



NAGACORP

金界控股有限公司

NAGACORP LTD.

(Incorporated in Cayman Islands with limited liability)

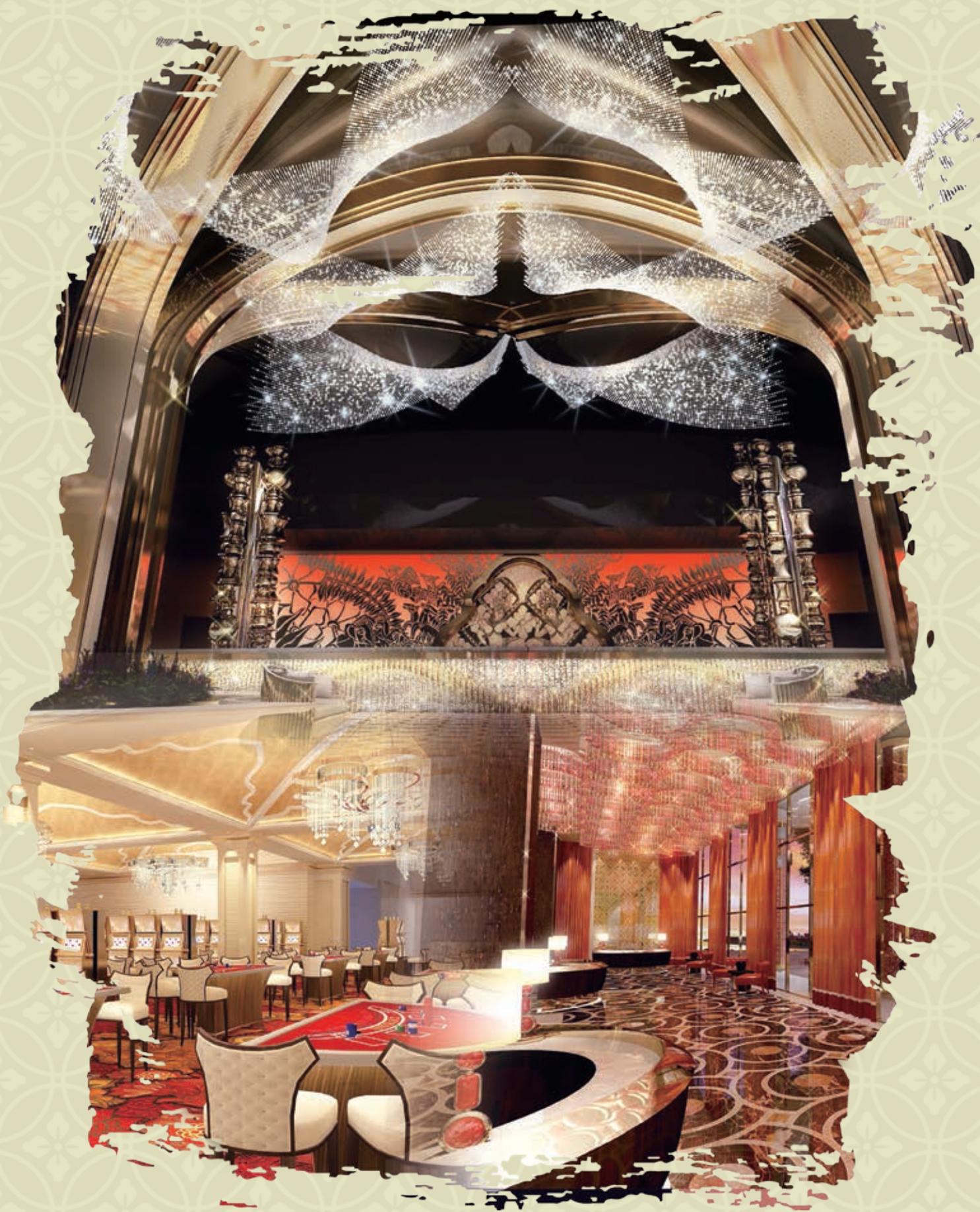
STOCK CODE: 3918

2014 Annual Report









Contents

| | Page |
|---|------|
| Corporate Information | 2 |
| Investor Relations | 3 |
| Corporate Structure | 4 |
| Financial Highlights | 5 |
| Chairman & CEO's Statement | 8 |
| Management Discussion and Analysis | 12 |
| Directors' Profile | 22 |
| Corporate Social Responsibility | 28 |
| Sustainability | 35 |
| Corporate Governance Report | 40 |
| Remuneration Committee Report | 52 |
| Nomination Committee Report | 54 |
| Independent Review of Investment Risks in Cambodia | 58 |
| Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd. | 62 |
| Report of the Directors | 66 |
| Independent Auditor's Report | 73 |
| Consolidated Statement of Income | 75 |
| Consolidated Statement of Comprehensive Income | 76 |
| Consolidated Statement of Financial Position | 77 |
| Statement of Financial Position | 79 |
| Consolidated Statement of Changes in Equity | 80 |
| Consolidated Statement of Cash Flows | 81 |
| Notes to the Consolidated Financial Statements | 83 |
| Five-year Financial Summary | 142 |
| Notice of Annual General Meeting | 143 |

Corporate Information

NagaCorp Ltd. (“NagaCorp” or the “Company”) is the largest hotel, gaming and leisure operator in Cambodia, and the Company has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2006. In fact, NagaCorp became the first company with operations in Cambodia to become a public listed entity, as well as the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh’s only integrated hotel-casino entertainment complex and we enjoy a 70-year casino licence that will run till 2065, as well as a 41-year monopoly within a 200km radius of Phnom Penh that expires in 2035.

Board of Directors

Executive Directors

Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*)
Philip Lee Wai Tuck (*Chief Financial Officer*)
Chen Yepern

Non-executive Director

Timothy Patrick McNally (*Chairman*)

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir
Lim Mun Kee
Michael Lai Kai Jin

Audit Committee

Lim Mun Kee (*Chairman*)
Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir
Michael Lai Kai Jin

Remuneration Committee

Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir (*Chairman*)
Tan Sri Dr Chen Lip Keong
Chen Yepern
Lim Mun Kee
Michael Lai Kai Jin

Nomination Committee

Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir (*Chairman*)
Tan Sri Dr Chen Lip Keong
Chen Yepern
Lim Mun Kee
Michael Lai Kai Jin

AML Oversight Committee

Timothy Patrick McNally (*Chairman*)
Tan Sri Dr Chen Lip Keong
Chen Yepern
Michael Lai Kai Jin

Company Secretary

Lam Yi Lin

Authorised Representatives

Philip Lee Wai Tuck
Lam Yi Lin

Auditor

BDO Limited

Solicitors

Reed Smith Richards Butler

Principal Bankers

CIMB Bank PLC (*Phnom Penh Branch*)
United Overseas Bank Limited (*Hong Kong Branch*)
Bank of China (*Phnom Penh Branch*)

Investor Relations

We acknowledge the importance of maintaining communication with our shareholders and investors through channels like the annual report and accounts, interim report and accounts, press releases and announcements. Our annual report contains details of financial and other relevant information about the Company's activities. We welcome enquiries about the Company's activities and will handle them in a timely fashion.

Listings

The Company's shares have been listed on the Main Board of the Stock Exchange since 19 October 2006.

Annual Report 2014

This annual report, in both English and Chinese, is available in printed form and on the Company's website - www.nagacorp.com

Stock Code

3918

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Cambodia

NagaWorld
Samdech Techo Hun Sen Park
P.O. Box 1099, Phnom Penh
Kingdom of Cambodia
Tel No: +855 23 228822 Fax: +855 23 217532

Principal Place of Business in Hong Kong

Suite 2806, 28/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel: +852 2877 3918 Fax: +852 2523 5475

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Chief Executive Officer

Tan Sri Dr Chen Lip Keong

Chief Financial Officer

Philip Lee Wai Tuck

Investor Relations (North America)

Kevin Nyland, *Vice President*

Investor Relations (Europe, Middle East & Africa)

David Ellis

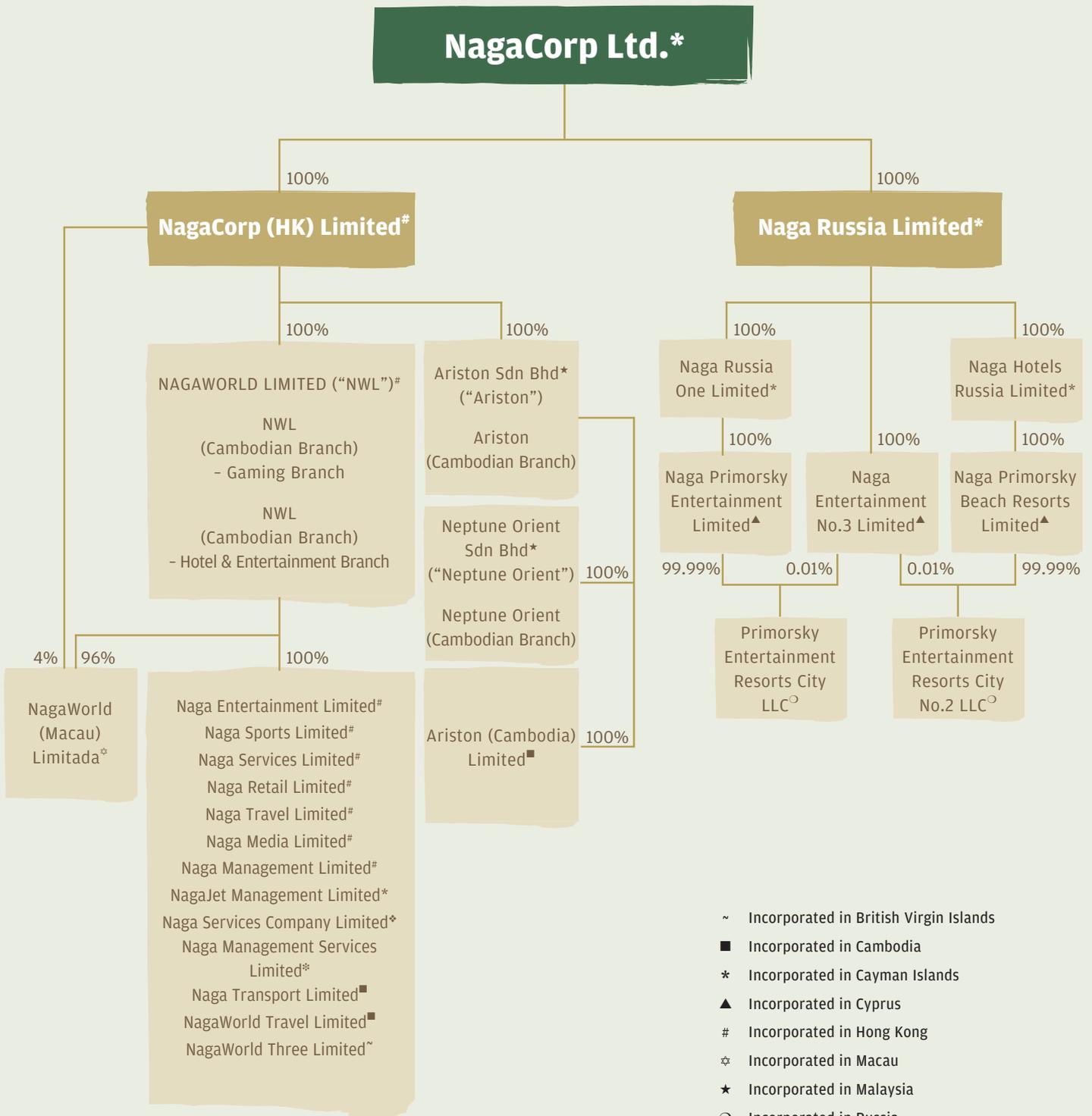
Investor Relations (Asia Pacific) & Corporate Finance

Gerard Chai, *Vice President*

Company Website

www.nagacorp.com

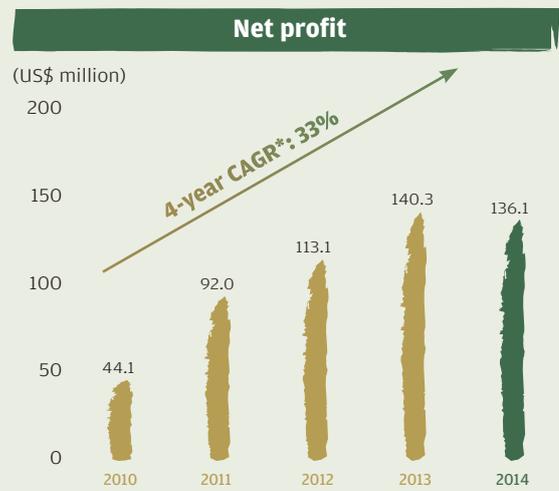
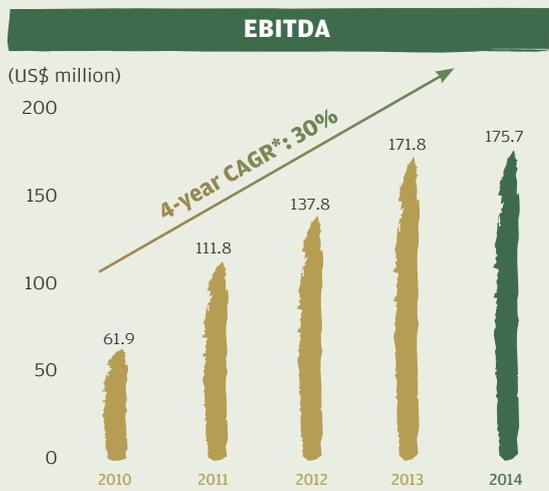
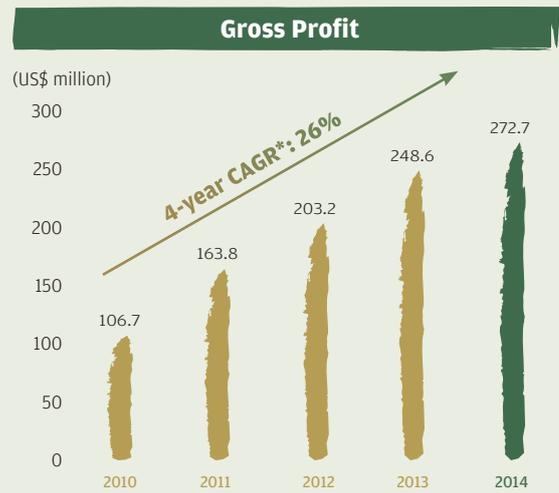
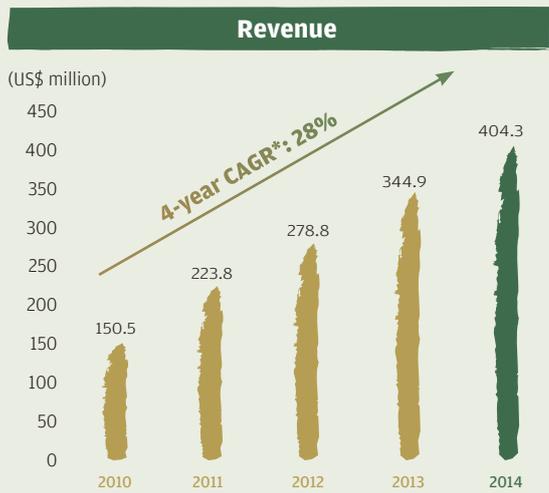
Corporate Structure



- ~ Incorporated in British Virgin Islands
- Incorporated in Cambodia
- * Incorporated in Cayman Islands
- ▲ Incorporated in Cyprus
- # Incorporated in Hong Kong
- ◇ Incorporated in Macau
- ★ Incorporated in Malaysia
- Incorporated in Russia
- * Incorporated in Thailand
- ◇ Incorporated in Vietnam

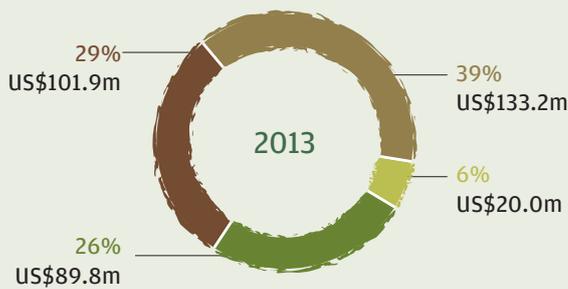
As at 4 February 2015

Financial Highlights



* Compound Annual Growth Rate

Revenue (US\$344.9 million)



Revenue (US\$404.3 million)



● Mass market: Public Floor Tables
 ● Mass market: Electronic Gaming
 ● Junket
 ● Non-Gaming



cdf
CHINA DUTY FREE





Chairman & CEO's Statement



Timothy Patrick McNally
Chairman

Dear Shareholder,

We are pleased to announce that NagaCorp outperformed its regional gaming competitors during 2014 (“FY2014”). We continue to generate positive operational and financial results for shareholders. Excluding the effects of 2013 Electronic Gaming Machines (“EGM”) entrance fee of US\$15 million, Gross Gaming Revenue (“GGR”) for the year increased by 23% to US\$381 million while net profit of US\$136 million increased by 9% over last year. We were able to achieve this while Macau recorded a drop in GGR of 2.6% in 2014 (Source: DICJ Macau). GGR for the VIP segment reached US\$188 million, a 41% increase over 2013. Our ability to outperform Macau in top-line growth is attributable to the relatively high proportion of revenue derived from the Mass Market, and the fact that most VIP revenue is derived from South East Asia.

Steady Tourism from Key Markets

International tourist arrivals to Cambodia continued their growth trajectory, recording about 4.0 million visitors in the first 11 months of 2014, an increase of 6% compared to the same period in 2013. Visitors from Vietnam

(20%), China (13%) and Laos (10%) collectively accounted for 43% of total tourist arrivals to Cambodia. The appeal of Cambodia as a travel destination for Chinese tourists is evident from a 22% increase year-on-year to 507,860 in the first 11 months of 2014 (Source: Ministry of Tourism, Cambodia). Continued visitor growth from these gaming-centric countries is one of the drivers of our business growth.

Sound Strategy, Positioned for Regional Leadership

Our strategy of continuous improvement in our mass market segment, along with steady growth in visitation to the property and improvement in table game productivity led to increased business volumes. Our strategy of segmenting the public floor players with our concept of casino cells continued to work well; increasing business volume in the premium mass gaming areas, namely NagaRock and Saigon Palace.

In the Electronic Gaming segment, after allowing for a non-refundable entrance fee in 2013, revenue decreased marginally as a result of lower win-rate despite an increase in volume

(bills-in). The 8% increase in bills-in exceeded tourism growth of approximately 6%. The decrease in the win rate can be attributed to a combination of the increasing popularity of the electronic table game products with a lower hold percentage, as well as the disruption during refurbishment.

Our loyalty program, the Golden Edge Rewards Club, has been tracking well with increasing membership. As of 31 December 2014, the club had approximately 19,000 active members. This has allowed us to continue its efforts to understand its members' profiles, create targeted marketing promotions and rollout player development initiatives to drive visitation and increase spend per player on the mass gaming market.

To increase visitation to NagaWorld, during the year we purchased two Airbus A320s, which have been leased to an independently operated airline, Bassaka Air. Once the appropriate approvals and certification have been obtained Bassaka will, through collaboration with key Chinese travel agents, increase flights to Phnom Penh targeting the Mass Market players with packaged accommodation at NagaWorld. We also intend to use these aircraft, in addition

to our two private jets, to fly VIP players from various parts of Asia targeting destinations which do not have direct flights to Phnom Penh.

Our VIP gaming consists of players brought in by junkets, who are either under a commission or incentive program, and premium direct players without an intermediary. Our overseas junket incentive program introduced in March 2013 has enabled us to increase our existing table limits, while managing volatility and credit risk. The incentive program has continued to develop with sequential increases in rollings for the year ended 31 December 2014. Total VIP rollings increased by 35% to US\$6.2 billion and the overall win rate was 3.0% (2013: 2.9%). As a result, total VIP Gaming revenue increased by 41% to US\$188.2 million.

To enhance and increase our VIP gaming space, we opened a new VIP gaming area on level 3 of the hotel block adding approximately 47 VIP gaming tables in July 2014. This new VIP gaming area will enable the continued expansion of the gaming operations of the new junket operators signed in 2014, and in the coming months.

Chairman & CEO's Statement

Throughout the year we continued our effort to provide internationally recognized products and services to both gaming and non-gaming patrons while continuing to grow market share through our unique position in the region. The expected completion of the NagaCity Walk in the third quarter of 2015 and its subsequent opening in the first quarter of 2016 will enhance the retail experience available to customers and further strengthen NagaWorld's overall appeal to both the VIP Market and Mass Market. NagaWorld has entered into an agreement with the China Duty Free Group, the largest duty-free operator in China, to lease not less than 2,400 square metres in NagaCity Walk, to operate duty-free shopping in the premises.

The TSCLK Complex remains on schedule for completion by late 2016, with operations commencing in 2017. We expect that the completion of Naga2, together with our present NagaWorld facility, will further enhance our position as the leading integrated gaming and entertainment destination in Indochina.

As disclosed in our interim results announcement on 6 August 2014, we established certain indirect subsidiaries in Russia for the purposes of undertaking a gaming and resort development project in Vladivostok, Russia (the "PERC Project"). We expect that the PERC Project will commence operation not later than 2018.

We believe that our strategy of diversifying our business geographically and expanding into a new casino market will drive revenue growth in the long term.

Competitive Dividend Payout Ratio of 70%

As a top-performing gaming stock on the Stock Exchange of Hong Kong, NagaCorp continues to deliver profitability and business volume growth at an impressive level compared to other gaming operations in the region, including brand name properties in Macau.



Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The board of directors (the “Board”) has recommended the payment of a final dividend of US cents 2.11 per share (or equivalent to HK cents 16.35 per share) for the year ended 31 December 2014 (the “Final Dividend”). The proposed Final Dividend, together with the interim dividend, the sum of which is US cents 4.18 per share (or equivalent to HK cents 32.40 per share) represents a dividend payout ratio of 70%, based on the net profit generated for the year. The Final Dividend is expected to be paid on Monday, 4 May 2015 subject to the approval of the shareholders of the Company at the 2015 Annual General Meeting.

Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. This is no different. We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.

Corporate Governance

NagaCorp has engaged an independent professional party to review the internal controls of the Company and its subsidiaries

(collectively the “Group”) with a focus on anti-money laundering. The independent professional party has issued its findings in a report, details of which are enclosed in this annual report. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are set out in this annual report.

Our Appreciation

The Board would like to express their appreciation to our employees for their hard work and dedication, and to our shareholders, customers, and suppliers for their continued support.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

Hong Kong, 4 February 2015

Management Discussion and Analysis

Business Overview

The Cambodian economy continued to grow, with the World Bank estimating real gross domestic product (“GDP”) growth of 7.2% in 2014, and accelerating to 7.5% in 2015.

International tourist arrivals to Cambodia also continued their growth trajectory, recording about 4.0 million visitors in the first 11 months of 2014, an increase of 6% compared to the same period in 2013. Visitors from Vietnam (20%), China (13%) and Laos (10%) collectively accounting for 43% of total tourist arrivals to Cambodia. Visitors from China increased by 22% year-on-year to 507,860 visitors in the first 11 months of 2014 (Source: Ministry of Tourism, Cambodia). Continued visitor growth from these gaming-centric countries is one of the drivers of the Group’s business growth.

