amount due to subsidiaries	**(32,075)**	(346)
	2,008,665	1,113,161

Amount due from/(to) subsidiaries has no fixed repayment terms.

Approximately US$647.5 million of the amount due from subsidiaries in 2000 bears interest at a rate which varies according to the London Interbank Offer Rate. The remaining balance is interest free.

A list of principal subsidiaries is included in note 32 to the accounts.

14. OTHER ASSETS

	GROUP	
	2000	1999
	US$'000	US$'000
Loan arrangement fees	**14,085**	—
Software development costs, net	**4,730**	—
Others	**1,547**	—
	20,362	—

15. CONSUMABLE INVENTORIES

	GROUP	
	2000	1999
	US$'000	US$'000
Food and beverages	**5,846**	2,680
Supplies, spares and consumables	**22,483**	15,035
	28,329	17,715

16. TRADE RECEIVABLES

	GROUP	
	2000	1999
	US$'000	US$'000
Trade receivables	**22,300**	8,053
Less: Provisions	**(2,380)**	(2,176)
	19,920	5,877

Credit terms generally range from payment in advance to 30 days credit terms.

At 31 December 2000, the ageing analysis of the trade receivables were as follows:

	GROUP
	2000
	US$'000
Current to 30 days	**13,625**
31 days to 60 days	**2,223**
61 days to 120 days	**1,642**
121 days to 180 days	**929**
181 days to 360 days	**2,093**
Over 360 days	**1,788**
	22,300

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	GROUP		COMPANY	
	2000	1999	**2000**	1999
	US$'000	US$'000	**US$'000**	US$'000
Deposits with banks -				
maturing within 3 months	**190,518**	9,856	**175,978**	3,405
Cash and bank balances	**101,990**	42,867	**10**	5
	292,508	52,723	**175,988**	3,410

18. RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited ("GHL"), a company incorporated in the Isle of Man acting as trustee for the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various trusts established for the benefit of Tan Sri Lim Goh Tong, and certain members of his family controls the Group.

Dato' Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Group, is a son of Tan Sri Lim Goh Tong.

Kien Huat Development Sdn Bhd ("Kien Huat") is a company in which a brother of Dato' Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Dato' Lim Kok Thay has a deemed interest and is listed on the Kuala Lumpur Stock Exchange, controls Genting Overseas Holdings Limited ("GOHL") which in turn controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange. GB also controls Resorts World Bhd ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn controls Resorts World Limited ("RWL") which is a substantial shareholder of the Company.