While Macau recorded a drop in GGR of 2.6% in 2014 (Source: DICJ Macau), NagaWorld, which is situated in Phnom Penh, the capital city of Cambodia, continued to generate positive operational and financial results with GGR growth of 23% (excluding effects of 2013

EGM entrance fee). The ability of the Group to outperform Macau in top-line growth is attributable to the relatively high proportion of revenue derived from the Mass Market, and the fact that most VIP revenue is derived from South East Asia. Notwithstanding that, the downturn in Macau offers the Group further opportunities to further penetrate the Chinese gaming market in both the VIP and Mass Gaming segments, by being able to offer attractive commercial terms to junket operators and agents as a result of NagaWorld’s low cost structure.

The Group’s net profit in 2014 (excluding effects of 2013 EGM entrance fee) increased by 9% to US\$136.1 million. The relatively lower net profit growth compared to GGR growth is a result of higher incentives given to junket operators to promote NagaWorld to the rest of Asia (including China) as well as higher staff costs to improve service quality and staff retention. The Group is of the opinion that these promotional and operational strategies will bear fruit in the coming years as NagaWorld grows its market share in Asia.

RESULTS

Table 1: Performance Highlights

For the year ended 31 December 2014 and comparative prior year:

| | 2014 US\$'000 | 2013 US\$'000 | Increase/ (Decrease) % |
|--|------------------|------------------|------------------------------|
| Mass Market: Public Floor Tables | | | |
| - Buy-ins | 465,482 | 400,318 | 16.3% |
| - Win rate | 23.3% | 22.4% | |
| - Revenue | 108,637 | 89,803 | 21.0% |
| Mass Market: Electronic Gaming | | | |
| - Bills-in | 1,185,648 | 1,097,997 | 8.0% |
| - Win rate | 10.1% | 11.0% | |
| - Win per unit per day (WUD) (US\$) | 214 | 217 | (1.4%) |
| - Revenue | 84,563 | 101,936 | (17.0%) |
| - No. of machines at end of year | 1,537 | 1,543 | (0.4%) |
| VIP Market | | | |
| - Rollings | 6,185,338 | 4,573,644 | 35.2% |
| - Win rate | 3.0% | 2.9% | |
| - Revenue | 188,184 | 133,178 | 41.3% |
| Gross Gaming Revenue excluding 2013 EGM Entrance Fee (see Note 1 below) | 381,384 | 309,917 | 23.1% |
| Gross Gaming Revenue <i>including</i> 2013 EGM Entrance Fee (see Note 1 below) | 381,384 | 324,917 | 17.4% |
| Non-Gaming | | | |
| - Revenue | 22,914 | 20,029 | 14.4% |

Note 1: During the previous year ended 31 December 2013, the Group received a non-refundable entrance fee of US\$15.0 million from an electronic gaming machine operator for the placement of up to 200 gaming machines in NagaWorld. As there were no fees of a similar nature in the current year ended 31 December 2014, comparable GGR for 2013 is shown excluding the effects of this fee.

Management Discussion and Analysis

Mass Market (Public Floor Tables and Electronic Gaming)

The Group achieved a growth of 16% in Public Floor Tables buy-ins and 8% in Electronic Gaming bills-in respectively. Gross profit margin increased marginally to 96% (2013: 95%).

The growth of Public Floor Tables is attributable to the steady growth in visitation to the property as well as the improvement in table game productivity. The Group's strategy of segmenting the public floor players with its concept of casino cells continued to work well; increasing business volume in the premium mass gaming areas, namely NagaRock and Saigon Palace.

In the Electronic Gaming segment, after allowing for the non-refundable entrance fee in 2013, revenue decreased marginally as a result of lower win-rate despite an increase in volume (bills-in). The 8% increase in bills-in exceeded tourism growth of approximately 6%. The decrease in the win rate can be attributed to a combination of the increasing popularity of the electronic table game products with a lower hold percentage, as well as the disruption during refurbishment.

The Group's loyalty program, the Golden Edge Rewards Club, has been tracking well with increasing membership. As at 31 December 2014, the club had approximately 19,000 active members. This has allowed the Group to continue its efforts to understand its members' profiles, create targeted marketing promotions and rollout player development initiatives to drive visitation and increase spend per player on the mass gaming market.

To increase visitation to NagaWorld, the Group purchased two Airbus A320s, which have been leased to an independently operated airline, Bassaka Air. Once the appropriate approvals and certification have been obtained Bassaka will, through collaboration with key Chinese travel agents, increase flights to Phnom Penh targeting the Mass Market players with packaged accommodation at NagaWorld. The Group also intends to use these aircraft, in addition to the private jets, to fly VIP players from various parts of Asia targeting destinations which do not have direct flights to Phnom Penh.

VIP Market

The Group's VIP Gaming comprises players brought in by junkets, who are either under a commission or incentive program, and premium direct players without an intermediary. The overseas junket incentive program introduced in March 2013 has enabled the Group to increase the existing table limits, whilst managing volatility and credit risk.

The incentive program has continued to develop with sequential increases in rollings for the year ended 31 December 2014. Total VIP rollings increased by 35% to US\$6.2 billion and the overall win rate was 3.0% (2013: 2.9%). As a result, total VIP Gaming revenue increased by 41% to US\$188.2 million.

To enhance and increase its VIP gaming space, the Group opened a new VIP gaming area on level 3 of the hotel block adding approximately 47 VIP gaming tables in July 2014. This new VIP gaming area will enable the continued expansion of the gaming operations of the new junket operators signed in 2014, and in the coming months.

Non-Gaming – Hotel, Food & Beverage and Entertainment

Non-Gaming revenue increased by 14.4% to US\$22.9 million, primarily due to an increase in the number of room nights sold at NagaWorld.

The Group continued its efforts to provide internationally recognized products and services to both gaming and non-gaming patrons whilst continuing to grow market share through its unique position in the region. The expected completion of the NagaCity Walk in

the third quarter of 2015 and its subsequent opening in the first quarter of 2016 will enhance the retail experience available to the patrons and further strengthen NagaWorld's overall appeal to both the VIP Market and Mass Market. NagaWorld has entered into an agreement with the China Duty Free Group, the largest duty-free operator in China, to lease not less than 2,400 square metres in the NagaCity Walk, to operate duty-free shopping in the premises.

Revenue and Gross Profit Analysis (including effects of 2013 EGM Entrance Fee)

Table 2(a)

| 2014 | Revenue | | Gross Profit | | Gross Profit Margin |
|-------------|---------|----------------|--------------|----------------|---------------------|
| | US\$'m | % contribution | US\$'m | % contribution | % |
| Mass Market | 193.2 | 48% | 184.9 | 68% | 96% |
| VIP Market | 188.2 | 47% | 68.9 | 25% | 37% |
| Non-gaming | 22.9 | 5% | 18.9 | 7% | 83% |
| Total | 404.3 | 100% | 272.7 | 100% | 67% |

Table 2(b)

| 2013 | Revenue | | Gross Profit | | Gross Profit Margin |
|-------------|---------|----------------|--------------|----------------|---------------------|
| | US\$'m | % contribution | US\$'m | % contribution | % |
| Mass Market | 191.7 | 55% | 181.9 | 73% | 95% |
| VIP Market | 133.2 | 39% | 53.9 | 22% | 40% |
| Non-gaming | 20.0 | 6% | 12.8 | 5% | 64% |
| Total | 344.9 | 100% | 248.6 | 100% | 72% |

Management Discussion and Analysis

The Group recorded a gross profit increase of 10% to US\$272.7 million for the year ended 31 December 2014. Excluding the effects of the 2013 EGM entrance fee, the increase was 17%. The gross profit increase in the VIP Market from US\$53.9 million to US\$68.9 million was driven by higher win rates and rollings, partially offset by higher direct costs paid to junket operators as reflected in the drop in the gross profit margin from 40% to 37%. The Mass Market continued to generate a high margin of 96% (2013: 95%).

Administrative and Other Operating Expenses (Before Impairment Losses, Depreciation and Amortisation)

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 26% to US\$98.8 million for the year ended 31 December 2014. Increased expenses were required to support the higher business volume across all segments. Further, to ensure NagaWorld remains internationally competitive and prepare for the next growth phase, a comprehensive review of salaries and wages was undertaken and pay rises granted. Significant increases were awarded especially to front-line staff to improve service standards and retention. Additionally, the Group has hired a number of experienced and qualified staff to facilitate the regional marketing efforts and ongoing property enhancements at NagaWorld.

Finance Costs

The Group did not incur any finance costs as there were no financing arrangements as at 31 December 2014. The Group has continued to remain ungeared.

Net Profit

Net profit attributable to the shareholders of the Group, or net profit, decreased by 3.0% to US\$136.1 million for the year ended 31 December 2014. Excluding the effects of the 2013 EGM entrance fee, the Group recorded an increase in net profit of 9%. Net profit margin for the year decreased from 40.7% to 33.7% due to the increased contribution from the lower margin VIP Gaming as well as increased operating expenses.

Earnings per share were US cents 5.96 (HK cents 46.19 per share) and US cents 6.28 (HK cents 48.67 per share) for the year ended 31 December 2014 and 2013 respectively.

Financial Review

Pledge of Assets

As at 31 December 2014, the Group had not pledged any assets for bank borrowings (31 December 2013: Nil).

Exchange Rate Risk

The Group's income is earned principally in United States dollars. The Group's expenditure is paid principally in United States dollars and to a lesser extent in Cambodian Riels and Russian Ruble. The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

Share Capital

During the year ended 31 December 2014, the Company repurchased 11,490,000 of its ordinary shares of US\$0.0125 each on the Stock Exchange for an aggregate consideration of HK\$69,371,020 (equivalent to approximately US\$8,947,000) excluding transaction costs. These repurchased shares, which are held by the Company in treasury as at the date of this report, will be cancelled in due course.

Further details of the repurchase by the Company of its ordinary shares during the year are disclosed under the section headed “Purchase, Sale or Redemption of Listed Securities” in the Report of the Directors below.

Subsequent to the year-end, the Company further repurchased a total of 600,000 ordinary shares of the Company on the Stock Exchange on 2 January 2015 for an aggregate consideration of HK\$3,798,840 (equivalent to approximately US\$490,593) excluding transaction costs. All these repurchased ordinary shares, together with the abovementioned 11,490,000 ordinary shares repurchased but not cancelled during the year, are held by the Company in treasury as at the date of this report and will be cancelled in due course.

Issue of New Shares

There were no shares issued by the Company during the year ended 31 December 2014.

Funds Raised by the Issue of New Shares in March 2013 and Use of Proceeds

Reference is made to (i) the announcement of the Company dated 14 March 2013 in relation to the placing of existing shares and top-up subscription of new shares under the general mandate (the “Top-up Placing and Subscription”), (ii) the announcement of the Company dated 27 March 2013 concerning the completion of the Top-up Placing and Subscription and (iii) the interim results announcement of the Company dated 6 August 2014 (collectively, the “Announcements”).

During the year ended 31 December 2013, approximately 74% of the net proceeds from the Top-up Placing and Subscription (the “Net Proceeds”) had been utilised or deployed for such projects as the upgrading of the transportation services, the development of VIP suites at NagaWorld and as working capital for the general development of the high roller business of the Company. As at 31 December 2014, approximately 83% of the Net Proceeds had been utilised or deployed in accordance with the intended use as disclosed in the Announcements. As at 31 December 2014, the remaining 17% of the Net Proceeds amounting to approximately HK\$192 million remains unspent and continues to be utilised or deployed in line with the Announcements.

Management Discussion and Analysis

Liquidity, Financial Resources and Gearing

As at 31 December 2014, the Group had total cash and cash equivalents, fixed deposits and bonds of US\$204.0 million (31 December 2013: US\$252.1 million).

As at 31 December 2014, the Group had net current assets of US\$199.3 million (31 December 2013: US\$230.8 million). The Group had net assets of US\$625.5 million as at 31 December 2014 (31 December 2013: US\$600.0 million).

As at 31 December 2014 and 31 December 2013, the Group had no outstanding borrowings.

Capital and Reserves

As at 31 December 2014, the capital and reserves attributable to owners of the Company was US\$625.5 million (31 December 2013: US\$600.0 million).

Employees

As at 31 December 2014, the Group employed a total work force of 5,417 (as at 31 December 2013: 4,894), stationed in Cambodia, Hong Kong, Macau, Malaysia, Thailand, United Kingdom, United States and Vietnam. The remuneration and staff costs for the year were US\$48.7 million (year ended 31 December 2013: US\$34.7 million).

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables. The increase in net trade receivables from US\$9.5 million to US\$12.5 million during the year was due to new credit facilities extended to overseas junket operators under the new incentive program.

For the year under review, the Group has made the provision of impairment loss of US\$1.5 million (31 December 2013: Nil) and bad debts written off amounted to US\$1.7 million (31 December 2013: US\$5.7 million). These debts had been fully provided for in previous years.

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure they are competitive and are in line with the Group's risk management strategy.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

There were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended 31 December 2014.

Events after Reporting Period

On 2 January 2015, the Company repurchased 600,000 of its ordinary shares at prices ranging from HK\$6.29 to HK\$6.35 per share on the Stock Exchange. All these repurchased ordinary shares are held by the Company in treasury as at the date of this report and will be cancelled in due course.

Save as aforesaid or as otherwise disclosed herein, there were no major subsequent events occurred since the end of the reporting period and up to the date of this report.

Project Updates and Prospects

Update on Naga2

As disclosed in the interim results announcement of the Company dated 6 August 2014, NagaCity Walk was scheduled for physical completion by the end of 2014, with operations commencing mid 2015. Based on the current state of the project, NagaCity Walk with its retail mall is scheduled for physical completion by the third quarter of 2015 and expected to commence operations in the first quarter of 2016. The TSCLK Complex remains on schedule for completion by late 2016, with operations commencing in 2017.

It is anticipated that the completion of Naga2, together with the present NagaWorld facility, will further enhance the position of the complex as the leading integrated gaming and entertainment destination in Indochina.

Update on the Investment Project in Vladivostok

As disclosed in the interim results announcement of the Company dated 6 August 2014, the Group established certain indirect subsidiaries in Russia for the purposes of undertaking its gaming and resort development project in Vladivostok, Russia (the "PERC Project").

It is expected that the PERC Project will commence operation not later than 2018.

The Group believes that its strategy of diversifying its business geographically and expanding into a new casino market will drive revenue growth in the long term.

Management Discussion and Analysis

Prospects

The downturn in gaming in Macau offers opportunities for the Group to further penetrate the Chinese gaming market in both the VIP and Mass Gaming segments, by offering better commercial terms to junket operators and agents as a result of NagaWorld's low cost structure. The Group plans to sign up more Macau based junket operators in the coming months as they seek to diversify their operations to other parts of Asia. The 35% increase in VIP rollings in 2014 demonstrates NagaWorld's incentive program's success in promoting NagaWorld to a wider range of operators and players, particularly from China. Moving forward, the Group intends to improve its margins as it captures a larger share of the Asian VIP gaming market.

With regard to the Mass Market, the Group is also focused on developing the China market by improving accessibility to Phnom Penh, using its recently acquired Airbus A320s and collaborating with key outbound Chinese travel agents. The appeal of Cambodia as a travel destination for the Chinese tourists is evident from the continued strong growth of Chinese visitation, which recorded a 22% increase for the 11 months ended 30 November 2014.

The expected opening of the NagaCity Walk with its retail mall in early 2016 is intended to enhance NagaWorld's appeal to both the Mass and VIP Markets.

Interim and Final Dividend

The Board recommends the payment of Final Dividend of US cents 2.11 per share (or equivalent to HK cents 16.35 per share) for the year ended 31 December 2014 to shareholders whose names appear on the Company's register of members on Tuesday, 21 April 2015. Subject to the approval of the shareholders of the Company at the annual general meeting to be held on Wednesday, 15 April 2015 ("2015 AGM") the Final Dividend is expected to be paid to shareholders by post on or about Monday, 4 May 2015. The proposed Final Dividend together with an interim dividend of US cents 2.07 per share (or equivalent to HK cents 16.04 per share) paid on Wednesday, 17 September 2014, the total dividend declared for the financial year ended 31 December 2014 would thus be US cents 4.18 per share (or equivalent to HK cents 32.40 per share).

Closure of Register of Members

1. 2015 AGM

The register of members will be closed from Monday, 13 April 2015 to Wednesday, 15 April 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2015 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 April 2015.

2. Proposed Final Dividend

The register of members will be closed on Tuesday, 21 April 2015. The ex-dividend date will be Friday, 17 April 2015. In order to qualify for the proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the abovementioned address not later than 4:30 p.m. on Monday, 20 April 2015.

Directors' Profile

Timothy Patrick McNally

Chairman

Timothy Patrick McNally, age 67, joined the Company in February 2005 as Chairman of the Board. He also serves as Chairman of the AML Oversight Committee of the Company. From April 1999 until October 2005, Mr. McNally was the Executive Director of Security and Corporate Legal Services for the Hong Kong Jockey Club. He was a member of the Executive Board of Management responsible for corporate governance issues.

Mr. McNally is currently an international security consultant and is the President of B2G Global Strategies headquartered in California. Mr. McNally was a Special Agent of the Federal Bureau of Investigation ("FBI") for almost 25 years. His career focused on the investigation and prosecution of serious crimes including organized crime, drug trafficking, public corruption and fraud matters.

During his career with the FBI, Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues arising with the US Congress. Mr. McNally held several senior positions within the FBI and was the head of the FBI's Los Angeles Office at the time of his separation. During the period 1993 through 1999, he was cited on numerous occasions for exceptional leadership and meritorious performance by the Director of the FBI, Attorney General, and President of the United States.

Mr. McNally is a member of the Asian Society of Southern California, the National Executive Institute and the Society of Former Special Agents of the FBI. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He received a Juris Doctorate (JD) degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin.

Tan Sri Dr Chen Lip Keong

Founder, Controlling Shareholder and Chief Executive Officer

Tan Sri Dr Chen Lip Keong ("TSCLK"), age 67, an Executive Director of the Company, is the founder, controlling shareholder, Chief Executive Officer and a member of the Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. TSCLK is also a director of several subsidiaries of the Company and a director of Fourth Star Finance Corp. which is a substantial shareholder of the Company. An Executive Director of the Company, Mr. Chen Yepern is a son of TSCLK.

TSCLK has many years of entrepreneurial, business and managerial experiences and in Malaysia, he is also the controlling shareholder of Karambunai Corp Bhd ("KCB"), FACB Industries Incorporated Berhad ("FACBI") and Petaling Tin Berhad, which are all listed on the Bursa Malaysia Securities Berhad. TSCLK is the president and executive director of KCB and FACBI.

Philip Lee Wai Tuck

Executive Director

Philip Lee Wai Tuck, age 52, is a qualified Certified Public Accountant. Mr. Lee has experience in various industries before joining the Group in 2009. He has previously worked in or held directorships in various companies listed on the Bursa Malaysia Securities Berhad. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. He is presently Chief Financial Officer of the Company and a director of several of the Company's wholly-owned subsidiaries, namely NagaCorp (HK) Limited, NAGAWORLD LIMITED, Naga Sports Limited, Naga Travel Limited, Naga Retail Limited, Naga Entertainment Limited, Naga Services Limited, Naga Media Limited, Naga Management Limited, NagaJet Management Limited, NagaWorld (Macau) Limitada, Naga Russia Limited, Naga Russia One Limited, Naga Hotels Russia Limited, NagaWorld Travel Limited and NagaWorld Three Limited. He also acts as the general director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company. Mr. Lee oversees the financial, treasury and business operations of the Group.

Mr. Lee is a member of the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and CPA Australia.

Chen Yepern

Executive Director

Chen Yepern, age 31, was appointed an Executive Director on 14 February 2011. He is also a member of the Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. Mr. Chen graduated with a Bachelor of Science degree in Finance from the California State University, Northridge in 2009 and subsequently worked at Caesar's Palace in 2010.

Mr. Chen is currently a director of several wholly-owned subsidiaries of the Company, namely NagaCorp (HK) Limited, NAGAWORLD LIMITED, Naga Sports Limited, Naga Travel Limited, Naga Retail Limited, Naga Entertainment Limited, Naga Services Limited, Naga Media Limited, Naga Management Limited, NagaJet Management Limited, Naga Russia Limited, Naga Russia One Limited, Naga Hotels Russia Limited, NagaWorld Travel Limited, NagaWorld Three Limited and NagaWorld (Macau) Limitada. He also acts as the general director and legal representative of Naga Services Company Limited, a wholly-owned subsidiary of the Company. Mr. Chen is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, founder and controlling shareholder of the Company.

Directors' Profile

Michael Lai Kai Jin

Independent Non-executive Director

Michael Lai Kai Jin, age 45, was a Non-executive Director from 31 May 2010 to 5 April 2011 and was redesignated as Independent Non-executive Director on 6 April 2011. He is also a member of the Audit Committee, Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in Singapore, Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the Chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association.

Mr. Lai is currently the Chairman of PVKeez Pte Ltd ("PVKeez"), a joint venture between EOC Ltd, Ezra Holdings Ltd, Keppel Corporation Ltd and PetroVietnam Transportation Corporation. PVKeez was set up for the conversion, management and operation and offloading facility in Vietnam's Chim Sao oilfield.

Mr. Lai is an Independent Director of Select Group Ltd and Interlink Petroleum Ltd, the securities of these two companies are listed on the Singapore Stock Exchange and Mumbai Stock Exchange respectively.

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

Independent Non-executive Director

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, age 75, has been an Independent Non-executive Director since 17 September 2007. He is also the Chairman of the Remuneration Committee and Nomination Committee of the Company, and a member of the Audit Committee of the Company. Tan Sri Kadir is a Barrister-At-Law of Lincoln's Inn, London. He was a practicing lawyer at Hisham, Sobri & Kadir and Kadir, Khoo & Aminah and a prominent politician in Malaysia and has served the Federal Government of Malaysia for more than 30 years. His involvement in the Malaysia Federal Government service began in 1970 where he held the position of Political Secretary, Parliamentary Secretary, Deputy Minister and Minister in various ministries. He was holding the position of Minister of Information prior to his resignation from the Cabinet in 2006. Prior to that, he was the Minister of Culture, Arts and Tourism from 1999 to 2004 where he was also the Chairman of Malaysia Tourism Promotion Board.

Lim Mun Kee

Independent Non-executive Director

Lim Mun Kee, age 48, has been an Independent Non-Executive Director of the Company since 17 September 2007. Mr. Lim is the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company.

Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants since year 1997.

Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has more than 20 years of valuable experiences gained through his working career in various fields including auditing, financial, corporate and management level. Currently, Mr. Lim is managing his own business in Malaysia.

Mr. Lim is also an Independent Non-Executive Director of Petaling Tin Berhad, FACB Industries Incorporated Berhad and Karambunai Corp Berhad, all of which are listed on the Bursa Malaysia Securities Berhad and controlled by Tan Sri Dr Chen Lip Keong, an Executive Director and controlling shareholder of the Company.





NAGAWORLD
PRIMO PRIMO
金野

CAMBODIA FEATHERWEIGHT
GRAND PRIX CHAMPION

ALL EXPENSES PAID OVERSEAS
MMA TRAINING CAMP

RISE OF THE KINGDOM

Corporate Social Responsibility

For the past two decades, NagaCorp has contributed positively to the development of the economy and the community of Cambodia. Corporate Social Responsibility (“CSR”) is more than addressing community welfare, it is also about developing a sustainable business strategy and conducting business with a conscience and a longer term view - caring also for the environment, customers, employees and stakeholders.



NagaCorp Kind Hearts – Staff Volunteer Team

a. Caring for children’s education

Formed in March 2014, NagaCorp Kind Hearts (“NKH”) is a grassroots initiative developed by NagaCorp’s staff. In its first year, the NKH team aimed to support schools and organizations by creating a better environment and enhancing the learning and education process for school children.

The NKH team travelled to various schools and non-profit organizations to distribute school supplies. To date, more than 30,000 children in 49 schools and 6 non-governmental organisations (“NGO”) have benefited.

NKH donated more than 1,600 bilingual story books (in Khmer and English) under the “Library Enrichment Program” with the aim to foster a reading culture and improve basic English among Cambodian children.





NKH has assisted to improve some infrastructure in several schools and NGOs - this included concreting muddy floors of classrooms, donating a PA system and repairing water pumps for several primary schools.

b. Sports for kids

NKH also contributed in the development of sports for kids through its football and volleyball “clinics” and this has benefited more than 300 young talented players.



Corporate Social Responsibility

c. Educating kids on Sustainability

Under the guidance of NagaCorp's Sustainability Department, NKH had initiated "fruit tree planting program" at several schools. The program not only provides awareness among children on environmental issues, but also serves as a future source for nutrition.



Naga Academy - Empowering our Youth

Tourism plays a paramount role in the economic growth in Cambodia and as a result, there is a growing need for a well-trained workforce in Cambodia's hospitality industry. NagaCorp set up the Naga Academy in November 2012.

Naga Academy's vision is to provide effective and comprehensive apprenticeship-based hospitality training and to nurture the future of Cambodian people through skills training. The three to six month program aims to train them as professionals in hospitality-related skills in eleven core areas: Food and Beverage ("F&B") Service, F&B Kitchen, Front Office, Housekeeping, IT, Human Resources, Cashier, Maintenance & Engineering, Audiovisual, Sales and Marketing, and Banquet and Events.

In 2014, Naga Academy recruited, groomed and trained just under 1,000 interns coming from its 24 school partners, which include NGOs, universities and vocational schools. The majority of the trainees were hired as permanent employees of NagaCorp and the rest found jobs elsewhere with Naga Academy assistance, in the hospitality industry such that no trainees was left unemployed.



Through on-the-job training and classroom academic sessions, Naga Academy aims not only to equip the trainees with hospitality-related skills but also to empower them with the right attitude and knowledge to succeed in today's dynamic social and economic environment. Naga Academy provides a sustainable source of talent and skilled workforce to assist to satisfy Cambodia's booming hospitality industry, as well as NagaCorp's growth and demand.

Youth and National Sports Development

Sports development is an important component of NagaCorp's CSR program. Sport develops character, fosters teamwork and leadership and helps to revitalize disadvantaged communities in a sustainable way. NagaCorp has been working closely with the National Olympic Committee of Cambodia, sponsoring the South East Asian ("SEA") Games and supporting the Rugby Federation, the Football Federation, kick-boxing and tennis. In 2014, NagaCorp continued to support the Cambodia sports sector with its new sponsorship at One Fighting Championship ("One FC"), supporting Khmer Boxing across the region and sponsorship for Asian Games.

Corporate Social Responsibility

a. Asian Games 2014

NagaCorp's continuous support for the Cambodia contingent in the SEA Games was extended to its inaugural sponsorship for the Asia Games 2014 held in Incheon, Korea. At this year's Incheon Asian Games, the Kingdom of Cambodia had much to celebrate as Taekwondo athlete, Sorn Seavmey, won the country's first ever gold medal since 1970. NagaCorp rewarded the Gold medalist with US\$10,000 as a form of recognition for her efforts and determination as a sportsman and bringing glory to the Kingdom.



b. Asia Beach Games

At the Beach Games in Phuket, Cambodian wrestler, Ni Samnang, earned a bronze medal. NagaCorp offered US\$3,000 for the Bronze medalist as recognition for bringing glory to the Kingdom.

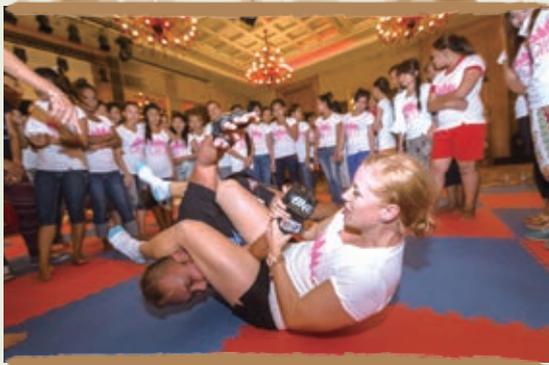
c. Kick Boxing – One Fighting Championship

NagaCorp signed a 2-year partnership agreement with One FC – Asia's biggest Mix Martial Arts organizer in early 2014. Cambodian martial arts are deeply rooted in the Khmer culture and date as far back to the Angkoran era. Even today, Kun Khmer or Cambodian kickboxing is still a favorite sport practiced and watched by many in Cambodia. The community will be able to enjoy world class martial arts event live in Phnom Penh, as the partnership ensures at least two One FC events hosted in Phnom Penh. This collaboration will showcase Cambodian fighters and its culture of Khmer Boxing to over a million households.

Making its debut, the "Rise of the Kingdom" was held on 12 September 2014 at Koh Pic Theatre which attracted close to 5,000 local and foreign sports enthusiasts. Six Cambodian fighters were featured during the event and the winner and runner up of the fights were rewarded with an all expenses trip to train in Thailand with world class fighters.



Prior to the actual show event, NagaCorp also hosted One FC's Vice President, Rich Franklin, former Middleweight Champion, giving motivational seminars to our local community and athletes. A separate self-defense class for a local NGO and NagaCorp employees was also conducted at the hotel by female fighter, Ms. Anna Osman from Malaysia.



The international partnership between NagaCorp and One FC is a win-win collaboration where it serves to showcase the Kingdom of Cambodia - its people, its culture and its legacy and promote NagaWorld Entertainment Complex.

At the local grassroots level, NagaCorp continued to partner with Apsara TV to support its popular monthly Khmer Traditional Kick-Boxing.

d. Tennis - Davis Cup 2014

NagaCorp continued to collaborate with the Tennis Cambodia Federation ("TCF") and was the main sponsor of the Cambodia squad in the Davis Cup, for the third year in succession.

NagaCorp's sponsorship included the team's attire, as well as all flights, accommodation and other miscellaneous costs. The sponsorship enabled Cambodia Tennis squad's participation in this international premier sporting event.

The annual international event was held in Iran this year and the Cambodia Davis Cup squad competed in Asia/Oceania Group III after advancing from Group IV in 2013. The squad was vying for the title against seven other teams: Iran, Syria, Lebanon, Malaysia, Singapore, Turkmenistan and United Arab Emirates for the two promotional tickets to Group II.



Corporate Social Responsibility

e. Football

For Cambodians, football is one of their favorite sports, evidenced by the many futsal courts sprouting in the city. NagaCorp views the sport as a development ground for young talent, a springboard to a better future and a platform for growth of the society and country. Hence, the NagaCorp Football Club (“NFC”) was borne in 2002 with local players.

NFC is a member of the top Cambodian professional league. It has won the prestigious Hun Sen Cup and took part in many local and international competitions to date. In 2014, NFC competed in several international friendly games with the Thai Premier League teams, BEC TERO SASANA and CHAINAT FC, as well as the Singapore Champions, Tampines Rovers. NFC was also invited by the Singapore Football Association to participate in its prestigious Singapore Cup competition for the very first time.

NFC partnered with Cambodia’s largest youth organization, Union of Youth Federation of Cambodia (“UYFC”), for this year’s UYFC Futsal Championship, which saw over 50 teams from across Cambodia participating in the competition.



Sustainability

Over the past 50 years, sustainability has evolved from a concept discussed among scientists and economists; to become one of the most viable integrated business models, it is used to answer today and tomorrow's issues.

Simply speaking, being sustainable is to live and operate the business in a way that satisfies today's needs, without compromising the ability of future generations. At NagaCorp, we have incorporated the concept of sustainability to assist our analysis to make the right decisions, and guide us through the maze of challenges.

Walking the sustainable path

Since NagaCorp was founded 20 years ago, our Chief Executive Officer has emphasized that the business must be responsible and transparent. This philosophy has been reinforced over the years as NagaCorp has become one of the major participants in the gaming industry in the Asian region, and a major employer in Cambodia. Following the initial commitment in 2010, a department dedicated to sustainability has been set up with the mission to improve NagaCorp's environmental performance, and to reduce its ecological footprint. The team is composed of a Sustainability Manager assisted by a committee with representatives from every major department. A sustainability program has been designed to target the core areas considered most significant for the Company at this time. Energy, carbon, water, waste, air and awareness have been designated as priorities for NagaCorp; with policies, and projects, implemented and monitored to target these priorities.

Achievements



NagaWorld has been certified by Green Key for its environmental practices, becoming the first integrated resort in Asia to earn the prestigious environmental certification. This achievement has been possible by the collective efforts of the sustainability team supported and encouraged by senior management. Green Key Global is the leading environmental certification body designed specifically to recognise lodging properties committed to improving their sustainable initiatives all over the world. NagaWorld has earned the third level out of five, attesting that significant steps to protect the environment have been taken.

NagaCorp is determined to continuously improve its practices, and will continue to be an active member of the eco-responsible community in Cambodia and the world. We strongly believe that with good intentions and proper effort, we can make a difference for our customers, our employees, and our community.

Sustainability

Energy

Reducing energy consumption is one of our priorities. Projects include monitoring to benchmark and measure consumption. We have replaced 50% of the inefficient and energy hungry lighting with energy efficient LED lighting, enhanced the automation systems, installed presence sensors and some smart controls in our kitchens and introduced a continuous improvement program to ensure the installed systems are operating in an optimal manner. Our goal is to minimise our consumption and reduce wastage without impacting the customer or the safety of the operations.

Carbon

The strategy to reduce carbon dioxide, and its equivalents, has two major components: indirect and direct emissions. Indirect emissions are those produced while manufacturing and transporting the products and services we consume. We promote locally sourced products when available and work closely with our suppliers to develop local supply chains. Direct emissions are the CO₂e emitted by our activities (facilities, buses, cars, and aircraft); monitoring is performed in compliance with ISO 14064-1, and we are working to minimise the CO₂e released by implementing carbon alternative projects.

Water

We are working continuously to use water in a responsible manner. We have developed strategies to reduce our water consumption using mechanical systems, as well as rethinking the way we consume water. Examples of changes include the “opt-in” initiative which offers guests the choice to decline daily linen changes saving, water and energy. Additionally there is an ongoing program designed to increase the efficiency of HVAC systems which will reduce the amount of water consumed. We are educating our customers and our employees on the importance of water and providing information about how they may contribute, both at NagaWorld and at home. NagaCorp will save water, one drop at a time.

Waste

NagaCorp has embraced the 3R strategy: Reduce, Reuse and Recycle; to reduce the amount of waste produced and sent to landfill. The purchasing team developed a Sustainability Policy to encourage the use of goods with low negative impact on the environment and humans, and to emphasise life cycle thinking in every decision. We minimise our consumption and reduce waste without impacting the customer, and we reuse as much as possible when safety and hygiene are not compromised. Partially used products are collected from the guest rooms and used in back of house facilities. We collect and recycle paper, plastic, glass, oils, batteries and toners. We have commenced installing energy efficient hand dryers in public and employee facilities enabling us to reduce the consumption of paper towels; we estimate we will save the equivalent of 35 trees per hand dryer every year.

Air 

NagaCorp is actively working to provide good air quality inside its facilities. Regular monitoring is performed in accordance with international standards and adjustments are made to the systems to provide a safe and comfortable environment for our customer and our employees.

Awareness 

NagaCorp is committed to being a responsible and proactive member of the community. Our goal is to inform people about sustainable options, because we believe knowledge leads to change and ultimately positive results. NagaCorp has commenced providing employee training and encourages employees to contribute their ideas on improving sustainability at NagaCorp.





Corporate Governance Report

The Board of the Company is committed to maintaining a high standard of corporate governance and ensuring integrity, transparency and comprehensive disclosure.

Corporate Governance Practices

In the opinion of the Company's directors (the "Directors"), having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as explained below), the Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 December 2014, except for the following deviation:

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to the Company's another business engagement, the Chairman of the Board and of the AML Oversight Committee, Mr. Timothy Patrick McNally was unable to attend the annual general meeting of the Company held on 9 April 2014 (the "2014 AGM"). Mr. Philip Lee Wai Tuck, the Chief Financial Officer and the Executive Director of the Company, took the chair of the 2014 AGM and the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, and one member of the AML Oversight Committee were present to be available to answer any question to ensure effective communication with the shareholders of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct of the Directors in respect of transactions in securities of the Company. Following specific enquiry by the Company, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2014.

The Board

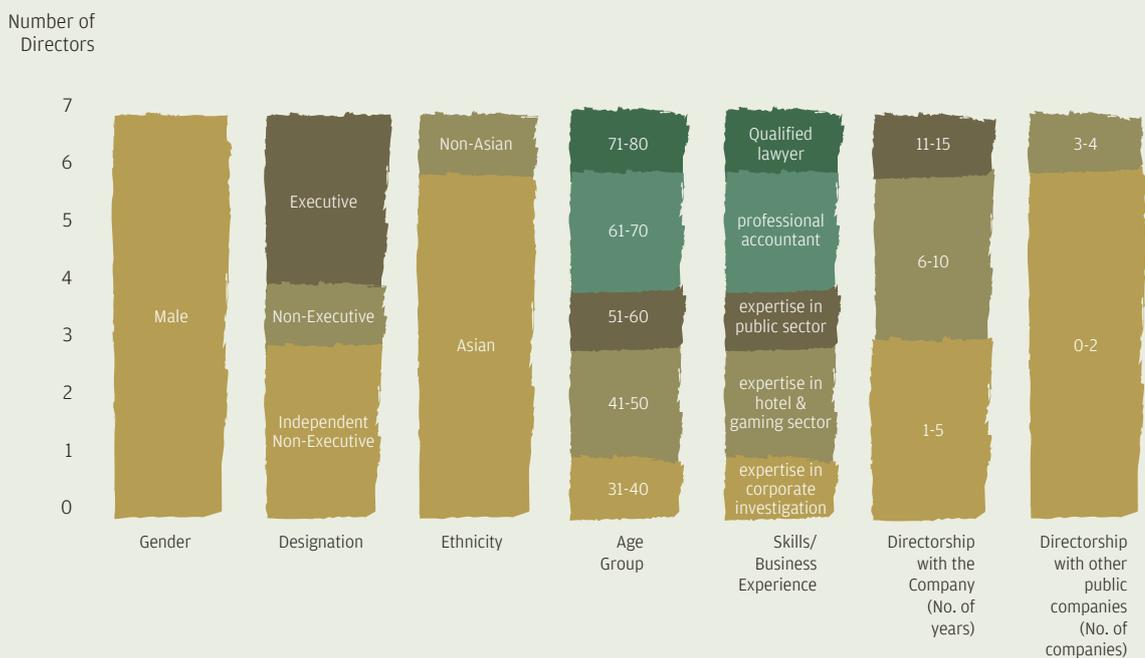
The Company has a Board with a balanced composition of Executive and Non-executive Directors to provide for leadership, control and management of the Company's business and affairs. The Board is committed to making decisions objectively in the interests of the Company.

The Board currently consists of three Executive Directors namely, Tan Sri Dr Chen Lip Keong (Chief Executive Officer), Mr. Philip Lee Wai Tuck (Chief Financial Officer) and Mr. Chen Yepern, one Non-executive Director namely, Mr. Timothy Patrick McNally (Chairman), and three Independent Non-executive Directors namely, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin.

The composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group.

Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed “Directors’ Profile” in this annual report.

An analysis of the current Board composition is set out in the following chart:



The Company has throughout the year complied with the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing at least one-third of the Board, with at least one Independent Non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. The Company has received from each of the Independent Non-executive Directors his latest annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent.

Save for the fact that Mr. Chen Yepern is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, Executive Director and controlling shareholder of the Company, to the best knowledge of the Directors, there is no

financial, business, family or other material/ relevant relationship among members of the Board and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

Board Process

The Board meets regularly and at least four times a year. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and Committee meetings, reasonable notices are given. Papers for Board meetings and Committee meetings together with all relevant information are normally sent to all Directors or Committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data.

Corporate Governance Report

In order to have an effective Board, Directors are provided with information on activities and developments in the Group's business on a regular and timely basis to keep them apprised of the latest developments of the Group. The Directors have full access to information on the Group and are able to seek independent professional advice whenever they deem it necessary.

The Company Secretary is responsible for maintaining minutes of all meetings of the Board and its Committees. Draft minutes are circulated to the Directors for comments within reasonable time after each meeting and the final version thereof, as approved formally by the Board or the relevant Committee, is filed for record purposes. All Directors have access

to the minutes of the Board and Committee meetings of the Company.

According to the current Board practice, each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at Board meetings. The Company's articles of association also contain provisions requiring the Directors to abstain from voting on resolutions approving transactions in which such Directors or any of their associates have a material interest.

For the financial year ended 31 December 2014, five board meetings and one general meeting were held. Details of the attendances of the Board meetings and general meeting are set out below:

| Directors | Number of meetings attended/held | |
|--|----------------------------------|-----------------|
| | Board | General Meeting |
| Executive Directors | | |
| Tan Sri Dr Chen Lip Keong (<i>Chief Executive Officer</i>) | 5/5 | 0/1 |
| Mr. Philip Lee Wai Tuck (<i>Chief Financial Officer</i>) | 5/5 | 1/1 |
| Mr. Chen Yepern | 4/5 | 0/1 |
| Non-executive Director | | |
| Mr. Timothy Patrick McNally (<i>Chairman</i>) | 5/5 | 0/1 |
| Independent Non-executive Directors | | |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir | 5/5 | 1/1 |
| Mr. Lim Mun Kee | 5/5 | 1/1 |
| Mr. Michael Lai Kai Jin | 3/5 | 1/1 |

Board Diversity

The Company acknowledged that diversity was important for the effective function of the Board and made progress in shaping the Board for the future by adopting the Board Diversity Policy in August 2013. With this policy, diversity will be ensured in its broadest definition. Below is a summary of the Company's Board Diversity Policy:

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

While the Board Diversity Policy is observed, all Board appointments will be based on meritocracy, and candidates will be considered against the measurable objectives as set out in the policy, having due regard for the benefits of diversity. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Chairman and The Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separated and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual of the Board. The Chairman, Mr. Timothy Patrick McNally is responsible for overseeing the function of the Board while the Chief Executive Officer, Tan Sri Dr Chen Lip Keong, is responsible for managing the Group's business and overall operations. There is a clear division of responsibilities between the Chairman and Chief Executive Officer.

Directors' Responsibilities

The Board is responsible for the management of the Company, which includes formulating business strategies, directing and supervising the Company's affairs. Executive directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

Corporate Governance Report

Directors' Commitment

Each Director is expected to give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Each Director is also requested to provide confirmation to the Company semi-annually and notify the Company Secretary in a timely manner of any change of such information.

Induction, Familiarisation and Training

Upon appointment, every Director is given comprehensive documentation of the business operation of the Group and regulatory and statutory requirements as director and receives briefings from senior executives and department heads of the Group.

To ensure the effective fulfilment of the roles of the Directors on the Board, various steps are taken to ensure that all Directors continually update and refresh their knowledge and skills, as well as familiarize themselves with the Company through gaining access to its operation and employees.

The Board aims to hold at least one Board meeting per year at the Company's head office in Cambodia and takes the opportunity to discuss business issues, risks and strategy with the local management. During the year, two Board meetings were held at NagaWorld in Cambodia. Such site visits assist the Non-executive Directors in familiarizing themselves with, and gaining a greater insight into, the Group's businesses.

Directors' training is an ongoing process. During the year, the Company had from time to time provided internal training on business ethics compliance and briefings to all Directors, namely Mr. Timothy Patrick McNally, Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yepern, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin, to develop and refresh the Directors' duties and responsibilities. The Company also continuously updates the Directors on the changes and development to the Group's business and to legislative and regulatory environment in which the Group operates. All Directors are encouraged to attend relevant training courses at the Company's expense. Since April 2012, all Directors have been required to provide the Company with their training records, and such records have been maintained by the Company Secretary.

The Board also recognizes the importance of ongoing professional development of senior management so that they can continue to contributing to the Company. To keep them abreast of the market development and applicable rules and regulations for the fulfilment of their duties and responsibilities, all members of senior management are encouraged to attend briefings and seminars as appropriate. The training and continuous professional development of Directors and senior management shall be reviewed by the Board on an annual basis.

Delegation by The Board

The Board has established various board committees including the Audit Committee, Remuneration Committee, Nomination Committee and AML Oversight Committee, and delegated authority to them for overseeing certain aspects of the Company's affairs. There are clear written terms of reference for the Board Committees and requirements for them to report to the Board regularly on their decisions and recommendations. The day-to-day management of the operations of the Company is delegated to the divisional heads.

Audit Committee

The Company has established written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Lim Mun Kee, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Michael Lai Kai Jin. The Audit Committee is chaired by Mr. Lim Mun Kee.

The principal responsibilities of the Audit Committee include, amongst others, ensuring the objectivity and credibility of financial reporting and internal control principles as well as maintaining an appropriate relationship with the external auditor of the Company.

The Audit Committee is also responsible for reviewing the Group's whistle-blowing procedures allowing employees to raise concerns, in confidence or anonymously, about possible improprieties in financial reporting, internal control or other matters and to ensure that these arrangements allow fair and independent investigation of such matters and appropriate follow up action.

To perform its duties, the Audit Committee is provided with sufficient resources and is supported by the Internal Audit Department to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls.

For the financial year ended 31 December 2014, five Audit Committee meetings were held and details of the attendances of the Audit Committee members are set out below:

| Directors | Number of meetings attended/held |
|--|----------------------------------|
| Independent Non-executive Directors | |
| Mr. Lim Mun Kee (<i>Chairman</i>) | 5/5 |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir | 5/5 |
| Mr. Michael Lai Kai Jin | 3/5 |

In addition, the Audit Committee held private meetings with the external auditor without the presence of the management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

For the financial year ended 31 December 2014, the Audit Committee had considered, reviewed and/or discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditor including the terms of engagement; (3) the annual and interim financial results; (4) reports on the Group's internal audit; (5) reports on the Group's internal control with a focus on anti-money laundering ("AML") issued by an independent professional party; and (6) the revised AML Manual of the Group. Each member of the Audit Committee has unrestricted access to the external auditor and all senior staff of the Group.

Corporate Governance Report

The Audit Committee recommended to the Board that, subject to the approval of the shareholders at the forthcoming annual general meeting, BDO Limited be re-appointed as the external auditor of the Company.

Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of individual Directors and senior management is in place. Details of remuneration policies and other relevant information are set out in the Remuneration Committee Report.

Nomination and Appointment of Directors

A formal procedure for proposing changes to the Board is set up. Details of nomination procedure are set out in the Nomination Committee Report.

Internal Controls

The AML Oversight Committee currently consists of Mr. Timothy Patrick McNally, Tan Sri Dr Chen Lip Keong, Mr. Chen Yepern and Mr. Michael Lai Kai Jin. The principal responsibility of the AML Oversight Committee is to formulate policies and strategies on AML development and implementation programmes as well as to help ensure quality control and to act as an oversight committee on AML matters. Mr. Timothy Patrick McNally acts as the Chairman of the AML Oversight Committee.

For the financial year ended 31 December 2014, four AML Oversight Committee meetings were held and details of the attendances of the AML Oversight Committee members are set out below:

| Directors | Number of meetings attended/held |
|--|----------------------------------|
| Executive Directors | |
| Tan Sri Dr Chen Lip Keong | 4/4 |
| Chen Yepern | 3/4 |
| Non-executive Director | |
| Mr. Timothy Patrick McNally <i>(Chairman)</i> | 4/4 |
| Independent Non-executive Director | |
| Mr. Michael Lai Kai Jin | 3/4 |

The Company has engaged an independent professional party to review internal controls of the Group with a focus on AML for the financial year ended 31 December 2014. The independent professional party performed reviews of the internal controls of the Group and was of the view that, in general, the internal controls of the Group complied with the relevant recommendations of the Financial Action Task Force. For more details, please refer to the heading "Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd." in this annual report.

The Company has also engaged another independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2014. For more details, please refer to the heading "Independent Review of Investment Risks in Cambodia" in this annual report.

For the financial year ended 31 December 2014, the AML Oversight Committee had considered and reviewed and discussed (1) reports from the independent professional party; (2) re-appointment of the independent professional party; (3) report from AML Sub-Committee; (4) the revised AML Manual; (5) the revised terms of reference of the AML Oversight Committee; and (6) appointment of Compliance Officer of the Committee.

The Board, through the reviews made by the independent professional parties and the AML Oversight Committee, had reviewed the Group's internal controls and considered them to have been implemented effectively.

Management Functions

While the Board is responsible for the overall strategic direction and governance by considering and approving the Group's strategy, policies and business plan, the functions of implementing the approved strategy and policies as well as managing the day-to-day operations are delegated to the management under the Chief Executive Officer's leadership and supervision.

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statement of the external auditor of the Company, BDO Limited, about reporting responsibilities on the consolidated financial statements of the Group is set out under the heading "Independent Auditor's Report" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, including the induction and professional development of Directors, as well as communications among the Board members, with shareholders and management. During the year, the Company Secretary, Ms. Lam Yi Lin, undertook no less than 15 hours of professional training to update her skills and knowledge.

Auditor's Remuneration

For the financial year ended 31 December 2014, the amounts paid to the external auditor of the Group in respect of the following services provided to the Group are set out below:

| | 2014 US\$'000 |
|----------------------------------|------------------|
| Audit services | |
| - Current year | 476 |
| - Under-provision for prior year | 186 |

Corporate Governance Report

Changes in Directors' Information

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Philip Lee Wai Tuck, Executive Director

- appointed as the general director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company, with effect from 26 January 2015

Chen Yepern, Executive Director

- appointed as the general director and legal representative of Naga Services Company Limited, a wholly-owned subsidiary of the Company, with effect from 1 September 2014
- appointed as a director of NagaWorld (Macau) Limitada, a wholly-owned subsidiary of the Company, with effect from 30 October 2014

Communication with Shareholders

The Company is committed to maintaining a continuing open dialogue with its shareholders through a number of formal communication channels. These include the annual report and accounts, interim report and accounts, and press releases and announcements.

The most recent shareholders' meeting was the 2014 AGM held at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. At that said meeting, Mr Philip Lee Wai Tuck, the Chief Financial Officer and the Executive Director of the Company, and the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, and one member of the AML Oversight Committee together with the representative of the external auditor were present to answer shareholders'

questions. Separate resolutions were proposed at the meeting for each substantive issue. Details of the poll voting procedures and the rights of the shareholders to demand a poll together with details of the proposed resolutions were included in the circulars despatched to shareholders.

At the said 2014 AGM, all the resolutions were voted on by poll and were duly passed by the shareholders. The results of the voting by poll were published on the websites of the Stock Exchange, of the Company and of irasia. The major items discussed and the percentage of votes cast in favour of the resolutions relating to each of those items are set out below:

- Received and adopted the audited consolidated financial statements for the year ended 31 December 2013 (100%);
- Payment of the final dividend of US cents 2.38 per share (100%);
- Re-election of Mr. Philip Lee Wai Tuck, Mr. Chen Yepern and Mr. Michael Lai Kai Jin as Directors (97.18%, 95.93% and 93.19% respectively in respect of each individual resolution);
- General mandate to Directors to issue additional shares in the Company, not exceeding 20% of the issued share capital (67.86%); and
- General mandate to Directors to purchase shares in the Company, not exceeding 10% of the issued share capital (100%).

Procedures for Shareholders to Convene General Meetings/put forward Proposals

Subject to the provisions of the articles of association of the Company (the “Articles of Association”), the Listing Rules and the applicable laws and regulations, shareholders of the Company (the “Shareholders”) may convene general meetings of the Company in accordance with the following procedures:

1. One or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Requisitionist(s)”) may require the board of directors (the “Board”) of the Company to convene an extraordinary general meeting of the Company (“EGM”) by depositing a written requisition (the “Requisition”) at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.
2. The Requisition must clearly state the name(s) and shareholding in the Company of the Requisitionist(s), specify the purposes of the EGM and the details of the business proposed to be transacted in the EGM and be signed by the Requisitionist(s) and may consist of several documents in like form, each signed by one or more of the Requisitionists.
3. Upon receipt of the Requisition, the Directors shall verify the Requisition with the Company’s branch share registrar and upon this confirmation that the Requisition is proper and in order, shall forthwith proceed duly to convene the EGM, and such EGM shall be held within two (2) months after the deposit of the Requisition. If the Requisition has been verified as not being proper or in order, the Director shall notify it to the Requisitionists concerned and an EGM shall not be convened as requested.
4. If within twenty-one (21) days from the date of the deposit of the Requisition the Board fails to proceed duly to convene the EGM, the Requisitionist(s) may himself or themselves convene the EGM in the same manner and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.
5. Under the Articles of Association and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the EGM shall be given to all Shareholders entitled to attend the EGM for consideration in the following manner:
 - notice of not less than 21 clear days or 10 clear business days, whichever is the longer, if a special resolution is to be passed at the EGM; and

Corporate Governance Report

- notice of not less than 14 clear days or 10 clear business days, whichever is the longer, in all other cases, provided that a EGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the EGM, being a majority together holding not less than 95% in nominal value of the issued shares of the Company giving such right.
6. If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, the nominating Shareholder can deposit a written notice to that effect (the “Notice”) at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary. In order for the Company to inform Shareholders of that proposal, the Notice must state the full name of the person proposed for election as a Director, include the person’s biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the nominating Shareholder and that nominated Director indicating his/her willingness to be elected. The minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. In order to ensure Shareholders have at least 10 business days to receive and consider the relevant information of the nominated Director(s), nominating Shareholder(s) are urged to submit their Notice(s) as early as practicable, to that (if the notice of general meeting has already been given), a supplemental circular or announcement containing information of the nominated Director(s) can be despatched to Shareholders as soon as practicable without the need to adjourn the relevant general meeting.
7. Shareholders who have enquires about the above procedures may write to the Company Secretary at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- Enquiries put to the Board**
- Apart from the Shareholders’ meetings, the Company’s website is an effective means of communicating with Shareholders. Any Shareholders who have questions or comments on what the Company is doing are most welcome to contact the Company at any time through the website. Shareholders may raise enquiries to the Board by contacting the Group’s Investor Relations team. Upon receipt of the enquiries, the Investor Relations team will forward the Shareholders’ enquiries and concerns to the Board, Board committees or the management in appropriate.

Shareholdings as at 31 December 2014

At the end of 2014, the Company had around 300 registered shareholders. Details of Shareholders by aggregated shareholding are listed below:

| Size of registered shareholdings | Number of shareholders | % of shareholders | Number of shares | % of issued share capital |
|----------------------------------|------------------------|-------------------|----------------------|---------------------------|
| 1 - 1,000 | 52 | 16.72% | 3,044 | 0.00% |
| 1,001 - 10,000 | 214 | 68.81% | 541,328 | 0.02% |
| 10,001 - 100,000 | 28 | 9.00% | 905,188 | 0.04% |
| 100,001 - 500,000 | 7 | 2.25% | 1,841,319 | 0.08% |
| Over 500,000 | 10 | 3.22% | 2,278,787,996 | 99.86% |
| Total | 311 | 100.00% | 2,282,078,875 | 100.00% |

During the year ended 31 December 2014, the Company repurchased a total of 11,490,000 ordinary shares of the Company. As at 31 December 2014, 11,490,000 ordinary shares were repurchased but not yet cancelled by the Company.

From publicly available information and as far as the Directors are aware, as at 31 December 2014, approximately 57.79% of the issued share capital of the Company was held by the public and the public float capitalization was approximately HK\$8,361,151,285 prior to the cancellation of these shares. Upon the cancellation of the 11,490,000 shares repurchased approximately 58.08% of the issued share capital of the Company would be held by the public and the public float capitalization would be approximately HK\$8,361,151,285.

Constitutional Documents

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the website of the Stock Exchange and that of the Company its memorandum and articles of association. During the year, no amendments were made to the constitutional documents of the Company.

Financial Calendar

| | | |
|-------------------------------------|---|---|
| 2014 Final Results Announcement | : | 4 February 2015 (Wednesday) |
| Closure of Register of Members | : | (i) 13 April 2015 (Monday) to 15 April 2015 (Wednesday) (for ascertaining Shareholders' entitlement to attend and vote at the 2015 AGM) |
| | | (ii) 21 April 2015 (Tuesday) (for ascertaining Shareholders' entitlement to the final dividend) |
| 2015 AGM | : | 15 April 2015 (Wednesday) |
| Record Date for 2014 Final Dividend | : | 21 April 2015 (Tuesday) |
| Payment of 2014 Final Dividend | : | 4 May 2015 (Monday) |

Hong Kong, 4 February 2015

Remuneration Committee Report

Remuneration Committee

The Company has established written terms of reference for the Remuneration Committee in accordance with the requirements under the Listing Rules. The Remuneration Committee currently consists of two Executive Directors namely, Tan Sri Dr Chen Lip Keong and Mr. Chen Yepern and three Independent Non-executive Directors, namely Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir acts as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company, and to make recommendation to the Board on the remuneration packages of all Executive Directors, Non-executive Directors and senior management of the Company whilst the Board retains its power to determine their remuneration. Such remuneration policy is determined based on the expertise, capability, performance and responsibility of our Directors and senior management. The Remuneration Committee also takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and

senior management, employment conditions elsewhere in the Group. In addition to salaries, we provide staff benefits such as medical insurance and contributions to staffs mandatory provident scheme.

For the financial year ended 31 December 2014, two Remuneration Committee meetings were held to review and recommend to the Board (1) the Company's policy and structure for remuneration of the Directors and senior management; (2) the directors' fee for shareholders' approval at the 2014 AGM; and (3) the executive compensation strategy. Details of the attendances of the Remuneration Committee members are set out below:

| Directors | Number of meetings attended/held |
|--|----------------------------------|
| Executive Directors | |
| Tan Sri Dr Chen Lip Keong | 2/2 |
| Mr. Chen Yepern | 1/2 |
| Independent Non-executive Directors | |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (<i>Chairman</i>) | 2/2 |
| Mr. Lim Mun Kee | 2/2 |
| Mr. Michael Lai Kai Jin | 1/2 |

Remuneration of Directors

The Directors received the following remuneration for the year:

| | Annual performance bonus US\$'000 | Discretionary bonus US\$'000 | Fees US\$'000 | Basic salaries, allowances and benefits- in-kind US\$'000 | Total US\$'000 |
|--|--|------------------------------------|------------------|--|-------------------|
| Executive Directors | | | | | |
| Tan Sri Dr Chen Lip Keong | - | - | - | 720 | 720 |
| Philip Lee Wai Tuck | - | 31 | - | 375 | 406 |
| Chen Yepern | - | 10 | - | 246 | 256 |
| Non-executive Director | | | | | |
| Timothy Patrick McNally | - | - | 150 | 447 | 597 |
| Independent non-executive Directors | | | | | |
| Michael Lai Kai Jin | - | - | 36 | 3 | 39 |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir | - | - | 36 | 2 | 38 |
| Lim Mun Kee | - | - | 48 | 2 | 50 |
| Total | - | 41 | 270 | 1,795 | 2,106 |

Remuneration of Senior Management

Of the five individuals with highest emoluments, two are Directors whose emoluments are disclosed above. The emoluments of the three individuals with highest emoluments for the year ended 31 December 2014 are within the following bands:

| | Number of Individuals |
|---------------------------|--------------------------|
| US\$Nil - US\$256,400 | - |
| US\$256,401 - US\$320,500 | - |
| US\$320,501 - US\$384,600 | - |
| US\$384,601 - US\$448,700 | - |
| US\$448,701 - US\$512,800 | 1 |
| US\$512,801 - US\$576,900 | 2 |

Share Option Scheme

The Company has adopted a share option scheme whereby the Directors are authorized, at their discretion, to invite employees of the

Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to attract and retain the best personnel and to provide additional incentives to employees and directors to promote the success of the Group.

No share options were granted, exercised, cancelled or lapsed under the share option scheme during the year ended 31 December 2014.

Members of the Remuneration Committee

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir (*Chairman*)
Tan Sri Dr Chen Lip Keong
Chen Yepern
Lim Mun Kee
Michael Lai Kai Jin

Hong Kong, 4 February 2015

Nomination Committee Report

Nomination Committee

The Company has established written terms of reference for the Nomination Committee in accordance with the requirements under the Listing Rules. The Nomination Committee currently consists of two Executive Directors, namely Tan Sri Dr Chen Lip Keong and Mr. Chen Yepern, and three Independent Non-executive Directors, namely Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir acts as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review from time to time as appropriate the structure, size and composition (including the skills, the knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes to the composition of the Board to complement the Company's corporate strategy. The Nomination Committee also undertakes to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee also assesses the independence of Independent Non-executive Directors, makes recommendations to the Board on the appointment or re-appointment of and succession planning for Directors; reviews the Board Diversity Policy and monitors its implementation.

Board Diversity

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. In August 2013, a Board Diversity Policy was adopted by the Board to set out the approach to achieve the diversity of the Board members.

Under its revised terms of reference as approved by the Board, the Nomination Committee is delegated with the task of reviewing the Board Diversity Policy, the measurable objectives that the Board has set for implementing the Board Diversity Policy as well as the progress on achieving the objectives.

For recommending suitable candidates to the Board, the Nomination Committee will take into consideration merit of the candidates, such as qualification, work experiences, and time commitment, and against the objective criteria, with due regard for the benefits of diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service).

Nomination Procedure, Process and Criteria

In respect of nomination of directors, the Company adopts the following procedure:

1. Nomination Committee makes recommendations to the Board on any proposed changes
2. Nomination Committee identifies individuals suitably qualified to become Directors
3. Nomination Committee selects or makes recommendations to the Board on the selection of persons nominated for directorships
4. The Board makes formal invitation to selected persons for appointment to the Board

In addition, Shareholders may propose a person for election as a director of the Company in accordance with the procedure posted on the Company's website.

Appointment and Re-election of Directors

The Articles of Association of the Company provide that any Director appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The Articles of Association also provide that one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one third shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association of the Company, Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee shall retire from office by rotation at the forthcoming annual general meeting. Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee, being eligible, will offer themselves for re-election.

Other than Mr. Timothy Patrick McNally who is appointed for a specific term of three years, each of the Non-executive Directors of the Company is appointed for a term of one year. The appointment may be renewed at the discretion of the Board but are subject to the relevant provisions of retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Summary of Work Done

For the financial year ended 31 December 2014, two Nomination Committee meetings were held to review and considered (1) the nomination of three retiring Directors to stand for re-election; (2) the structure, size and composition of the Board; (3) the Board Diversity Policy; the

measurable objectives as set for implementing the Policy; and the progress on achieving the objectives; and (4) individual Independent Non-executive Directors' annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules. Details of the attendances of the Nomination Committee members are set out below:

| Directors | Number of meetings attended/held |
|--|----------------------------------|
| Executive Directors | |
| Tan Sri Dr Chen Lip Keong | 2/2 |
| Mr. Chen Yepern | 1/2 |
| Independent Non-executive Directors | |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (<i>Chairman</i>) | 2/2 |
| Mr. Lim Mun Kee | 2/2 |
| Mr. Michael Lai Kai Jin | 1/2 |

Subsequent to the year end, the Nomination Committee reviewed the current Board composition against the objective criteria as set out in the Board Diversity Policy. An analysis of the current Board composition based on these criteria is set out in the Corporate Governance Report on page 41. The Committee considers that the existing members of the Board have in place a diverse mix of skills, knowledge and experience in light of the current business needs of the Company.

Members of the Nomination Committee

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (*Chairman*)
 Tan Sri Dr Chen Lip Keong
 Chen Yepern
 Lim Mun Kee
 Michael Lai Kai Jin

Hong Kong, 4 February 2015





Independent Review of Investment Risks in Cambodia

Political and Economic Risk Consultancy, Ltd.
 (“PERC”)
 20/F, Central Tower
 28 Queen’s Road, Central
 Hong Kong

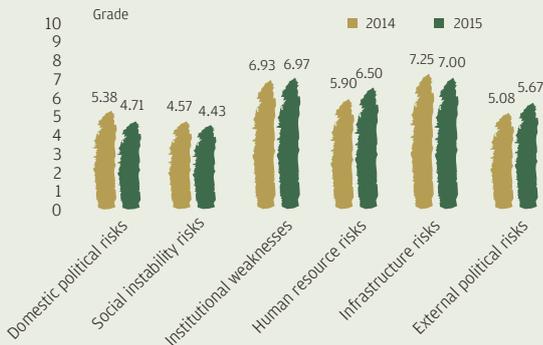
To the Board of NagaCorp Ltd.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia as they relate to NagaCorp’s casino, hotel and entertainment business

operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks, social instability risks, institutional weaknesses, human resource risks, infrastructure risks and external political risks.

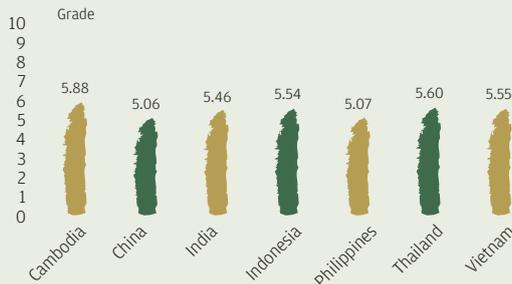
Based on the assessments and reviews carried out between late November 2014 and early January 2015, we summarised our findings below:

Perceptions of Cambodia’s Business Environment Risks



Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

How Perceptions of Cambodian Socio-Political Risks Compare



Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

We quantify investment risks in Cambodia through the measure of the following variables:

- Domestic political risks
- Social instability risks
- Institutional weaknesses
- Human resource risks
- Infrastructure risks
- External political risks

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equals the score of a broader variable, while the weighted sum of the grades of the broad variables defines overall investment risks in

Cambodia. We have treated each variable as having equal importance or weight.

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). PERC’s most recent risk survey gives Cambodia an overall risk grade of 5.88 (slightly worse than one year ago). Domestic political risks have declined over the past year. There is now greater confidence that there will be no change in government before the 2018 elections, and even if the opposition were to win the next election (a possibility that appears less likely now than it did a year ago), the impact on the business environment would not be as disruptive as many observers

feared 12 months ago. A government led by the current opposition would retain the major thrust of current policies to keep the economy open and attractive to foreign investment. Contracts would be honored to ensure investor confidence is maintained. The main concern will be to find new ways to raise domestic fiscal revenues.

Meanwhile, the current government is pushing reform harder. It is trying to increase its appeal to younger Cambodians and is now in a better position to win the 2018 elections. It has appointed new ministers who so far have been impressive in the way they have tried to improve efficiency, reduce systemic problems like corruption, and raise the standards of the ministries over which they preside. There is a greater acceptance that change is necessary, and the question is more how fast this change should take place.

For all its shortcomings and problems, Cambodia's economy has consistently grown rapidly. In most previous years, other neighboring Asian economies also grew rapidly, which made it difficult for Cambodia to stand out from the crowd. However, last year Cambodia excelled in terms of economic growth, new investment and tourism inflows at a time when most other emerging markets experienced mounting problems. This is making it easier to recognize Cambodia's unique strengths.

Cambodia is better positioned than most other emerging markets of Asia to deal with an upturn in US interest rates, and the more it is able to clearly demonstrate the durability of its current growth trajectory, the more favorably it is likely to be viewed by foreign investors.

The problem of labor unrest and rising labor costs has subsided compared with one year ago, but concerns about the quality of labor are growing. This is the main reason overall socio-political risks for Cambodia are slightly higher this year than one year ago. The continuation of Cambodia's rapid development depends on its ability to raise the overall skill level of the labor force to staff the new businesses that are being set up. However, serious weaknesses in the country's education system will make it difficult to meet this human resource challenge.

The second reason overall risks are higher this year than last relates mainly to external developments. Tourist inflows have been hurt by social unrest in neighboring Thailand and Vietnam, and there is a high likelihood that the spending levels, if not the absolute number, of visitors from China could be hurt in the coming year by Beijing's anti-corruption campaign and the slowdown in China's economy.

Positive Developments

- Cambodia could have the highest rate of GDP growth in Asia in 2015, after finishing second in Asia in 2014 with a real GDP growth of 7%. This is not a short-term phenomenon. Since 2000, Cambodia has been the sixth most rapidly growing economy in the world.
- What makes Cambodia's current growth impressive is that it is showing how it is less vulnerable than most other emerging market economies in Asia to external shocks like rising US interest rates, capital shifts by international portfolio investors, and exchange rate volatility. That Cambodia is able to sustain its economic momentum at a time when other Asian economies have encountered problems is likely to draw investor attention to Cambodia in a favorable way.

Independent Review of Investment Risks in Cambodia

- There is greater confidence now than one year ago that Cambodia will not face a sudden change in government whose policies alter the business climate for the worse.
- Since the 2013 elections and labor demonstrations, there is now more frank talk about the need for change and reform. One of the biggest changes for the better in the past year is the way Hun Sen has reshuffled his Cabinet. The changes - which have involved the appointment of new ministers who seem determined to push reform - are clearly designed to address some of the biggest criticisms leveled against the government and to win over the support of younger Cambodians.
- Although tourist inflows have slowed, the rate of growth faster than to any other economy in the region, and this is again likely to be the case in 2015.
- China's anti-corruption crackdown might not slow the number of visitors from the Mainland to Cambodia but it could discourage gambling and reduce other spending by Mainland Chinese tourists. The recent fall in gaming revenues in Macao is evidence of this risk.
- While there has been criticism of the power centralized in the office of the Prime Minister, as efforts are pushed to strengthen individual institutions and to bring more people and groups, including the political opposition, into the process of policy formulation, decisions and implementation could become more protracted than now due to longer discussions.
- The political opposition has still not spelled out a detailed policy agenda, but if it were to increase spending as much as it says it plans to do on civil service salaries, health, education and social welfare programs, it will have to find new sources of domestic revenues. In any event, pressure will increase in the years ahead to broaden the domestic tax base so the country does not need to rely as heavily as it currently does on foreign aid and soft-loans.

The Challenges

- The biggest challenge companies will have to face in the medium term is finding and retaining enough experienced staff so the quality of service can be maintained or enhanced in an increasingly competitive environment.
- In addition to rising labor costs, companies will also have to deal with continuing high energy costs and weak physical infrastructure, especially a poorly maintained road system that impedes movement of people and goods both within the country and across its borders.
- Cambodia need to raise the quality of foreign tourists it is attracting. It needs its foreign visitors to spend more money and time in the country and to make return visits in order to create a deeper market for four- and five-star hotels as well as for more up-market retail businesses.

Robert Broadfoot

Managing Director

PERC

Hong Kong, 15 January 2015

Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of PERC. Established in 1976, PERC is headquartered in Hong Kong and engaged principally in the monitoring and auditing of country risks in Asia. From this base, PERC manages a team of researchers and analysts in the ASEAN countries, the Greater China region and South Korea. Corporations and financial institutions worldwide use PERC's services to assess key trends and critical issues shaping the region, to identify growth opportunities, and to develop effective strategies for capitalizing on these opportunities.

PERC helps companies understand how politics and other subjective variables are shaping the business environment. Such variables may be difficult to quantify, but nevertheless can have a critical impact on investment performance and therefore have to be factored into the decision-making process, which is the function of PERC's services. PERC's value lies in the organization's experience, its Asian network of seasoned analysts, its emphasis on primary research, its complete independence from any vested interest groups, its pioneering work in the technical aspects of country risk research, its discretion, and its integrated, regional approach to analysis.

Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.

Hill & Associates Ltd.,
1701 - 08 Tower Two,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

To the Board of NagaCorp Ltd.

Hill & Associates Ltd. (“H&A”) has conducted two independent reviews of the internal controls of NagaCorp Ltd. (“NagaCorp”) with a focus on anti-money laundering (“AML”), for the financial year ended 31 December 2014. The site visits took place in July and November for logistical reasons and follow up analysis and updates were completed by the end of December. Once again the review team acknowledged the continued development of NagaWorld as a resort destination and the expansion of gaming operations. With regard to considered expansion into other jurisdictions by NagaCorp, H&A notes that the Board of NagaCorp has demonstrated the necessity to ensure compliance with all regulations and laws of every jurisdiction in which the company operates. As such, the experience gained in the operations in Phnom Penh will facilitate the structure and application of all necessary controls in any other future jurisdiction in which NagaCorp may operate.

NagaCorp continues to apply the controls required in the updated AML Manual which was produced by NagaCorp in the first half of 2014. The reason for this updating was to reflect the requirements of both the Cambodian 2010 AML Prakas and also the updated 2012 Financial Action Task Force (“FATF”) Recommendations. As previously reported, there were no substantive changes to the FATF Recommendations but an updated numbering system had been adopted for the Recommendations and this report reflects these changes in the findings section.

During the review of July 2014, H&A also reviewed a more concise Training Manual which had been created by NagaCorp management for the purpose of providing ongoing internal training without the requirement of reviewing the historical situation. The procedures mandated have been implemented and H&A assesses that the manual is a particularly useful training tool.

As in our July 2014 review Mr. Mahendran was our main point of contact for this review. Mr. Mahendran is the Head of Internal Audit and in that role has significant involvement in the successful application of all required AML controls. H&A recognizes the continued significant positive importance of this role in advising on the controls and procedures within the AML department and implementing all audit operations in NagaCorp. There has been no deterioration whatsoever in the diligence applied in the adherence to all laws and regulations concerning AML in NagaCorp.

H&A also interacted with the new In House Counsel, Luis Mesquita de Melo who brings significant legal and gaming compliance experience to his role having many years of experience in senior roles in Macau gaming. H&A notes that NagaCorp has appointed Mr. De Melo as the Compliance Officer who shall be responsible for the interaction with the Financial Investigation Unit (“FIU”) at the National Bank of Cambodia. This body is, as reported in July, focused on the inspection and upgrading, where necessary, of AML controls in non-banking organizations. The relevant controls are set out in the “Prakas on Anti-Money Laundering and Combating the Financing of Terrorism relating to All Reporting Entities not regulated by the National Bank of Cambodia”. Prakas are government guidelines with legislative force which further dictate the method of implementation of laws within Cambodia, in this case the 2007 Law on

Anti-Money Laundering and Combating the Financing of Terrorism. Cooperation between the FIU and NagaCorp is ongoing and is further facilitated by the appointment of Mr. De Melo.

H&A notes that the Suspicious Transaction Records (STRs) continue to record all necessary and relevant information and that there is cross-checking between surveillance, operations and AML compliance staff within a large number of these reports. During our review all of the STRs from the relevant period were examined and H&A is confident that all relevant information is being captured and recorded during the application of AML controls within NagaCorp operations. The majority of the STRs relate to the transacting of large numbers of small denomination notes but NagaCorp has also noted an increase in chip buying transactions with no apparent immediate gaming activities and is tracking these carefully to ensure that all AML rules are enforced. The review team is satisfied NagaCorp maintains full control of the gaming operations and these operations remain compliant with all relevant FATF recommendations.

As reported in our previous two reviews, the most recent statement by the FATF regarding Cambodia was issued in October 2013. It stated as follows:

“In June 2011, Cambodia made a high-level political commitment to work with the FATF and Asia/Pacific Group to address its strategic AML/Countering Financing of Terrorism (“CFT”) deficiencies. Since June 2013, Cambodia has taken steps towards improving its AML/CFT regime, including by strengthening operational functions of its Financial Intelligence Unit (“FIU”). However, the FATF has determined that certain strategic AML/CFT deficiencies

remain. Cambodia should continue to work on implementing its action plan to address these deficiencies, including by:

- (1) establishing and implementing adequate procedures to identify and freeze terrorist assets;
- (2) ensuring an effectively functioning FIU; and
- (3) establishing and implementing effective controls for cross-border cash transactions. The FATF encourages Cambodia to address its remaining deficiencies and continue the process of implementing its action plan”

Discussions with sources within the National Bank of Cambodia and also with external sources indicate that it is acknowledged that NagaCorp remains at the forefront of AML compliance efforts in Cambodia.

H&A recognizes that NagaCorp remains at the forefront of implementing AML controls in Cambodia and we also note that NagaCorp is committed to full compliance with all national and international laws and regulations on AML. The review team found NagaCorp to be in full compliance with all relevant FATF recommendations.

John Bruce

Director of Operations (Macau)
Hill & Associates Ltd.

Hong Kong, 12 January 2015

Hill & Associates Ltd. is an independent security and risk management consultancy with working knowledge of and extensive experience in AML and Risk management.





Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2014.

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 February 2003 and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at NagaWorld, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activity of the Group

is the operation of a hotel and entertainment complex, NagaWorld, in Cambodia. Other particulars of its principal subsidiaries are set out in note 17 to the consolidated financial statements. An analysis of the Group's performance for the year by business segment is set out in note 14 to the consolidated financial statements. As the Group's operations are in Phnom Penh, Cambodia, no geographical segment information is presented.

Major Junket Operators

The information in respect of the Group's revenue and cost of sales attributable to the major junket operators during the financial year is as follows:

| | Percentage of the Group's total | |
|--|------------------------------------|---------------|
| | Revenue | Cost of sales |
| The largest junket operator | 11% | 25% |
| Five largest junket operators in aggregate | 32% | 65% |

To the best knowledge of the Directors, none of the Directors or their close associates had any interest in the five largest junket operators for the financial year ended 31 December 2014.

Results

The profit of the Group for the year ended 31 December 2014 are set out in the consolidated statement of income on page 75.

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142.

Transfer to Reserves

The profit attributable to equity shareholders of the Company, before dividends, of US\$136,086,000 (2013: US\$140,290,000) have been transferred to the reserves. Other movements in reserves are set out in note 25 to the consolidated financial statements.

Dividend

An interim dividend of US cents 2.07 per share (2013: US cents 1.93 per share) was declared in August 2014 and paid in September 2014. The Directors proposed the payment of a Final Dividend of US cents 2.11 per share (2013: US cents 2.38 per share) for the financial year ended 31 December 2014. The proposed Final Dividend together with the interim dividend represented a dividend payout ratio of approximately 70%.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company (the “Articles”) and the laws of the Cayman Islands that oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Charitable Donations

Charitable donations made by the Group during the year amounted to US\$1,115,000, all of which were donated in Cambodia.

Fixed Assets

During the year, the Group acquired fixed assets of approximately US\$97.3 million (2013: US\$56.3 million). Details of these purchases and other movements in fixed assets are set out in note 15 to the consolidated financial statements.

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Reserves

Movements in the reserves of the Company and of the Group are set out in note 25 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

Remuneration

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has a Remuneration Committee to formulate compensation policies and determine and manage the compensation of the Group’s senior management.

Remuneration of the Directors and Senior Management

Details of the remuneration of the Directors and of the Group’s senior management are set out in note 9 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this report were:

Chairman and Non-executive Director:

Timothy Patrick McNally ^M

Executive Directors:

Tan Sri Dr Chen Lip Keong ^{R/M/N}
(Chief Executive Officer)

Philip Lee Wai Tuck
(Chief Financial Officer)

Chen Yepern ^{R/M/N}

Independent Non-executive Directors:

Michael Lai Kai Jin ^{A/R/N/M}

Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir ^{A/R/N}

Lim Mun Kee ^{A/R/N}

A: Members of Audit Committee

R: Members of Remuneration Committee

N: Members of Nomination Committee

M: Members of Anti-Money Laundering Oversight Committee

In accordance with Article 87 of the Articles of the Company, Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee shall retire from office by rotation at the forthcoming annual general meeting. Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee, being eligible, will offer themselves for re-election.

Report of the Directors

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares

The Directors who held office at 31 December 2014 had the following interests in the shares and underlying shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the Securities and

Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Interests in shares and underlying shares

| Name of director | Capacity | Number of ordinary shares/ underlying shares held | % of total issued ordinary Shares <small>(Note 1)</small> |
|---------------------------|--|---|--|
| Tan Sri Dr Chen Lip Keong | Founder of a discretionary trust ^(Note 2) | 951,795,297 (L) | 41.71 (L) |
| Tan Sri Dr Chen Lip Keong | Beneficial owner ^(Note 3) | 1,566,282,107 (L) | 68.63 (L) |

Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 ordinary shares as at 31 December 2014.
- (2) Tan Sri Dr Chen Lip Keong is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through Cambodia Development Corporation and Fourth Star Finance Corp., a total of 951,795,297 shares. As a founder of ChenLa Foundation, Tan Sri Dr Chen Lip Keong is taken to be interested in shares of the Company held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation, Cambodia Development Corporation and Fourth Star Finance Corp. are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.
- (3) These 1,566,282,107 underlying shares are the consideration for the very substantial acquisition for TanSriChen Inc. and TanSriChen (CityWalk) Inc. (collectively referred to as the "Target Companies") under the conditional Share Purchase Agreement and a supplemental agreement entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011 and 28 December 2011 respectively (collectively referred to as the "Acquisition Agreements"). These underlying shares will not be issued until the respective completion applicable to each of the Target Companies, pursuant to the terms of the Acquisition Agreements.
- (4) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Share Option Scheme

The Company has a share option scheme which was adopted upon the listing of the Company's shares on the Main Board of the Stock Exchange on 19 October 2006 (the "Share Option Scheme") whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up option to subscribe for shares of the Company. The purpose of the scheme is to attract and retain the best personnel and to provide additional incentives to employees and directors to promote the success of the Group.

The Company did not grant any share options during the year and there are no outstanding share options at the year end.

Apart from the foregoing, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors or the chief executives of the Company are aware of, as at 31 December 2014, the shareholders, other than the Directors or the chief executives of the Company, who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

(1) Substantial Shareholders (as defined in the Listing Rules)

| Name of shareholders | Capacity | Number of ordinary shares held | % of total issued ordinary shares (Note 1) |
|---------------------------|--|--------------------------------|---|
| ChenLa Foundation | Interest of controlled corporation ^(Note 2) | 951,795,297 (L) | 41.71 (L) |
| Fourth Star Finance Corp. | Beneficial owner | 789,534,854 (L) | 34.60 (L) |

Report of the Directors

(2) Other Persons

| Name of shareholders | Capacity | Number of ordinary shares held | % of total issued ordinary shares (Note 1) |
|----------------------------------|------------------------------------|--------------------------------|---|
| Cambodia Development Corporation | Beneficial owner | 162,260,443 (L) | 7.11 (L) |
| Ameriprise Financial Inc | Interest in controlled corporation | 126,531,670 (L) | 5.54 (L) |

Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 ordinary shares as at 31 December 2014.
- (2) Such interests are held by Fourth Star Finance Corp. and Cambodia Development Corporation which in turn were controlled by ChenLa Foundation under which Tan Sri Dr Chen Lip Keong is the founder.
- (3) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above and so far as the Directors and the chief executives of the Company are aware of, as at 31 December 2014, no other party (other than the Directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

Directors' Interests in Competing Businesses

None of the Directors have interests in any business (apart from the Group's businesses) which competes or is likely to compete, either directly and indirectly, with the businesses of the Group during the year or at 31 December 2014.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Other than as disclosed under the section "Connected Transactions" below, no contracts of significance to which the Company or any of its subsidiaries and fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

Properties

Particulars of the major properties and property interests of the Group are set out in note 15 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2014, the Company repurchased 11,490,000 of its ordinary shares of US\$0.0125 each on the Stock

Exchange for an aggregate consideration of HK\$69,371,020 (equivalent to approximately US\$8,947,000) excluding transaction costs. The repurchase of the Company's shares during the year ended 31 December 2014 was effected by the Board, pursuant to the repurchase mandate (the "Repurchase Mandate") granted by the shareholders, with a view to benefiting shareholders as a whole. Further details of the proposed use of the Repurchase Mandate were set out in the announcement of the Company dated 11 December 2014. These repurchased shares, which are held by the Company in treasury as at the date of this report, will be cancelled in due course.

Particulars of the repurchases during the year ended 31 December 2014 are as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share | | Aggregate Consideration (excluding transaction costs) (HK\$) |
|---------------------|---------------------------------------|--------------------------|---------------|--|
| | | Highest (HK\$) | Lowest (HK\$) | |
| December | 11,490,000 | 6.340 | 5.765 | 69,371,020 |

Subsequent to the year-end, the Company further repurchased a total of 600,000 ordinary shares of the Company on the Stock Exchange on 2 January 2015 for an aggregate consideration of HK\$3,798,840 (equivalent to approximately US\$490,593) excluding transaction costs. All these repurchased ordinary shares, together with the abovementioned 11,490,000 ordinary shares repurchased but not cancelled during the year, are held by the Company in treasury as at the date of this report and will be cancelled in due course.

Save as disclosed above, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the year ended 31 December 2014.

Report of the Directors

Connected Transactions

During 2014, the Company entered into (or continued to be party to) certain transactions with First Travel & Tours (M) Sdn Bhd (“FTT”), Karambunai Resorts Sdn Bhd (“KRSB”), Karambunai Corp Bhd and One Travel and Tours Limited (“One Travel”). FTT and One Travel have been providing air ticketing and travel booking services to the Group, primarily in relation to travels between Cambodia and other parts of the South East Asia. KRSB has provided accommodation and facilities in Malaysia for the use of the Group. Tan Sri Dr Chen Lip Keong is a controlling shareholder of all four of these companies and therefore is considered a connected person.

Although these transactions were “connected transactions” as defined in the Listing Rules, all of them were either sharing of administrative services or de minimis transactions exempted under Rule 14A.76(1) of the Listing Rules from all reporting, announcement and independent shareholders’ approval requirements.

Events after reporting period

Details of the significant events of the Group after the reporting period are set out in note 36 to the consolidated financial statements.

Material Related Party Transactions

Details of the material related party transactions undertaken in the normal course of business by the Group are set out in note 30 to the consolidated financial statements. Those related party transactions which constituted connected transactions under Chapter 14A of the Listing Rules have complied with the disclosure requirements thereon.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company; that they fully complied with the Model Code throughout the year.

Auditor

BDO Limited acted as auditor of the Company and audited the Group’s consolidated financial statements for the financial year ended 31 December 2014.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, BDO Limited.

By order of the board

Timothy Patrick McNally
Chairman

Hong Kong, 4 February 2015

Independent Auditor's Report

Independent auditor's report to the shareholders of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 75 to 141, which comprise the consolidated and the company statements of financial position as at 31 December 2014, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2014, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 4 February 2015

Consolidated Statement of Income

For the year ended 31 December 2014
(Expressed in United States dollars)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|------------------|----------------|
| Revenue | 6 | 404,298 | 344,946 |
| Cost of sales | | (131,604) | (96,395) |
| Gross profit | | 272,694 | 248,551 |
| Other income | 7 | 3,295 | 1,762 |
| Administrative expenses | | (51,483) | (46,973) |
| Other operating expenses | | (82,545) | (57,937) |
| Profit before taxation | 8 | 141,961 | 145,403 |
| Income tax | 10 | (5,875) | (5,113) |
| Profit attributable to owners of the Company | 11 | 136,086 | 140,290 |
| Earnings per share (US cents) | | | |
| Basic and dilute | 13 | 5.96 | 6.28 |

The notes on pages 83 to 141 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Expressed in United States dollars)

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Profit and total comprehensive income attribute to owners of the Company for the year | 136,086 | 140,290 |

The notes on pages 83 to 141 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014
(Expressed in United States dollars)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | 15(a) | 337,231 | 270,115 |
| Interest in leasehold land held for own use under operating lease | 15(a) | 608 | 616 |
| Intangible assets | 16 | 73,295 | 76,842 |
| Prepayments for purchase of construction materials | 21 | 13,732 | 18,108 |
| Prepayments - non-current | | 1,327 | 3,519 |
| | | 426,193 | 369,200 |
| Current assets | | | |
| Consumables | 20 | 1,292 | 1,007 |
| Trade and other receivables | 18 | 29,062 | 17,771 |
| Investment in bonds | 19 | 25,809 | - |
| Cash and cash equivalents | 22 | 178,238 | 252,130 |
| | | 234,401 | 270,908 |
| Current liabilities | | | |
| Trade and other payables | 24 | 34,604 | 39,723 |
| Current tax liability | | 490 | 426 |
| | | 35,094 | 40,149 |
| Net current assets | | 199,307 | 230,759 |
| NET ASSETS | | 625,500 | 599,959 |

Consolidated Statement of Financial Position

| | Note | 2014 \$'000 | 2013 \$'000 |
|-----------------------------|-------|----------------|----------------|
| CAPITAL AND RESERVES | 25(a) | | |
| Share capital | | 28,526 | 28,526 |
| Treasury shares | | (9,004) | - |
| Reserves | | 605,978 | 571,433 |
| TOTAL EQUITY | | 625,500 | 599,959 |

Approved and authorised for issue by the Board on 4 February 2015

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 83 to 141 form part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2014
(Expressed in United States dollars)

| | Note | 2014 \$'000 | 2013 \$'000 |
|-------------------------------|-------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | 15(b) | 215 | 297 |
| Investments in subsidiaries | 17 | 15,503 | 15,503 |
| | | 15,718 | 15,800 |
| Current assets | | | |
| Trade and other receivables | 18 | 249,436 | 215,914 |
| Investment in bonds | 19 | 25,809 | - |
| Cash and cash equivalents | 22 | 55,774 | 112,537 |
| | | 331,019 | 328,451 |
| Current liabilities | | | |
| Trade and other payables | 24 | 25,599 | 2,074 |
| | | 25,599 | 2,074 |
| Net current assets | | | |
| | | 305,420 | 326,377 |
| NET ASSETS | | | |
| | | 321,138 | 342,177 |
| CAPITAL AND RESERVES | | | |
| | 25(b) | | |
| Share capital | | 28,526 | 28,526 |
| Treasury shares | | (9,004) | - |
| Reserves | | 301,616 | 313,651 |
| TOTAL EQUITY | | | |
| | | 321,138 | 342,177 |

Approved and authorised for issue by the Board on 4 February 2015

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 83 to 141 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in United States dollars)

| Note | Share capital \$'000 | Treasury shares \$'000 | Share premium \$'000 | Merger reserve \$'000 | Capital contribution reserve \$'000 | Exchange reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|---|-------------------------|---------------------------|-------------------------|--------------------------|--|----------------------------|----------------------------|-----------------|
| Balance at | | | | | | | | |
| 1 January 2013 | 26,026 | - | 135,498 | (12,812) | 55,568 | 63 | 197,556 | 401,899 |
| Changes in equity during the year 2013 | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 140,290 | 140,290 |
| Total comprehensive income for the year | - | - | - | - | - | - | 140,290 | 140,290 |
| Issue of shares under placement | 2,500 | - | 153,629 | - | - | - | - | 156,129 |
| Share placement expenses | - | - | (1,191) | - | - | - | - | (1,191) |
| Dividend declared and paid | - | - | - | - | - | - | (97,168) | (97,168) |
| | 2,500 | - | 152,438 | - | - | - | 43,122 | 198,060 |
| Balance at | | | | | | | | |
| 31 December 2013 and 1 January 2014 | 28,526 | - | 287,936 | (12,812) | 55,568 | 63 | 240,678 | 599,959 |
| Changes in equity during the year 2014 | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 136,086 | 136,086 |
| Total comprehensive income for the year | - | - | - | - | - | - | 136,086 | 136,086 |
| Purchase of own shares | - | (9,004) | - | - | - | - | - | (9,004) |
| Dividend declared and paid | 12 | - | - | - | - | - | (101,541) | (101,541) |
| | - | (9,004) | - | - | - | - | 34,545 | 25,541 |
| Balance at | | | | | | | | |
| 31 December 2014 | 28,526 | (9,004) | 287,936 | (12,812) | 55,568 | 63 | 275,223 | 625,500 |

The notes on pages 83 to 141 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in United States dollars)

| | 2014 \$'000 | 2013 \$'000 |
|--|------------------|-----------------|
| Operating activities | | |
| Profit before taxation | 141,961 | 145,403 |
| Adjustments for: | | |
| - Depreciation and amortisation | 30,150 | 22,877 |
| - Amortisation of casino licence premium | 3,547 | 3,547 |
| - Interest income | (1,113) | (625) |
| - Exchange loss, net | - | 1,054 |
| - Unrealised gain on investment in bonds | (684) | - |
| - Impairment loss on trade receivables | 1,519 | - |
| - Loss on disposal of property, plant and equipment | 52 | 1 |
| - Write-off of property, plant and equipment | - | 858 |
| - Reversal of impairment loss on trade receivables previously recognised | (263) | (537) |
| Operating profit before changes in working capital | 175,169 | 172,578 |
| (Increase)/Decrease in consumables | (285) | 135 |
| (Increase)/Decrease in trade and other receivables | (10,355) | 137 |
| (Decrease)/Increase in trade and other payables | (1,004) | 12,123 |
| Cash generated from operations | 163,525 | 184,973 |
| Tax paid | (5,811) | (5,060) |
| Net cash generated from operating activities | 157,714 | 179,913 |
| Investing activities | | |
| Interest received | 1,113 | 625 |
| Payment for the purchase of property, plant and equipment and for the construction cost of property | (97,051) | (59,403) |
| Proceeds from disposal of property, plant and equipment | 2 | - |
| Additions of investment in bonds | (25,125) | - |
| Net cash used in investing activities | (121,061) | (58,778) |

Consolidated Statement of Cash Flows

| | 2014 \$'000 | 2013 \$'000 |
|---|------------------|----------------|
| Financing activities | | |
| Proceeds from issue of shares under placement | - | 156,129 |
| Share placement expenses | - | (1,191) |
| Purchase of own shares | (9,004) | - |
| Dividends paid | (101,541) | (97,168) |
| Net cash (used in)/generated from financing activities | (110,545) | 57,770 |
| Net (decrease)/increase in cash and cash equivalents | (73,892) | 178,905 |
| Cash and cash equivalents at beginning of year | 252,130 | 73,225 |
| Cash and cash equivalents at end of year | 178,238 | 252,130 |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 86,659 | 114,941 |
| Fixed rate certificates of deposit with original maturity of less than three months when acquired | - | 75,000 |
| Non-pledged fixed deposits with original maturity of less than three months when acquired | 91,579 | 62,189 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | 178,238 | 252,130 |

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1 General

The Company is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Its shares are listed on the Main Board of the Stock Exchange.

The Company is engaged in investment holding while the Group is engaged principally in the management and operation of a hotel and casino complex known as NagaWorld in Phnom Penh, the capital city of Cambodia.

2 Adoption of new or revised International Financial Reporting Standards

Impact of new amendments and interpretations which are effective during the year

In the current year, the Group has applied, for the first time, the following amendments, revised standards and new interpretations issued by the International Accounting Standards Board (the "IASB"), that are effective for the current accounting period of the Group and of the Company.

| | |
|--|--|
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IAS 36 | Recoverable Amount Disclosures for Non-financial Assets |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to IFRS 10, 12 and IAS 27 (Amendment) | Consolidation for Investment Entities |
| IFRIC Interpretation 21 | Levies |

The adoption of the above new or revised standards and interpretations has no significant impact on the Group's financial statements.

The Group has not applied any amendments, new or revised standards or interpretations that are issued but not yet effective for the current accounting period (note 32).

The Group is in the process of making an assessment of the potential impact of these amendments and new or revised standards or interpretations but the Directors are not yet in a position to conclude the potential impact on the results and the financial position of the Group.

3 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRS") issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

Notes to the Consolidated Financial Statements

3 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 33.

The consolidated financial statements are presented in United States dollars, which is the functional currency of the Company.

4 Principal accounting policies

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Intercompany transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4 Principal accounting policies (continued)

(b) Property, plant and equipment

(i) Owned assets

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 4(h)).

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 4(q)); and
- other items of property, plant and equipment.

Capital work-in-progress is stated at specifically identified cost, including aggregate cost of development, materials and supplies, wages and other direct expenses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged as expenses in profit or loss during the financial period in which they are incurred.

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|-------------------------------------|--------------|
| Buildings | 50 years |
| Renovations, furniture and fittings | 5 - 10 years |
| Motor vehicles | 5 years |
| Plant and equipment | 5 - 10 years |
| Aircraft | 20 years |

No depreciation is provided for capital work-in-progress until it is completed and ready for its intended use.

Notes to the Consolidated Financial Statements

4 Principal accounting policies (continued)

(c) Intangible assets

Acquired intangible assets - Casino licence premium

The premium paid for the licence, and related exclusivity periods, to operate the casino in Phnom Penh is stated at cost less accumulated amortisation and impairment losses (see note 4(h)).

Amortisation is charged to profit or loss on a straight-line basis over the period of exclusivity of the licence.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see note 4(h)).

(d) Consumables

Consumables comprising food and beverage, diesel and sundry store items are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition. Cost is determined principally on a weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(e) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4 Principal accounting policies (continued)

(e) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables (including trade and other receivables and amounts due from subsidiaries) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(i) *Impairment loss on financial assets*

Loans and receivables

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

4 Principal accounting policies (continued)

(e) Financial assets (continued)

Loans and receivables (continued)

(i) *Impairment loss on financial assets (continued)*

Loans and receivables (continued)

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. Where any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(iii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

4 Principal accounting policies (continued)

(f) Trade and other payables

Trade and other payables (including amounts due to subsidiaries and related parties) are initially recognised at fair value net of directly attributable transaction costs incurred, and thereafter stated at amortised cost using the effective interest method. The related interest expense is recognised within “finance costs” in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(i) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(ii) *Derecognition*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at their present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

4 Principal accounting policies (continued)

(h) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interest in leasehold land held for own use under operating lease;
- intangible assets; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- **Recognition of impairment losses**

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

4 Principal accounting policies (continued)

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 10(a)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) Commissions and incentives

Commissions and incentive expenses represent amounts paid and payable to operators, and are included in cost of sales when incurred by the Group.

Notes to the Consolidated Financial Statements

4 Principal accounting policies (continued)

(l) Employee benefits

Short term employee benefits and contributions to defined contribution retirement scheme

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Any short term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are measured at undiscounted amounts.

(m) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the end of the reporting period. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign entities are translated into United States dollars at the average exchange rates for the year; items in the statement of financial position are translated into United States dollars at the rates of exchange ruling at the end of the reporting period. The resulting exchange differences are dealt with as other comprehensive income. All other translation differences are included in profit or loss.

The functional currency of the group entities has been determined as United States dollars rather than Cambodian Riel, the domiciled currency in the relation to the Group's operations, on the basis that the gaming and other operation transactions are undertaken in United States dollars.

(n) Treasury shares

Own equity instruments which are repurchased (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carry amount and the consideration is recognised in equity.

(o) Dividends

Interim dividends are recognised as a liability in the period in which they are declared and final dividends are recognised as a liability when shareholders' approval has been obtained.

4 Principal accounting policies (continued)

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

4 Principal accounting policies (continued)

(q) Leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being under finance leases. All other leases are classified as operating leases.

(i) **Assets acquired under finance leases**

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 4(b)(ii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) **Operating lease**

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) **Prepaid land lease**

Interest in leasehold land held for own use under operating lease is amortised in equal instalments over the period of the respective leases.

4 Principal accounting policies (continued)

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Casino revenue represents net house takings arising from casino operations and is recognised in profit or loss when the stakes are received by the casino and the amounts are paid out to the players.
- (ii) Income from the provision and maintenance of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in profit or loss in accordance with the substance of the relevant agreement when the right to receive such amounts is ascertained.
- (iii) Income from restaurant represents revenue from the provision of food and beverages and is recognised when the service is provided.
- (iv) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.
- (v) Interest income is recognised as it accrues using the effective interest method.

(s) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangement as joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Notes to the Consolidated Financial Statements

5 Casino licence

Pursuant to the terms of the Sihanoukville Development Agreement (“SDA”), Supplemental Sihanoukville Development Agreement (“SSDA”) and the Addendum Agreement, the terms of the casino licence were varied and the salient terms of the Casino Licence are as follows:

(a) Duration of licence

The Casino Licence is an irrevocable licence with a duration of 70 years from 2 January 1995. The SSDA also states that should the Cambodian Government, for any reason, terminate or revoke the licence at any time before its expiry, it will pay Ariston, a subsidiary of the Company, the amount of monies invested in the business as agreed investment cost and additional mutually agreed damages for the termination and/or revocation of the Casino Licence at any time before the expiry of the period.

(b) Exclusivity

Ariston has the right of exclusivity in respect of 200 kilometres of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the “Designated Area”) for the period to the end of 2035. During this period, the Cambodian Government is prohibited from:

- authorising, licensing or approving the conduct of casino gaming within the Designated Area;
- entering into any written agreement with any party with respect to casino gaming within the Designated Area; and
- issuing or granting any other casino licence.

The SSDA also states that the Cambodia Government will pay Ariston mutually agreed damages if it terminates or revokes its exclusivity rights at any time prior to the expiry of the period.

(c) Casino complex

Ariston has the right to locate the casino at any premises or complex within the Designated Area and is entitled to operate such games and gaming machines at its own discretion without the need for any approval from the Cambodian Government. There are no restrictions relating to the operating hours of the casino.

6 Revenue

Revenue represents net house takings arising from casino operations and income from other operations as follows:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Casino operations - gaming tables | 296,821 | 222,981 |
| Casino operations - electronic gaming | 84,563 | 101,936 |
| Hotel room income, sale of food and beverage and other | 22,914 | 20,029 |
| | 404,298 | 344,946 |

7 Other income

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Interest income | 1,113 | 625 |
| Rental income | 1,888 | 459 |
| Reversal of impairment loss previously recognised | 263 | 537 |
| Others | 31 | 141 |
| | 3,295 | 1,762 |

Notes to the Consolidated Financial Statements

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| (a) Staff costs (including directors' remuneration): | | |
| Salaries, wages and other benefits | 48,668 | 34,672 |
| Contributions to defined contribution retirement scheme | 13 | 22 |
| Total staff costs | 48,681 | 34,694 |
| | | |
| Average number of employees (Full-time equivalent) | 5,243 | 4,711 |
| (b) Other items: | | |
| Auditor's remuneration | | |
| - Current year | 476 | 389 |
| - Under-provision for prior year | 186 | - |
| Fuel expenses | 9,101 | 8,776 |
| Amortisation of casino licence premium charged to other operating expenses | 3,547 | 3,547 |
| Depreciation and amortisation | 30,150 | 22,877 |
| Impairment loss on trade receivables | 1,519 | - |
| Reversal of impairment loss on trade receivables previously recognised | (263) | (537) |
| Write-off of property, plant and equipment | - | 858 |
| Loss on disposal of property, plant and equipment | 52 | 1 |
| Unrealised gain on investment in bonds | (684) | - |
| Operating lease charges for land lease rental | 294 | 187 |
| Operating lease charges for office and car park rental | 1,547 | 1,206 |
| Operating lease charges for hire of equipment | 3,986 | 3,488 |
| Exchange loss, net | 851 | 1,054 |

9 Directors' remuneration and senior management remuneration

(a) Directors' remuneration

The remuneration of the Company's directors is as follows:

| | Annual performance bonus \$'000 | Discretionary bonus \$'000 | Fees \$'000 | Basic salaries, allowances and benefits- in-kind \$'000 | 2014 Total \$'000 |
|--|--|----------------------------------|----------------|--|-------------------------|
| Executive Directors | | | | | |
| Tan Sri Dr Chen Lip Keong | - | - | - | 720 | 720 |
| Philip Lee Wai Tuck | - | 31 | - | 375 | 406 |
| Chen Yepern | - | 10 | - | 246 | 256 |
| Non-executive Director | | | | | |
| Timothy Patrick McNally | - | - | 150 | 447 | 597 |
| Independent Non-executive Directors | | | | | |
| Michael Lai Kai Jin | - | - | 36 | 3 | 39 |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir | - | - | 36 | 2 | 38 |
| Lim Mun Kee | - | - | 48 | 2 | 50 |
| Total | - | 41 | 270 | 1,795 | 2,106 |

Notes to the Consolidated Financial Statements

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

The remuneration of the Company's directors is as follows: (continued)

| | Annual performance bonus \$'000 | Discretionary bonus \$'000 | Fees \$'000 | Basic salaries, allowances and benefits- in-kind \$'000 | 2013 Total \$'000 |
|--|--|----------------------------------|----------------|--|-------------------------|
| Executive Directors | | | | | |
| Tan Sri Dr Chen Lip Keong | 2,000 | - | - | 720 | 2,720 |
| Philip Lee Wai Tuck | - | 30 | - | 456 | 486 |
| Chen Yepern | - | 10 | - | 149 | 159 |
| Non-executive Director | | | | | |
| Timothy Patrick McNally | - | - | 101 | 313 | 414 |
| Independent Non-executive Directors | | | | | |
| Michael Lai Kai Jin | - | - | 36 | 2 | 38 |
| Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir | - | - | 36 | 2 | 38 |
| Lim Mun Kee | - | - | 48 | 2 | 50 |
| Total | 2,000 | 40 | 221 | 1,644 | 3,905 |

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Tan Sri Dr Chen Lip Keong is entitled to an annual performance bonus based on the Group's consolidated profit before taxation and before the said annual performance bonus ("PBT") as reported in the consolidated financial statements which shall be paid within one month of the approval of the consolidated financial statements. The performance bonus is calculated in accordance with the following formula:

| | | |
|---|---|---|
| Less than \$30 million PBT | : | \$Nil performance bonus |
| Between \$30 million to \$40 million PBT | : | performance bonus of 2% of PBT |
| More than \$40 million but up to and including \$50 million PBT | : | performance bonus of \$0.8 million plus 3% of additional portion of PBT from \$40,000,001 to \$50,000,000 |
| More than \$50 million PBT | : | performance bonus of \$1.1 million plus 5% of additional portion of PBT from \$50,000,001 onwards |

For the financial year ended 31 December 2013, Tan Sri Dr Chen Lip Keong ("TSCLK") was entitled to annual performance bonus of approximately of \$5.9 million. However, TSCLK agreed to accept a partial performance bonus of \$2.0 million and this was paid in April 2014. Due to the revised terms, the remaining balance of \$3.9 million was only payable in 2015 upon the Company satisfactorily achieving certain 2014 performance targets. During the financial year ended 31 December 2014, the remaining balance of \$3.9 million was waived by TSCLK.

For the year ended 31 December 2014, the CEO was entitled to a performance incentive of \$5.7 million. However, the terms of the payment of this performance incentive have been revised such that it shall be payable at the discretion of the Board, subject to certain performance benchmarks set for the 6 months ending 30 June 2015.

(b) Five highest paid individuals

Of the five individuals with highest emoluments, two (2013: three) are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the three individuals for the year ended 31 December 2014 (2013: two) are as follows:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Basic salaries, housing and other allowances and benefits-in-kind | 1,517 | 751 |

Notes to the Consolidated Financial Statements

9 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals (continued)

The emoluments of the three individuals (2013: two) with the highest emoluments are within the following bands:

| | 2014 Number of Individuals | 2013 Number of Individuals |
|--|----------------------------------|----------------------------------|
| \$Nil - \$256,400 (approximately HK\$ Nil - HK\$2,000,000) | - | - |
| \$256,401 - \$320,500 (approximately HK\$2,000,001 - HK\$2,500,000) | - | 1 |
| \$320,501 - \$384,600 (approximately HK\$2,500,001 - HK\$3,000,000) | - | - |
| \$384,601 - \$448,700 (approximately HK\$3,000,001 - HK\$3,500,000) | - | - |
| \$448,701 - \$512,800 (approximately HK\$3,500,001 - HK\$4,000,000) | 1 | 1 |
| \$512,801 - \$576,900 (approximately HK\$4,000,001 - HK\$4,500,000) | 2 | - |
| | 3 | 2 |

10 Income tax

Income tax in profit or loss represents:

| | 2014 \$'000 | 2013 \$'000 |
|---------------------------------------|----------------|----------------|
| Current tax expense - Current year | 5,875 | 5,113 |

10 Income tax (continued)

Reconciliation between tax expense and accounting profit at applicable tax rate:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Profit before taxation | 141,961 | 145,403 |
| Profits tax using Cambodian corporation tax rate of 20% (2013: 20%) | 28,392 | 29,081 |
| Tax exempt profits from Cambodian operations (note (a)) | (28,392) | (29,081) |
| Obligation Payments (note (a)) | 5,875 | 5,113 |
| | 5,875 | 5,113 |

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$324,731 (2013: \$288,650) and monthly non-gaming Obligation Payment of \$164,875 (2013: \$137,396) payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia by NWL Gaming Branch and NWL Hotel & Entertainment Branch, branches registered in Cambodia.

(i) Casino tax and licence fees

As described in note 5, under the SDA and the SSDA dated 2 January 1995 and 2 February 2000 respectively, the Cambodian Government has granted a casino licence to a subsidiary, Ariston, which in turn assigned the rights to operate gaming activities in Cambodia to NWL.

Pursuant to the SDA, Ariston was granted certain tax incentives in respect of the casino operations which include a profits tax exemption for a period of eight years from commencement of business, and profits thereafter would be subject to a concessionary rate of profits tax of 9% as compared to the normal profits tax rate of 20%. Ariston, in turn, has assigned to NWL all the tax incentives that were granted to Ariston pursuant to the SDA and SSDA relating to the gaming operations. The assignment of these tax incentives was confirmed by the Senior Minister, Minister in charge of the Council of Ministers, in a letter dated 20 November 2000.

It was contemplated by the SSDA that the gaming business of NWL would be regulated by a Casino Law which may prescribe casino taxes and licence fees. However, no Casino Law in respect of casino taxes or licence fees has been promulgated to-date. NWL has obtained a legal opinion that no casino taxes and licence fees are payable until the relevant legislation is enacted.

Notes to the Consolidated Financial Statements

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

In May 2000, the MOEF levied an Obligation Payment of \$60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. NWL has also obtained a legal opinion confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF has been revising the Obligation Payment every year, and for the year ended 31 December 2014, the Obligation Payments became \$324,731 per month (2013: \$288,650 per month).

Such payments will be subject to an annual increase of 12.5% thereafter until the full completion of NagaWorld. On 24 December 2007, the MOEF revised the terms of the increase in Obligation Payment with NWL and agreed a 12.5% annual increase for a period of seven years to 2013.

On 16 November 2006, NWL received a letter from the MOEF clarifying the terms of payment of the gaming Obligation Payment to the Cambodian Government. In respect of gaming tax, NWL Gaming Branch shall continue to pay its Obligation Payment, which is subject to an annual increase of 12.5% for a period of seven years until year 2013 which, the MOEF mentions, is a period for NWL to complete the construction of its casino and other associated activities. From year 2014 onwards, the gaming Obligation Payment shall be reviewed on the basis of the "actual position" of NWL.

On 23 September 2008, NWL received a letter from the MOEF regarding the extension of the terms of payment of the gaming Obligation Payment. In respect of gaming tax, NWL Gaming Branch was granted the extension for an additional period of five years up until 2018, the payment of which was subject to annual increase of 12.5% per annum.

In addition, the MOEF has levied a casino taxation certificate fee amounting to \$30,000 per year payable from year 2004 onwards. However, the MOEF in their letter dated 12 November 2004 acknowledges that under the SDA and SSDA, the Casino Licence is valid for 70 years.

Monthly payments for the Obligation Payment are due on the first week of the following month. In the event of late payment within 7 days from the due date, there will be a penalty of 2% on the late payment and interest 2% per month. In addition, after 15 days when official government notice is issued to NWL for the late payment an additional penalty of 25% will be imposed.

10 Income tax (continued)

Notes: (continued)

- (a) Income tax in profit or loss (continued)
 - (ii) Corporate and other taxes on gaming activities

Current tax expense represents Obligation Payments for NWL Gaming Branch and NWL Hotel and Entertainment Branch, another branch registered in Cambodia by NWL.

NWL Gaming Branch enjoys certain tax incentives relating to gaming activities which were granted by the Cambodian Government as stipulated in the SDA and SSSA, including exemption from corporate tax for eight years. Further tax incentives and extension of the corporate tax exemption period to December 2004 were granted to NWL, as set out in the letters from the MOEF dated 10 May 2000, 15 September 2000 and 30 November 2000. Tax incentives granted to NWL up to December 2005 include exemptions from all categories of taxes in respect of gaming activities including advance profits tax, dividend withholding tax, minimum profits tax, value-added tax and revenue tax, and exemptions from unpaid fringe benefits tax and withholding tax prior to 31 December 1999.

NWL has further obtained a clarification letter from the MOEF dated 24 February 2003 confirming exemption from salary tax for its gaming employees prior to January 2000.

As explained in note 10(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, to clarify that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the Law of Taxation (the "LoT") of Cambodia.

Furthermore, the Senior Minister of the Council of Ministers of the MOEF in a circular to all casinos dated 7 December 2000 clarified that with the payment of the Obligation Payment on gaming activities, NWL will be exempted from the profits tax, minimum tax, advance tax on dividend distribution and value-added tax.

A legal opinion was obtained confirming that NWL will be exempt from the aforementioned taxes subject to the Obligation Payments being made.

With the imposition of the Obligation Payment or fixed gaming tax currently imposed, no Casino Law in respect of casino taxes and licence fees have been promulgated, and together with the tax incentives mentioned in the SDA and SSSA that NWL would enjoy a concessionary rate of profits tax of 9% after the tax exemption period has expired, it is uncertain what applicable rate of tax will be imposed on the profits of NWL from gaming activities in the future when the Casino Law is eventually promulgated.

Notes to the Consolidated Financial Statements

10 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(ii) Corporate and other taxes on gaming activities (continued)

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. Subject to annual revision, the MOEF revised the non-gaming obligation payment to \$164,875 per month (2013: \$137,396 per month) for the year ended 31 December 2014. The monthly rate of non-gaming Obligation Payment will be reviewed annually.

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services which are included in administrative expenses in profit or loss. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 10(a)(i) above.

(iii) Other jurisdictions

The Group is not subject to Hong Kong, Malaysian or Cayman Islands income taxes for the current and prior years.

(b) Taxes on other businesses

Profits from NWL's operations in Cambodia, other than NWL Gaming Branch and NWL Hotel and Entertainment Branch, are subject to normal profits tax of 20%. Revenue from other operations of NWL in Cambodia is subject to value-added tax of 10%.

10 Income tax (continued)

Notes: (continued)

(c) Amendment to the Law on Investment and Law of Taxation

Certain amendments to the existing Law on Investment (“LoI”) and LoT of Cambodia were promulgated in March 2003.

Under the amendments made to the LoI, profits tax exemption would be preserved for the term granted under the original investment incentives, and the concessionary 9% profits tax rate will be restricted to five years from the expiry of the tax exemption period and thereafter profits would be subject to the normal tax rate of 20%.

Under the previous LoT, dividends can be distributed to shareholders without further withholding taxes. For entities that enjoy profits tax exemption or a concessionary profits tax rate of 9%, the amendments to the LoT will impose an additional tax that effectively increases the profits tax rate to 20%, upon the distribution of dividends. In addition, under the amendments made to the LoT, distribution of dividends to non-residents will be subject to a withholding tax on the distribution net of 20% tax at a rate of 14%, resulting in a net distribution tax of 31.2%.

As explained above, the Casino Law in respect of casino taxes and licence fees is yet to be promulgated. NWL has written a letter to the MOEF to clarify whether the amendments of the LoI and LoT will apply to their gaming business and has received a reply dated 9 June 2003 that the amendments of the LoI and LoT do not apply to casinos as they will be regulated by the Casino Administration Law which is yet to be enacted. However, the amendments to the LoI and LoT will apply to NWL Hotel and Entertainment Branch.

(d) Deferred taxation

No provision for deferred taxation has been recognised as there is no significant temporary difference at the end of the reporting period.

11 Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company includes a profit of \$89,506,000 (2013: \$90,297,000) which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

12 Dividends payable to owners of the Company attributable to the year

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Interim dividend declared during the year: | | |
| 2013: US cents 1.93 per ordinary share | - | 43,996 |
| 2014: US cents 2.07 per ordinary share | 47,334 | - |
| Final dividend proposed after the end of reporting period: | | |
| 2013: US cents 2.38 per ordinary share | - | 54,207 |
| 2014: US cents 2.11 per ordinary share | 47,925 | - |
| | 95,259 | 98,203 |

The interim dividend of \$47,334,000 (2013: \$43,996,000) for the six-month period ended 30 June 2014 was declared in August 2014 and paid in September 2014.

13 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$136,086,000 (2013: \$140,290,000) and the weighted average number of 2,281,614,300 (2013: 2,235,503,533) ordinary shares in issue less treasury shares during the year.

The weighted average number of ordinary shares is as follows:

| | 2014 | 2013 |
|-------------------------------------|----------------------|---------------|
| Issued ordinary shares at 1 January | 2,282,078,875 | 2,082,078,875 |
| Issue of shares under placement | - | 153,424,658 |
| Purchase of own shares | (464,575) | - |
| | 2,281,614,300 | 2,235,503,533 |

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2014 and 31 December 2013.

14 Segment information

The Group manages its business by division, which are organised by a mixture of business lines (casino, hotel and entertainment). The Group has identified the following two main reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at NagaWorld.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

(a) Segment results, assets and liabilities

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment of the following bases:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, provision for unredeemed chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation and amortisation of assets attributed to those segments.

| | Casino operations \$'000 | Hotel and entertainment operations \$'000 | Total \$'000 |
|---------------------------------|--------------------------------|--|-----------------|
| Segment revenue: | | | |
| Year ended 31 December 2013 | | | |
| Revenue from external customers | 325,033 | 19,913 | 344,946 |
| Inter-segment revenue | - | 31,782 | 31,782 |
| Reportable segment revenue | 325,033 | 51,695 | 376,728 |
| Year ended 31 December 2014 | | | |
| Revenue from external customers | 380,415 | 23,883 | 404,298 |
| Inter-segment revenue | - | 37,224 | 37,224 |
| Reportable segment revenue | 380,415 | 61,107 | 441,522 |
| Segment profit: | | | |
| Year ended 31 December | | | |
| 2013 | 164,496 | 16,649 | 181,145 |
| 2014 | 166,474 | 20,603 | 187,077 |

Notes to the Consolidated Financial Statements

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

| | Casino operations \$'000 | Hotel and entertainment operations \$'000 | Total \$'000 |
|--|--------------------------------|--|-----------------|
| Segment assets: | | | |
| As at 31 December | | | |
| 2013 | 521,271 | 384,944 | 906,215 |
| 2014 | 567,047 | 380,347 | 947,394 |
| Segment liabilities: | | | |
| As at 31 December | | | |
| 2013 | (28,779) | (277,396) | (306,175) |
| 2014 | (29,232) | (294,356) | (323,588) |
| Net assets: | | | |
| As at 31 December | | | |
| 2013 | 492,492 | 107,548 | 600,040 |
| 2014 | 537,815 | 85,991 | 623,806 |
| Other segment information: | | | |
| Capital expenditure: | | | |
| Year ended 31 December | | | |
| 2013 | 2,164 | 53,849 | 56,013 |
| 2014 | 53,252 | 43,934 | 97,186 |
| Impairment loss on trade receivables: | | | |
| Year ended 31 December | | | |
| 2013 | - | - | - |
| 2014 | 1,519 | - | 1,519 |
| Reversal of impairment loss on trade receivables: | | | |
| Year ended 31 December | | | |
| 2013 | (537) | - | (537) |
| 2014 | (263) | - | (263) |

14 Segment information (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities to revenue, profit or loss, assets and liabilities per the consolidated financial statements is as follows:

| | 2014 \$'000 | 2013 \$'000 |
|--|-----------------|----------------|
| Revenue | | |
| Reportable segment revenue | 441,522 | 376,728 |
| Elimination of inter-segment revenue | (37,224) | (31,782) |
| Consolidated revenue | 404,298 | 344,946 |
| Profit | | |
| Reportable segment profit | 187,077 | 181,145 |
| Other revenue | 716 | 121 |
| Depreciation and amortisation | (33,697) | (26,424) |
| Unallocated head office and corporate expenses | (12,135) | (9,439) |
| Consolidated profit before taxation | 141,961 | 145,403 |
| Assets | | |
| Reportable segment assets | 947,394 | 906,215 |
| Elimination of inter-segment assets | (288,973) | (268,150) |
| | 658,421 | 638,065 |
| Unallocated corporate assets | 2,173 | 2,043 |
| Consolidated total assets | 660,594 | 640,108 |
| Liabilities | | |
| Reportable segment liabilities | (323,588) | (306,175) |
| Elimination of inter-segment payables | 288,973 | 268,150 |
| | (34,615) | (38,025) |
| Unallocated corporate liabilities | (479) | (2,124) |
| Consolidated total liabilities | (35,094) | (40,149) |

Notes to the Consolidated Financial Statements

14 Segment information (continued)

(b) Geographical information

The Group's operations and activities are located entirely in Cambodia.

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease

(a) The Group

| | Plant and equipment \$'000 | Buildings \$'000 | Capital work-in- progress \$'000 (note (i)) | Renovations, furniture and fittings \$'000 | Motor vehicles \$'000 | Aircraft \$'000 | Total property, plant and equipment \$'000 | Interest in leasehold land held for own use under operating lease \$'000 (note (ii)) |
|---------------------|----------------------------------|---------------------|---|---|-----------------------------|--------------------|--|--|
| Cost: | | | | | | | | |
| At 1 January 2013 | 25,797 | 85,522 | 31,351 | 133,105 | 4,199 | 9,002 | 288,976 | 751 |
| Additions | 2,456 | - | 53,474 | 253 | 84 | - | 56,267 | - |
| Disposal | (5) | - | - | - | - | - | (5) | - |
| Written off | (148) | (779) | - | (291) | - | - | (1,218) | - |
| Transfer | - | 5,400 | (74,986) | 69,586 | - | - | - | - |
| At 31 December 2013 | 28,100 | 90,143 | 9,839 | 202,653 | 4,283 | 9,002 | 344,020 | 751 |
| At 1 January 2014 | 28,100 | 90,143 | 9,839 | 202,653 | 4,283 | 9,002 | 344,020 | 751 |
| Additions | 7,912 | - | 42,907 | 142 | 1,466 | 44,885 | 97,312 | - |
| Disposal | (216) | - | - | - | - | - | (216) | - |
| Transfer | - | 3,702 | (31,639) | 27,937 | - | - | - | - |
| At 31 December 2014 | 35,796 | 93,845 | 21,107 | 230,732 | 5,749 | 53,887 | 441,116 | 751 |

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

(a) The Group (continued)

| | Plant and equipment \$'000 | Buildings \$'000 | Capital work-in- progress \$'000 (note (i)) | Renovations, furniture and fittings \$'000 | Motor vehicles \$'000 | Aircraft \$'000 | Total property, plant and equipment \$'000 | Interest in leasehold land held for own use under operating lease \$'000 (note (ii)) |
|--|----------------------------------|---------------------|---|---|-----------------------------|--------------------|--|--|
| Accumulated depreciation/ amortisation: | | | | | | | | |
| At 1 January 2013 | 11,225 | 5,876 | - | 31,929 | 2,032 | 338 | 51,400 | 127 |
| Charge for the year | 3,334 | 1,754 | - | 16,758 | 573 | 450 | 22,869 | 8 |
| Disposal | (4) | - | - | - | - | - | (4) | - |
| Written off | (133) | (79) | - | (148) | - | - | (360) | - |
| At 31 December 2013 | 14,422 | 7,551 | - | 48,539 | 2,605 | 788 | 73,905 | 135 |
| At 1 January 2014 | 14,422 | 7,551 | - | 48,539 | 2,605 | 788 | 73,905 | 135 |
| Charge for the year | 3,990 | 1,824 | - | 21,501 | 694 | 2,133 | 30,142 | 8 |
| Disposal | (162) | - | - | - | - | - | (162) | - |
| At 31 December 2014 | 18,250 | 9,375 | - | 70,040 | 3,299 | 2,921 | 103,885 | 143 |
| Net book value: | | | | | | | | |
| At 31 December 2014 | 17,546 | 84,470 | 21,107 | 160,692 | 2,450 | 50,966 | 337,231 | 608 |
| At 31 December 2013 | 13,678 | 82,592 | 9,839 | 154,114 | 1,678 | 8,214 | 270,115 | 616 |

Notes to the Consolidated Financial Statements

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

(a) The Group (continued)

Notes:

- (i) Capital work-in-progress at net book value relates to the following assets under construction:

| | 2014 \$'000 | 2013 \$'000 |
|--------------------------|----------------|----------------|
| Hotel and casino complex | 21,107 | 9,839 |

Capital work-in-progress is mainly incurred on the hotel and casino complex in Cambodia known as NagaWorld which is constructed on land held under a lease expiring on 31 July 2095. The premium paid to obtain the lease of \$751,000 is included within interest in leasehold land held for own use under operating lease at its amortised cost.

- (ii) Interest in leasehold land held for own use under operating lease is located as follows:

| | 2014 \$'000 | 2013 \$'000 |
|----------|----------------|----------------|
| Cambodia | 608 | 616 |

In addition to the prepaid lease payments to acquire the interest in the leasehold land held for own use under operating lease, the Group was obliged to pay the annual operating lease charge of approximately \$187,000 (2013: \$187,000), subject to increment for every 10 years, as shown in notes 5 and 26 to the consolidated financial statements.

The land has a remaining leasehold period expiring on 31 July 2095. The lease is undertaken between NWL and the Municipality of Phnom Penh, Cambodia.

15 Property, plant and equipment, and interest in leasehold land held for own use under operating lease (continued)

(b) The Company

| | Office equipment \$'000 | Motor vehicles \$'000 | Total \$'000 |
|----------------------------------|-------------------------------|-----------------------------|-----------------|
| Cost: | | | |
| At 1 January 2013 | 377 | 295 | 672 |
| Additions | 6 | - | 6 |
| At 31 December 2013 | 383 | 295 | 678 |
| At 1 January 2014 | 383 | 295 | 678 |
| Additions | 3 | - | 3 |
| At 31 December 2014 | 386 | 295 | 681 |
| Accumulated depreciation: | | | |
| At 1 January 2013 | 224 | 72 | 296 |
| Charge for the year | 38 | 47 | 85 |
| At 31 December 2013 | 262 | 119 | 381 |
| At 1 January 2014 | 262 | 119 | 381 |
| Charge for the year | 38 | 47 | 85 |
| At 31 December 2014 | 300 | 166 | 466 |
| Net book value: | | | |
| At 31 December 2014 | 86 | 129 | 215 |
| At 31 December 2013 | 121 | 176 | 297 |

Notes to the Consolidated Financial Statements

16 Intangible assets

| | The Group | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Casino licence premium and extended exclusivity premium: | | |
| Cost: | | |
| At 1 January and 31 December | 108,000 | 108,000 |
| Accumulated amortisation: | | |
| At 1 January | 31,158 | 27,611 |
| Charge for year | 3,547 | 3,547 |
| At 31 December | 34,705 | 31,158 |
| Net book value | 73,295 | 76,842 |

On 12 August 2005, Ariston, a subsidiary of the Company, and the Cambodian Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within 200 kilometres of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the "Designated Area") for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the SDA signed on 2 January 1995 and SSSA signed on 2 February 2000, both between Ariston and the Cambodian Government (except for the right to operate the casino within the Designated Area) including, but not limited to, the rights granted in respect of the development in O'Chhoue Teal, Naga Island and Sihanoukville International Airport (the "Assigned Assets"). The Assigned Assets had previously been assigned to Ariston Holdings Sdn. Bhd., a related company that is beneficially owned by the ultimate controlling shareholder of the Company, Tan Sri Dr Chen Lip Keong, on 30 August 2002. In order to fulfill its obligations under the Addendum Agreement, Ariston proposed to enter into an agreement with Ariston Holdings Sdn. Bhd., pursuant to which Ariston Holdings Sdn. Bhd. would surrender all rights, title, benefits and interests in and to the Assigned Assets to the Cambodian Government with an effective date of 12 August 2005 in consideration for \$105 million.

The \$105 million liability in respect of the extended exclusivity period has been settled as follows:

- On 11 May 2006, the Company issued 202,332,411 ordinary shares of \$0.0125 each to Tan Sri Dr Chen Lip Keong pursuant to an agreement with, amongst others, Ariston and Ariston Holdings Sdn. Bhd. The fair value of the 202,332,411 ordinary shares was \$50 million of which \$2,529,155 was the par value of the ordinary shares issued and \$47,470,845 was the premium on the issue of the ordinary shares; and

16 Intangible assets (continued)

- On 16 August 2006, the remaining \$55 million due to Ariston Holdings Sdn. Bhd. was settled by way of a capital contribution of \$55 million by the ultimate controlling shareholder of the Company.

Please refer to note 5 in respect of the Casino Licence.

17 Investments in principal subsidiaries

| | The Company | |
|--------------------------|-------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Unlisted shares, at cost | 15,503 | 15,503 |

Notes to the Consolidated Financial Statements

17 Investments in principal subsidiaries (continued)

Details of the Company's principal subsidiaries are as follows:

| Name of subsidiary | Place of incorporation | Place of business | Particulars of issued and paid up share capital | Effective equity held by the Company | a subsidiary | Principal activities |
|--------------------------------------|------------------------|---------------------|---|--------------------------------------|--------------|---|
| NagaCorp (HK) Limited | Hong Kong | Hong Kong | HK\$10 | 100% | - | Investment holding |
| Naga Russia Limited | Cayman Islands | Russia | \$1 | 100% | - | Investment holding |
| Naga Russia One Limited | Cayman Islands | Russia | \$1 | - | 100% | Investment holding |
| Naga Hotels Russia Limited | Cayman Islands | Russia | \$1 | - | 100% | Investment holding |
| NWL | Hong Kong | Cambodia | HK\$78,000,000 | - | 100% | Gaming, hotel and entertainment operations |
| Ariston | Malaysia | Malaysia & Cambodia | Malaysian Ringgit ("RM") 56,075,891 | - | 100% | Holding casino licence and Investment holding |
| Neptune Orient Sdn. Bhd. | Malaysia | Malaysia & Cambodia | RM250,000 | - | 100% | Inactive |
| Ariston (Cambodia) Limited | Cambodia | Cambodia | Cambodian Riel ("KHR") 120,000,000 | - | 100% | Inactive |
| Naga Primorsky Entertainment Limited | Cyprus | Russia | Euro 1,000 | - | 100% | Investment holding |
| Naga Primorsky Beach Resorts Limited | Cyprus | Russia | Euro 1,000 | - | 100% | Investment holding |
| Naga Entertainment No. 3 Limited | Cyprus | Russia | Euro 1,000 | - | 100% | Investment holding |

17 Investments in principal subsidiaries (continued)

| Name of subsidiary | Place of incorporation | Place of business | Particulars of issued and paid up share capital | Effective equity held by the Company | a subsidiary | Principal activities |
|----------------------------------|------------------------|-------------------|---|--------------------------------------|--------------|--|
| Naga Sports Limited | Hong Kong | Cambodia | HK\$2 | - | 100% | Provision and maintenance of slot machine stations |
| Naga Travel Limited | Hong Kong | Hong Kong | HK\$2 | - | 100% | Investment holding |
| Naga Retail Limited | Hong Kong | Cambodia | HK\$2 | - | 100% | Operation of retail business |
| Naga Entertainment Limited | Hong Kong | Cambodia | HK\$2 | - | 100% | Organisation of entertainment events |
| Naga Services Limited | Hong Kong | Hong Kong | HK\$2 | - | 100% | Investment holding |
| Naga Media Limited | Hong Kong | Hong Kong | HK\$2 | - | 100% | Inactive |
| Naga Management Limited | Hong Kong | Hong Kong | HK\$2 | - | 100% | Inactive |
| Naga Services Company Limited | Vietnam | Vietnam | \$50,000 | - | 100% | Management consulting services |
| Naga Management Services Limited | Thailand | Thailand | Thai Baht 3,000,000 | - | 100% | Management consulting services |
| NagaJet Management Limited | Cayman Islands | Cambodia | \$1 | - | 100% | Management of company aircraft |
| Naga Transport Limited* | Cambodia | Cambodia | KHR200,000,000 | - | 100% | Investment holding |
| NagaWorld Travel Limited | Cambodia | Cambodia | KHR200,000,000 | - | 100% | Tourism services |

Notes to the Consolidated Financial Statements

17 Investments in principal subsidiaries (continued)

| Name of subsidiary | Place of incorporation | Place of business | Particulars of issued and paid up share capital | Effective equity held by the Company | a subsidiary | Principal activities |
|---|------------------------|-------------------|---|--------------------------------------|--------------|--|
| NagaWorld (Macau) Limitada | Macau | Macau | MOP25,000 | - | 100% | Marketing, sales, consultancy & services in connection with travelling, hotels and resorts |
| Primorsky Entertainment Resorts City LLC | Russia | Russia | RUB10,000 | - | 100% | Gaming, hotel and entertainment operations |
| Primorsky Entertainment Resorts City No.2 LLC | Russia | Russia | RUB10,000 | - | 100% | Inactive |
| NagaWorld Three Limited | British Virgin Islands | - | \$1 | - | 100% | Inactive |

The class of shares held is ordinary.

The shares in Naga Transport Limited are held in trust by a director on behalf of NWL.

18 Trade and other receivables

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Trade receivables | 14,371 | 11,778 | - | - |
| Less: Allowance for impairment loss | (1,829) | (2,290) | - | - |
| | 12,542 | 9,488 | - | - |
| Deposits, prepayments and other receivables | 16,520 | 8,283 | 635 | 518 |
| Amounts due from subsidiaries (note 23) | - | - | 248,801 | 215,396 |
| | 29,062 | 17,771 | 249,436 | 215,914 |

Included in trade and other receivables are trade debts (net of impairment losses) with the following ageing analysis as at the end of the reporting period:

| | The Group | |
|---------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Current to within 1 month | 11,173 | 6,984 |
| 1 to 3 months | 1 | 578 |
| 6 to 12 months | 605 | - |
| More than 1 year | 763 | 1,926 |
| | 12,542 | 9,488 |

Notes to the Consolidated Financial Statements

18 Trade and other receivables (continued)

The analysis of trade receivables which are past due but not impaired is as follows:

| | The Group | |
|---------------------------|---------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Less than 1 month overdue | 11,173 | 6,700 |
| 1 to 3 months overdue | 1 | 578 |
| More than 1 year overdue | 453 | 1,353 |
| | 11,627 | 8,631 |

The Group recognises impairment losses in accordance with the policy in note 4(e)(i). The Group's credit policy is set out in note 29(c).

The following table reconciles the impairment loss of trade receivables for the year:

| | The Group | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| At 1 January | 2,290 | 8,537 |
| Impairment loss recognised | 1,519 | - |
| Bad debts written off | (1,717) | (5,710) |
| Reversal of impairment loss previously recognised | (263) | (537) |
| At 31 December | 1,829 | 2,290 |

The amounts due from related parties are unsecured, interest-free and repayable on demand.

19 Investment in bonds

On 13 June 2014, the Group has bought certain notes (the “Bonds”) linked to a China bond USD hedged index issued by a reputable international bank (the “Index”). The Bonds are traded over-the-counter. The coupon rate is 3% per annum based on nominal value of \$25,000,000 and the maturity date of which is three years from the date of issue, i.e. 13 June 2017. The Bonds are redeemable at the maturity date and the redemption amount is calculated based on the Index level at the issue date and at the maturity date. In the opinion of directors, the Bonds will not be held to maturity and are to be disposed within 12 months. The Bonds contain derivatives and are designated as fair value through profit or loss.

A reconciliation of the opening and closing fair value balance is set out in the table below.

| | The Group and the Company | |
|--|---------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Fair value: | | |
| As at 1 January | - | - |
| Additions | 25,125 | - |
| Unrealised gain included in other operating expenses | 684 | - |
| As at 31 December | 25,809 | - |

20 Consumables

Consumables comprise food and beverage, diesel and sundry store items.

21 Prepayments for purchase of construction materials

Prepayments for purchase of construction materials relate to prepayments made for the purchase of raw materials necessary for the construction of NagaWorld.

The materials have not been received by the Group as at the year end. It is anticipated that the materials will be used in the construction of NagaWorld within twelve months from the end of the year.

Notes to the Consolidated Financial Statements

22 Cash and cash equivalents

| | The Group | | The Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Cash and bank balances | 86,659 | 114,941 | 25,268 | 37,537 |
| Fixed deposits | 91,579 | 62,189 | 30,506 | - |
| Certificates of deposits | - | 75,000 | - | 75,000 |
| | 178,238 | 252,130 | 55,774 | 112,537 |

Fixed deposits bear interest of 0.12% to 15.05% (2013: 0.09% to 1.5%) per annum and mature in various periods up to January 2015 (2013: mature in various periods up to January 2014).

As at 31 December 2013, fixed rate certificate of deposits bore interest of 0.45% to 0.62% per annum and were matured during the year.

The carrying amounts of these assets approximate their fair values.

23 Amounts due from/(to) subsidiaries

| | The Company | |
|---------------------------------------|-----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Amount due from Ariston | 104,536 | 104,986 |
| Amount due from NagaCorp (HK) Limited | 131,195 | 29,654 |
| Amount due from NWL | - | 80,756 |
| Amount due from Naga Russia Limited | 13,070 | - |
| Amounts due from subsidiaries | 248,801 | 215,396 |
| Amounts due to NWL | (25,194) | - |
| Amount due to other subsidiary | (3) | (3) |
| Amounts due to subsidiaries | (25,197) | (3) |

The balances are unsecured, interest-free and repayable on demand.

24 Trade and other payables

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Trade payables (Note) | 1,518 | 2,108 | - | - |
| Unredeemed casino chips | 17,365 | 15,950 | - | - |
| Deferred revenue | 456 | 484 | - | - |
| Deposits | 400 | 4,873 | - | - |
| Construction creditors | 3,270 | 7,385 | - | - |
| Accruals and other creditors | 11,595 | 8,923 | 402 | 2,071 |
| Amounts due to subsidiaries (note 23) | - | - | 25,197 | 3 |
| | 34,604 | 39,723 | 25,599 | 2,074 |

Note:

Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

| | The Group | |
|--|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Due within 1 month or on demand | 1,500 | 2,018 |
| Due after 1 month but within 3 months | - | - |
| Due after 3 months but within 6 months | - | 72 |
| Due after 6 months but within 1 year | - | 18 |
| Due after 1 year | 18 | - |
| Total | 1,518 | 2,108 |

Notes to the Consolidated Financial Statements

25 Capital and reserves

(a) The Group

| | Share capital \$'000 | Treasury shares \$'000 | Share premium \$'000 | Merger reserve \$'000 | Capital contribution reserve \$'000 | Exchange reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|---------------------------------|-------------------------|---------------------------|-------------------------|--------------------------|--|----------------------------|----------------------------|------------------|
| At 1 January 2013 | 26,026 | - | 135,498 | (12,812) | 55,568 | 63 | 197,556 | 401,899 |
| Issue of shares under placement | 2,500 | - | 153,629 | - | - | - | - | 156,129 |
| Share placement expenses | - | - | (1,191) | - | - | - | - | (1,191) |
| Profit for the year | - | - | - | - | - | - | 140,290 | 140,290 |
| Dividend declared and paid | - | - | - | - | - | - | (97,168) | (97,168) |
| At 31 December 2013 | 28,526 | - | 287,936 | (12,812) | 55,568 | 63 | 240,678 | 599,959 |
| At 1 January 2014 | 28,526 | - | 287,936 | (12,812) | 55,568 | 63 | 240,678 | 599,959 |
| Purchase of own shares | - | (9,004) | - | - | - | - | - | (9,004) |
| Profit for the year | - | - | - | - | - | - | 136,086 | 136,086 |
| Dividend declared and paid | - | - | - | - | - | - | (101,541) | (101,541) |
| At 31 December 2014 | 28,526 | (9,004) | 287,936 | (12,812) | 55,568 | 63 | 275,223 | 625,500 |

25 Capital and reserves (continued)

(b) The Company

| | Share capital \$'000 | Treasury shares \$'000 | Share premium \$'000 | Capital contribution reserve \$'000 | Accumulated losses \$'000 | Total \$'000 |
|------------------------------------|----------------------------|------------------------------|----------------------------|--|---------------------------------|------------------|
| At 1 January 2013 | 26,026 | - | 135,498 | 55,000 | (22,414) | 194,110 |
| Issue of shares under placement | 2,500 | - | 153,629 | - | - | 156,129 |
| Share placement expenses | - | - | (1,191) | - | - | (1,191) |
| Profit for the year | - | - | - | - | 90,297 | 90,297 |
| Dividend declared and paid | - | - | - | - | (97,168) | (97,168) |
| At 31 December 2013 | 28,526 | - | 287,936 | 55,000 | (29,285) | 342,177 |
| At 1 January 2014 | 28,526 | - | 287,936 | 55,000 | (29,285) | 342,177 |
| Purchase of own shares | - | (9,004) | - | - | - | (9,004) |
| Profit for the year | - | - | - | - | 89,506 | 89,506 |
| Dividend declared and paid | - | - | - | - | (101,541) | (101,541) |
| At 31 December 2014 | 28,526 | (9,004) | 287,936 | 55,000 | (41,320) | 321,138 |

Notes to the Consolidated Financial Statements

25 Capital and reserves (continued)

(c) Share capital

(i) Authorised:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| 8,000,000,000 ordinary shares of \$0.0125 each | 100,000 | 100,000 |

(ii) Issued and fully paid and held in treasury:

| | 2014 | | 2013 | |
|---|---------------------|---------|---------------------|--------|
| | Number of shares | \$'000 | Number of shares | \$'000 |
| Issued and fully paid: | | | | |
| Ordinary shares of \$0.0125 each | | | | |
| At 1 January | 2,282,078,875 | 28,526 | 2,082,078,875 | 26,026 |
| Issue of share on share placing (Note (b)) | - | - | 200,000,000 | 2,500 |
| At 31 December | 2,282,078,875 | 28,526 | 2,282,078,875 | 28,526 |
| Treasury shares: | | | | |
| At 1 January | - | - | - | - |
| Purchase of own shares (Note (a)) | (11,490,000) | (9,004) | - | - |
| At 31 December | (11,490,000) | (9,004) | - | - |
| Number of shares in open market: | | | | |
| At 1 January | 2,282,078,875 | | 2,282,078,875 | |
| Purchase of own shares (Note (a)) | (11,490,000) | | - | |
| At 31 December | 2,270,588,875 | | 2,282,078,875 | |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25 Capital and reserves (continued)

(c) Share capital (continued)

(ii) Issued and fully paid and held in treasury (continued):

Note:

- (a) During the year, the Company repurchased its own shares on the Stock Exchange as follows:

| Month/year | Number of shares repurchased | Highest price paid per share HK\$ | Lowest price paid per share HK\$ | Aggregate price paid \$'000 |
|---------------|------------------------------|--------------------------------------|-------------------------------------|--------------------------------|
| December 2014 | 11,490,000 | 6.340 | 5.765 | 8,947 |

Transaction costs of \$57,000 were incurred for the repurchase. All the repurchased shares were held in the Company's treasury as at 31 December 2014 and were in the progress of cancellation.

- (b) On 27 March 2013, the Company allotted and issued 200,000,000 new ordinary shares of \$0.0125 each at a subscription price of HK\$6.05 per share pursuant to the Placing and Subscription Agreement dated 13 March 2013. The Company received a total cash consideration, before expenses, of \$156,129,000 (or HK\$1,210,000,000 equivalent) from the share placement during last year.

(iii) Capital management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide a return to shareholders by pricing services commensurately with the level of risk.

Notes to the Consolidated Financial Statements

25 Capital and reserves (continued)

(c) Share capital (continued)

(iii) Capital management (continued)

The gearing ratio at the end of reporting period was as follows:

| | 2014 \$'000 | 2013 \$'000 |
|---------------------------|------------------|----------------|
| Debt | - | - |
| Cash and cash equivalents | (178,238) | (252,130) |
| Net debt | (178,238) | (252,130) |
| Equity | 625,500 | 559,959 |
| Net debt to equity ratio | N/A | N/A |

The Capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves. Management may consider any opportunity of debt financing when necessary. The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments in the light of changes in economic and business conditions and the risk characteristics of the underlying assets.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders provided that immediately following that date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts when they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve relates to the pooling of interests under the share swap agreement between, amongst others, the former shareholders of the combined entities, the Company and the then sole ultimate controlling shareholder dated 6 June 2003. The amount represents the fair value of the share capital of the combined entities and the carrying value of assets and liabilities combined into the Group pursuant to the restructuring aforementioned.

(iii) Capital contribution reserve

The capital contribution reserve comprises the fair value of assets contributed to the Company by the ultimate controlling shareholder.

25 Capital and reserves (continued)

(d) Nature and purpose of reserves (continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

(e) Distributable reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to owners of the Company was \$301,616,000 (2013: \$313,651,000) within which \$287,936,000 (2013: 287,936,000) related to the share premium of the new ordinary shares issued under placement and \$55,000,000 (2013: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend of US cents 2.11 per ordinary share (2013: US cents 2.38 per ordinary share) amounting to \$47.9 million (2013: \$54.2 million). The dividend has not been recognised as a liability at the end of the reporting period.

Notes to the Consolidated Financial Statements

26 Lease commitments

At the end of the reporting period, the Group's and Company's total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | The Group | | | | | | | | | |
|---------------|----------------|---|---------------------|--|--------|----------------|---|---------------------|--|--------|
| | 2014 | | | | | 2013 | | | | |
| | In respect of: | | | | | In respect of: | | | | |
| | Land lease | Office, staff quarters and car park | Equipment rental | Gaming machines stations & Tables games | Total | Land lease | Office, staff quarters and car park | Equipment rental | Gaming machines stations & Tables games | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Within 1 year | 219 | 807 | 1,536 | 1,022 | 3,584 | 219 | 765 | 1,536 | 1,203 | 3,723 |
| 1 to 5 years | 933 | 524 | 4,134 | 1,703 | 7,294 | 916 | 673 | 5,670 | 451 | 7,710 |
| After 5 years | 20,637 | 574 | - | - | 21,211 | 20,872 | 618 | - | - | 21,490 |
| | 21,789 | 1,905 | 5,670 | 2,725 | 32,089 | 22,007 | 2,056 | 7,206 | 1,654 | 32,923 |

| | The Company | |
|------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| In respect of office rental: | | |
| Within 1 year | 418 | 438 |
| 1 to 5 years | - | 419 |
| | 418 | 857 |

Note: Hotel and entertainment complex, Phnom Penh

The Group has entered into lease arrangements in respect of land in Phnom Penh, Cambodia which forms the site for the NagaWorld hotel and entertainment complex with integrated casino facilities currently under construction. The lease agreement is for a period of ninety-nine years and does not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are included in the lease agreement and in the commitments shown above. Please refer to note 15(a) for further details in respect of the land.

27 Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

| | The Group | |
|---|-----------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Hotel and casino complex, Phnom Penh - contracted but not incurred | 39,558 | 62,634 |

The capital commitments relating to the hotel and casino complex are expected to be incurred over one year in accordance with a phased construction plan.

Pursuant to an investment agreement dated 6 September 2013 entered into among the Company, the Administration of Primorsky Territory of the Russian Federation acting by its Governor; Open Joint Stock Company Primorsky Krai Development Corporation and the Department of International Cooperation and Tourism Development of the Primorsky Territory, the Group agreed to make an investment of not less than \$350 million (approximately HK\$2.7 billion) in a gaming and resort development project in Russia under the name "Primorsky Entertainment Resort City").

28 Equity settled share-based transactions

The Company has adopted a share option scheme upon listing of the Company's shares on the Main Board of the Stock Exchange on 19 October 2006 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the year (2013: Nil) and there are no outstanding share options at the end of the reporting period (2013: Nil).

29 Risk management

(a) Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and foreign currency risks arise in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such policies are regularly reviewed by the Board and regular reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

Notes to the Consolidated Financial Statements

29 Risk management (continued)

(b) Political and economic risks

The Group's activities are carried out in Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Cambodian Government has been pursuing reform policies in recent years, no assurance can be given that the Cambodian Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Cambodian Government's pursuit of reforms will be consistent or effective. Changes in laws on taxation and investment and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition.

(c) Credit risk

The credit policy on gaming receivables is seven days (2013: seven days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2013: thirty days from end of month). Trade receivables relate mostly to Junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 29% (2013: 45%) of the total trade and other receivables that were due from the five largest operators.

The Group recognises impairment losses on trade and other receivables in accordance with the policy in note 4(e)(i). The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators. Credit evaluations are performed on all customers requesting credit facilities.

The Group does not provide any guarantees which would expose the Group to credit risk.

(d) Liquidity risk

The contractual maturities of financial liabilities of the Group are shown as below:

| | 2014 \$'000 | 2013 \$'000 |
|--------------------|----------------|----------------|
| Less than one year | 34,604 | 39,723 |

29 Risk management (continued)

(e) Interest rate risk

To date the Group's funding requirements have largely been met by cash flows generated from its operations. In respect of income from monetary assets, effective interest rates and terms are as follows:

| | 2014 | | 2013 | |
|--------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Effective interest rate % | One year or less \$'000 | Effective interest rate % | One year or less \$'000 |
| Bank deposits | | | | |
| - On demand | 0.01 to 0.8 | 52,880 | 0.01 to 0.8 | 84,433 |
| - Fixed term of 7 days or less | 0.12 | 30,507 | 0.09 | 37,043 |
| - Within one year | 1.50 to 15.05 | 61,072 | 0.45 to 1.50 | 100,146 |
| | | 144,459 | | 221,622 |
| Bonds | 3.00 | 25,809 | N/A | - |
| | | 170,268 | | 221,622 |

The Group has no significant interest bearing assets except fixed rate bank deposits, fixed rate certificates of deposits and the Bonds detailed in notes 22 and 19 respectively. The Group policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's cash flow interest rate risk is minimal.

(f) Foreign currency risk

The Group's income is principally earned in United States dollars. The Group's expenditure is principally paid in United States dollars and to a lesser extent in Cambodian Riels and Russian Ruble. The Group does not therefore have significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential cost of exchange rate fluctuations.

(g) Fair values

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amounts due from subsidiaries, trade and other payables and amount due to subsidiaries. Due to their short term nature, the carrying values of these financial instruments approximately fair values.

Notes to the Consolidated Financial Statements

29 Risk management (continued)

(h) Financial instruments measured at fair value

The Bonds included in the Group's consolidated financial statements require measurement at fair value as details in note 19. The fair value measurement of which utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of the Bonds is a level 2 fair value measurement. The fair value is determined based on discounted cash flows supported by observable inputs. Significant inputs include the level of index as quoted from relevant markets.

There were no transfers between levels during the year.

30 Related party transactions

Significant transactions entered into between the Group and its related parties are as follows:

(a) Compensation of key management personnel

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Basic salaries, housing and other allowances and benefits in kind | 8,343 | 5,241 |
| Bonus | 261 | 2,236 |
| | 8,604 | 7,477 |

(b) Others (Note)

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Travel expenses | 800 | 680 |
| Expenses paid on behalf of related companies | 205 | 3,496 |

Note: The Group has transacted with related companies, the controlling beneficiary of which is Tan Sri Dr Chen Lip Keong, the ultimate controlling shareholder of the Company, for the provision of travel and tour services and hotel accommodation to the Group and expenses paid on behalf of the related companies.

As at 31 December 2014, amounts due from related companies of \$301,000 (2013: \$344,000) are included in trade and other receivables as disclosed in note 18 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum balance during the year was \$344,000 (2013: \$344,000).

31 Ultimate controlling party

At 31 December 2014, Tan Sri Dr Chen Lip Keong was taken to be interested in 951,795,297 ordinary shares out of the 2,282,078,875 issued ordinary shares of the Company, of which 11,490,000 issued ordinary shares of the Company were repurchased by the Company and are in the progress of cancellation, by virtue of being the founder of a discretionary trust, namely ChenLa Foundation.

Notes to the Consolidated Financial Statements

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2014

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2014, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

| | |
|---------------------------------|---|
| IFRSs (Amendments) | Annual Improvements 2010-2012 Cycle ² |
| IFRSs (Amendments) | Annual Improvements 2011-2013 Cycle ¹ |
| IFRSs (Amendments) | Annual Improvements 2012-2014 Cycle ³ |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ³ |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements ³ |
| IFRS 9 (2014) | Financial Instruments ⁵ |
| IFRS 15 | Revenue from Contracts with Customers ⁴ |

- 1 Effective for annual periods beginning on or after 1 July 2014
- 2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
- 3 Effective for annual periods beginning on or after 1 January 2016
- 4 Effective for annual periods beginning on or after 1 January 2017
- 5 Effective for annual periods beginning on or after 1 January 2018

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

IFRS 9 (2014) – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2014 (continued)

IFRS 9 (2014) – Financial Instruments (continued)

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations but the Directors are not yet in a position to conclude the impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

33 Key sources of estimation uncertainty

(i) Impairment allowance for bad and doubtful debts

The policy for impairment allowance for bad and doubtful debts on trade and other receivables of the Group is based on the evaluation of recoverability and outstanding period of accounts, and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer, including Junket VIP operators and local operators. In determining whether impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from individual trade and other receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

(ii) Useful lives of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets, as well as current operating strategy and legal considerations, such as contractual life. Future events, such as property expansions, property developments, new competition or new regulations, could result in a change in the manner in which the Group uses certain assets and could have impact on the estimated useful lives of such assets. Additional depreciation maybe provided if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Useful lives are reviewed at each financial year end date based on changes in circumstances.

34 Acquisition of subsidiaries

The Company entered into a conditional share purchase agreement on 13 June 2011, as supplemented by a supplemental agreement dated 28 December 2011, with Tan Sri Dr Chen Lip Keong, the controlling shareholder of the Company, to acquire the entire equity interests in TSC Inc. and City Walk Inc. both of which are incorporated in the British Virgin Islands and wholly owned by Tan Sri Dr Chen Lip Keong. The agreed consideration is \$369,000,000, which will be settled upon completion in the form of shares of the Company or convertible bonds to be issued by the Company. The acquisition was approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 January 2012. The completion of the acquisition is subject to the completion of the construction of several projects to be undertaken by TSC Inc. and City Walk Inc. The projects include the development and construction of the hotel and gaming complex and a retail walkway in Cambodia.

35 Contingent Liabilities

Pursuant to the existing service agreement between the Company and the Chief Executive Officer of the Company (“CEO”), the CEO is entitled to an annual performance incentive based on the Groups consolidated profit before taxation. For the financial year ended 31 December 2013, the CEO was entitled to a performance incentive of \$5.9 million. However, the CEO has agreed to accept only a partial performance incentive of \$2.0 million, and this was paid in April 2014. Due to the revised terms, the remaining balance of \$3.9 million was only payable in 2015 upon the Company satisfactorily achieving certain 2014 performance targets. During the current year, the remaining balance of \$3.9 million was waived by the CEO.

For the year ended 31 December 2014, the CEO was entitled to a performance incentive of US\$5.7 million. However, the terms of the payment of this performance incentive have been revised such that it shall be payable at the discretion of the Board, subject to certain performance benchmarks set for the 6 months ending 30 June 2015.

There are no further contingent liabilities as at 31 December 2014.

36 Events after reporting period

On 2 January 2015 the Company repurchased 600,000 of its ordinary shares at prices ranging from HK\$6.29 to HK\$6.35 per share on the Stock Exchange. All these repurchased ordinary shares are held by the Company in treasury as at the date of this financial statement and will be cancelled in due course.

Five-year Financial Summary

(Expressed in United States dollars)

| | 2010 \$'000 | 2011 \$'000 | 2012 \$'000 | 2013 \$'000 | 2014 \$'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| Consolidated statement of income | | | | | |
| Revenue | 150,517 | 223,781 | 278,762 | 344,946 | 404,298 |
| Profit attributable to owners of the Company | 44,061 | 92,030 | 113,141 | 140,290 | 136,086 |
| Earnings per share (US cents) | 2.12 | 4.42 | 5.43 | 6.28 | 5.96 |
| Dividend | | | | | |
| Interim dividend declared | 14,742 | 32,141 | 31,438 | 43,996 | 47,334 |
| Final dividend proposed after the end of reporting period | 16,101 | 32,280 | 53,172 | 54,207 | 47,925 |
| Total dividend attributable to the year | 30,843 | 64,421 | 84,610 | 98,203 | 95,259 |
| Dividend per share (US cents) | 1.48 | 3.09 | 3.84 | 4.31 | 4.18 |
| Consolidated statement of financial position | | | | | |
| Property, plant and equipment and interest in leasehold land held for own use under operating lease | 156,406 | 187,716 | 238,200 | 270,731 | 337,839 |
| Intangible assets | 87,483 | 83,936 | 80,389 | 76,842 | 73,295 |
| Other non-current assets | 3,431 | 4,408 | 14,436 | 21,627 | 15,059 |
| Net current assets | 61,370 | 76,418 | 68,874 | 230,759 | 199,307 |
| Employment of capital | 308,690 | 352,478 | 401,899 | 599,959 | 625,500 |
| Represented by: | | | | | |
| Share capital | 26,026 | 26,026 | 26,026 | 28,526 | 28,526 |
| Treasury shares | - | - | - | - | (9,004) |
| Reserves | 282,661 | 326,452 | 375,873 | 571,433 | 605,978 |
| Shareholders' funds | 308,687 | 352,478 | 401,899 | 599,959 | 625,500 |
| Other non-current liabilities | 3 | - | - | - | - |
| Capital employed | 308,690 | 352,478 | 401,899 | 599,959 | 625,500 |
| Net assets per share in open market (US cents) | 14.83 | 16.93 | 19.30 | 26.29 | 27.55 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting of NagaCorp Ltd. (the “Company”) will be held at Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 15 April 2015 at 10:00 a.m. for the following:

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors and independent auditor for the year ended 31 December 2014 (the “Year End”).
2. To declare a final dividend in respect of the Year End.
3. To re-elect the directors who have retired by rotation in accordance with Article 87(1) of the articles of association of the Company:
 - i. Mr. Timothy Patrick McNally as a non-executive director of the Company.
 - ii. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir as an independent non-executive director of the Company.
 - iii. Mr. Lim Mun Kee as an independent non-executive director of the Company.
4. To approve the directors’ remuneration for the Year End and to authorize the board of directors to fix the directors’ remuneration for the year ending 31 December 2015.
5. To re-appoint BDO Limited as independent auditor of the Company and to authorize the board of directors to fix its remuneration.
6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:
 - (A) **“That:**
 - (i) subject to paragraph (A)(iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares of the Company, or options, warrants or similar rights to subscribe for shares of the Company or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers, be and is hereby generally and unconditionally approved;
 - (ii) the approval in paragraph (A)(i) above shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and/or options which may require the exercise of such powers after the end of the Relevant Period;

Notice of Annual General Meeting

- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company during the Relevant Period pursuant to paragraph (A)(i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:
 - (a) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
 - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (b) “Rights Issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

(B) **“That:**

- (i) subject to paragraph (B)(ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange and, subject to and in accordance with all applicable laws, the Code on Share Buy-backs and the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the shares of the Company, which the Company is authorized to repurchase pursuant to the approval in paragraph (B)(i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (B)(i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (B)(i) and (ii) of this resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

- (C) “**That** conditional upon the resolutions numbered 6(A) and 6(B) as set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which may require the exercise of such powers pursuant to the ordinary resolution numbered 6(A) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 6(B) as set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution.”

By Order of the Board of
Directors
Timothy Patrick McNally
Chairman

Hong Kong, 11 March 2015

Notes:

- (i) Resolution numbered 6(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 6(A) and 6(B) are first passed by the shareholders.
- (ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

- (v) The Company's register of members will be closed during the following period:
- (a) from Monday, 13 April 2015 to Wednesday, 15 April 2015, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 April 2015; and
 - (b) on Tuesday, 21 April 2015, for the purpose of ascertaining shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 April 2015. The Company's shares will be traded ex-entitlement from and including Friday, 17 April 2015.
- (vi) In respect of the ordinary resolution numbered 6(A) above, the directors of the Company state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the shareholders as a general mandate for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").
- (vii) In respect of ordinary resolution numbered 6(B) above, the directors of the Company state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The Explanatory Statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 11 March 2015.

As at the date of this notice, the Directors are:

Executive Directors

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck and Chen Yepern

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee and Michael Lai Kai Jin

NagaCorp's Regional Footprint

金界控股的地區覆蓋面

Hong Kong 香港

1 NagaCorp Ltd. 金界控股有限公司

Suite 2806, 28/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

香港灣仔
港灣道 18 號
中環廣場 28 號
2806 室

Macau 澳門

2 NagaWorld (Macau) Limitada

No. 180 Doctor Carlos Avenue
Building Tong Nam Ah
16th Floor Block H to L, Macau

澳門新口岸宋玉生廣場
180 號東南亞商業中心
16 樓 H 至 L 室

Thailand 泰國

3 Naga Management Services Limited

1602-4, 16th Floor
Park Ventures Ecoplex
57 Wireless Road, Lumpini
Patumwan, Bangkok 10330, Thailand

Cambodia 柬埔寨

4 NagaWorld

Samdech Techo Hun Sen Park
PO Box 1099
Phnom Penh
Kingdom of Cambodia

柬埔寨王國
金邊市
Samdech Techo 洪森公園
郵政信箱 1099 號





Vietnam 越南

5 Naga Services Company Limited

Bitexco Financial Tower, 20th Floor
2 Hai Trieu Str, 36 Ho Tung Mau Str
45 Ngo Duc Ke, Ben Nghe Ward
Dist 1, HCMC, Vietnam

Malaysia 馬來西亞

6 NagaCorp Ltd.

3rd Floor, No. 118 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia