



NAGACORP

金界控股有限公司

NAGACORP LTD.//金界控股有限公司*

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918

*for identification purpose only



2015 Annual Report





集美國際會 世紀貴賓會
盛大開幕



集美國際會
J World Club



世紀貴賓會
Century Club





NACA WORLD
金牌

精彩夺目
2015年

2015 庆

世界流行乐坛

NACA

金牌

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Corporate Information

NagaCorp Ltd. (“NagaCorp” or the “Company”, together with its subsidiaries, the “Group”) 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 until 2065, as well as a 41-year monopoly within a 200-km radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) 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 Yiy Fon
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 Yiy Fon
Chen Yepern
Michael Lai Kai Jin

COMPANY SECRETARY

Lam Yi Lin

AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck
Lam Yi Lin

INDEPENDENT AUDITOR

BDO Limited

SOLICITORS

Reed Smith Richards Butler
Linklaters

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 annual reports, interim reports, press releases and announcements. Our annual reports contain 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.

Listing

The Company's shares of US\$0.0125 each (the "Shares") have been listed on the Main Board of the Stock Exchange since 19 October 2006.

2015 Annual Report

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 (Asia Pacific) & Corporate Finance

Gerard Chai, *Vice President*

Investor Relations (North America)

Kevin Nyland, *Vice President*

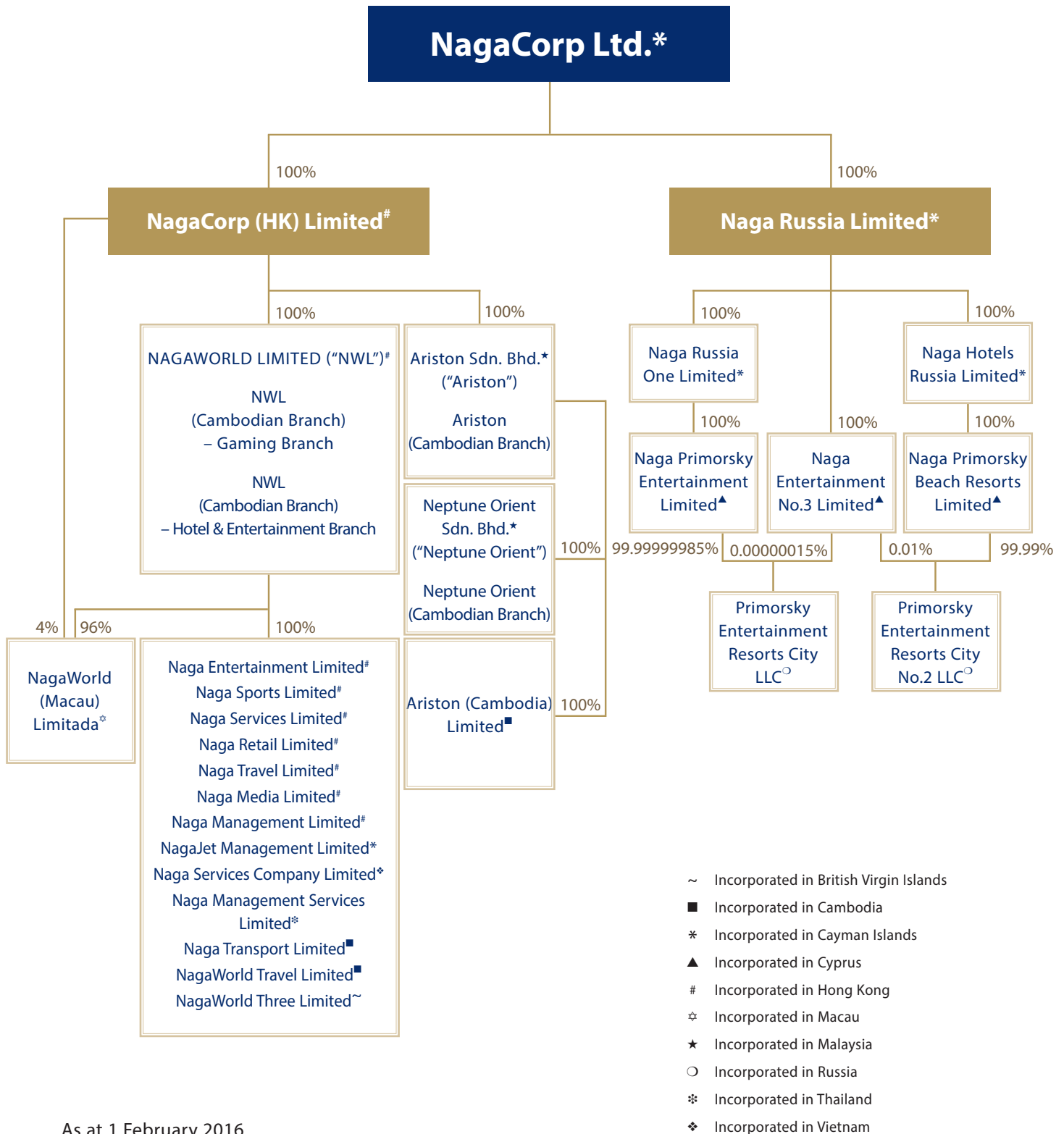
Investor Relations (Europe, Middle East & Africa)

David Ellis

Company Website

www.nagacorp.com

Corporate Structure

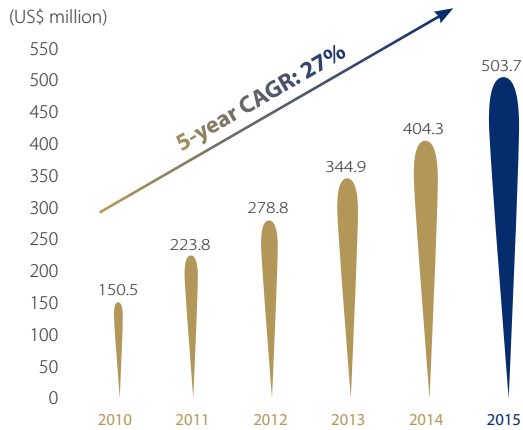


- ~ Incorporated in British Virgin Islands
- Incorporated in Cambodia
- * Incorporated in Cayman Islands
- ▲ Incorporated in Cyprus
- # Incorporated in Hong Kong
- ⊛ Incorporated in Macau
- ★ Incorporated in Malaysia
- Incorporated in Russia
- ⊛ Incorporated in Thailand
- ❖ Incorporated in Vietnam

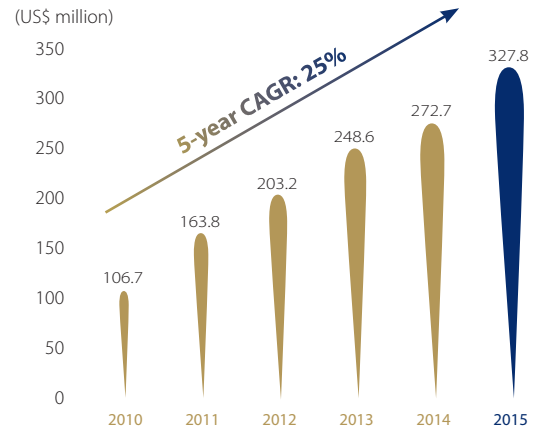
As at 1 February 2016

Financial Highlights

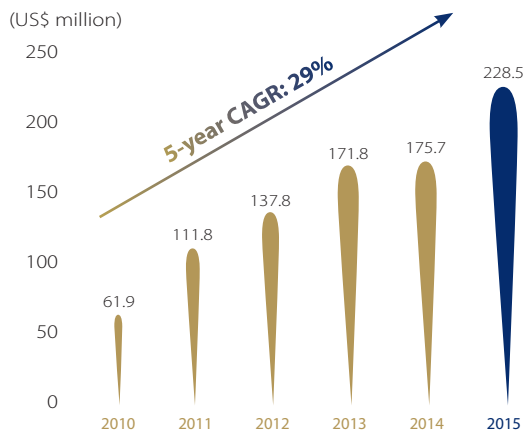
Revenue



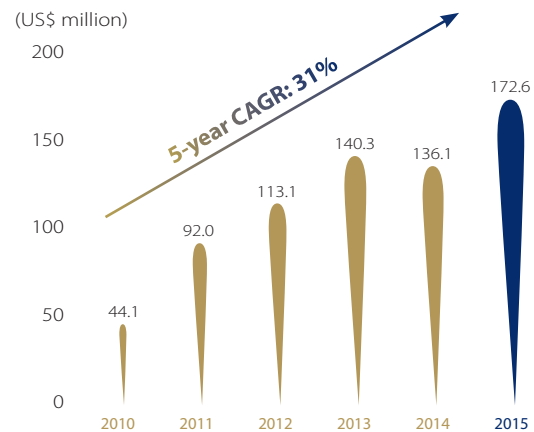
Gross Profit



EBITDA

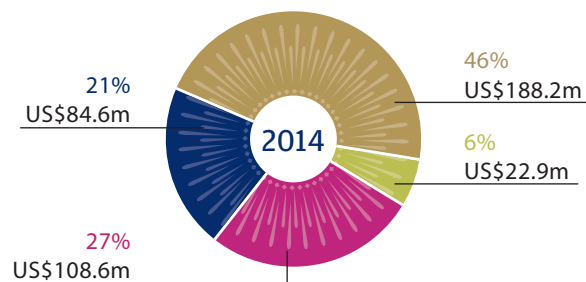


Net profit

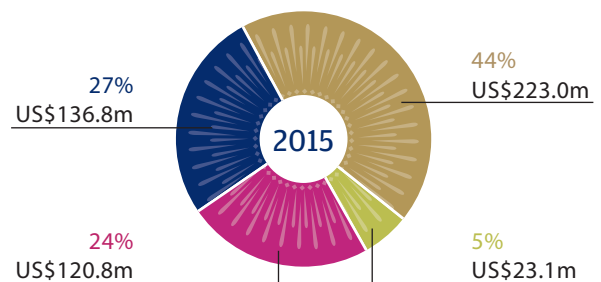


* Compound Annual Growth Rate

Revenue (US\$404.3 million)



Revenue (US\$503.7 million)



● VIP Market
 ● Mass Market: Public Floor Tables
 ● Mass Market: Electronic Gaming Machines
 ● Non-Gaming



យករង្វាន់របស់អ្នកឥឡូវនេះ!
TAKE YOUR BEAUTY NOW! | 快来领取您的会员福利!
NHẬN ƯU ĐÃI SA BẠN NGAY HÔM NAY!
SIGN UP IS FREE!!





Chairman's Statement



Timothy Patrick McNally
Chairman

Dear Shareholders,

We are pleased to announce that NagaCorp continued to generate positive operational and financial results for shareholders with net profit of US\$173 million, a 27% increase over last year. Gross Gaming Revenue ("GGR") for the year increased by 26% to US\$481 million.

Our positive results were attributed to a combination of good business strategy, operational and execution efficiency, pragmatic private-public sector cooperation in an increasingly vibrant tourism market in a politically stable country, leading to increasing business volume across all segments of the business. As of today, we operate the largest integrated leisure and gaming entertainment destination in the Mekong Regions.

Steady Tourism from Key Markets


International tourist arrivals to Cambodia continued to follow their growth trajectory, recording 4.8 million visitors in 2015, an increase of 6% compared to 2014. Visitor arrivals at the Phnom Penh International

Airport increased by 17% over the same period. Visitors from Vietnam (21%), China (15%) and Lao PDR (9%) collectively accounted for 44% of total tourist arrivals to Cambodia. The appeal of Cambodia as a travel destination for Chinese tourists is evident from a 24% increase year-on-year to 694,712 visitors in 2015 (Source: Ministry of Tourism, Cambodia).

The increase in international arrivals into Cambodia was driven by the country's political stability and availability of business opportunities in an emerging market with good tourism infrastructure as a travel destination.

Sound Strategy, Positioned for Regional Leadership

For the mass and slots market, during the year ended 31 December 2015 (the "Year"), buy-ins for all Public Floor tables which provides convenience for players partly explained incremental growth in business volumes. Electronic gaming machines ("EGM") revenue growth of 62% is attributed to an increase in bills-in of 16% and an additional



269 EGM installed in 2015. Installation of a “ticket-in, ticket-out” (“TITO”) system to the majority of EGM in 2015 generating quicker and higher tickets sales also contributed to incremental bills-in growth. The loyalty program, the Golden Edge Rewards Club (“GERC”), had approximately 15,500 active members, which allows the continued efforts of maintaining members’ profiles, adjusting marketing promotions and rolling out of the player development initiatives to increase the number of visitors by providing a more satisfying and wholesome entertainment experience.

For the VIP Market (commission, incentive program, and direct players), rollings for the Year continued to be strong, increasing by 27% to US\$7.9 billion with a win rate of 2.8%. As a result, the VIP Market revenue increased by 19% to US\$222.9 million. In the second quarter of 2015, additional North Asian junkets and tele-betting with a long term junket operator were signed.

The anticipated opening of NagaCity Walk in 2016 to provide an enhanced retail experience to our customers should further strengthen NagaWorld’s appeal to both the VIP Market and the Mass Market. China Duty Free Group, the largest duty-free operator in China, will be the operator and owner of the duty-free shop in the premises. We expect that the opening of NagaCity Walk will draw more tourist traffic from China to NagaWorld, which will further strengthen our competitive position.

Based on the current state of development, the gaming and resort development project in Vladivostok, Russia (the “PERC Project”) remains on schedule for completion on or before 2018. A ground breaking ceremony of the PERC Project was held at the site on 22 May 2015. Preliminary building approval was given by the Russian authorities and physical site works and construction on site are expected to commence in the first half of 2016. We have established an office at the city center and a number of key personnel have been appointed to monitor various aspects of the progress of the PERC Project.

Chairman's Statement

The relentless efforts to provide internationally recognized products and services to all patrons while capturing more market share growth have earned us an admirable position in the region. We believe that our strategy to diversify our business geographically and expand into new casino markets will drive revenue growth in the long term.

Competitive Dividend Payout Ratio of 60%

As a performing gaming stock on the Stock Exchange, NagaCorp continues to deliver profitability and business volume growth at an impressive level compared to other gaming operations in the regions.

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of US cents 1.89 per share (or equivalent to HK cents 14.65 per share) for the

Year. The proposed final dividend, together with the interim dividend, the sum of which is US cents 4.56 per share (or equivalent to HK cents 35.34 per share) represents a dividend payout ratio of 60%, based on the net profit generated for the Year. The final dividend is expected to be paid on Tuesday, 10 May 2016 subject to the approval of the shareholders of the Company at the 2016 annual general meeting.

Social Responsibility

NagaCorp is a recognized leader in discharging its corporate social responsibility. We continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country. For more details of our Corporate Social Responsibility effort, please refer to pages 28 to 37 of this annual report.



Corporate Governance

An independent professional party has reviewed the internal control procedures of NagaCorp and published its conclusion in our annual report relating to anti-money laundering. The Company has also continued to educate investors by engaging Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia. Its findings are also 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

Hong Kong, 1 February 2016

Management Discussion and Analysis

Market Review

The Cambodian economy continued to register stable growth during the Year. The International Monetary Fund (“IMF”) projects an increase in Cambodia’s real Gross Domestic Product (“GDP”) of 7.0% and 7.2% in 2015 and 2016 respectively, with an inflation rate of 1.1% and 1.8% respectively.

Tourism in Cambodia continued to grow with international tourist arrival increasing by 6% to 4.8 million visitors in 2015 compared to 2014. Visitor arrivals via Phnom Penh International Airport increased by 16% over the same period. The top three countries where visitors originated from were Vietnam (21%), China (15%) and Lao PDR (9%), together accounting for 44% of total tourist arrivals to Cambodia. In particular, visitors from China increased by 24% year-on-year to 694,712 visitors in 2015 (Source: Ministry of Tourism, Cambodia). Continued visitor growth is one of the drivers of the Group’s business growth.

NagaWorld, which is situated in the Cambodian capital city, Phnom Penh, recorded GGR growth of 26%, compared to a decline in GGR of 34% in 2015 for Macau. For the Year, the Group’s net profit increased by 27% to US\$172.6 million. The positive results were attributable to the increase in business volume across all segments of the gaming business. In addition, the Group received a non-refundable EGM Negotiation Fee from investors, which has been recorded as EGM revenue for the Year. As at 31 December 2015, NagaWorld had in place 287 gaming tables and 1,656 EGM.

Business Review

Table 1: Performance Highlights

For the Year and comparative prior year:

	2015 US\$'000	2014 US\$'000	Increase %
Mass Market: Public Floor Tables			
– Buy-ins	550,177	465,482	18.2%
– Win rate	22.0%	23.3%	
– Revenue	120,821	108,637	11.2%
– No. of tables at end of year	87	85	2.4%
Mass Market: EGM			
– Bills-in	1,370,652	1,185,648	15.6%
– Win rate	9.8%	10.1%	
– Win per unit per day (WUD) (US\$)	230	214	7.5%
– Revenue	136,834	84,563	61.8%
– No. of machines at end of year	1,656	1,537	
VIP Market			
– Rollings	7,875,918	6,185,338	27.3%
– Win rate	2.8%	3.0%	
– Revenue	222,945	188,184	18.5%
– No. of tables at end of year	200	169	18.3%
Gross Gaming Revenue	480,600	381,384	26.0%

Management Discussion and Analysis

Mass Market (Public Floor Tables and EGM)

The Group achieved growth in the Mass Market segment with an 18% increase in Public Floor Tables buy-ins and 16% increase in EGM bills-in. The business volume growth is attributable to steady visitor growth to the property and successful operational efficiencies implemented to improve convenience for players at the gaming tables and EGM.

In July 2015, the Group implemented table buy-ins for all Public Floor Tables. Previously, players were required to exchange cash for casino chips at the cashier cage. This initiative provides convenience for players at the gaming tables which has led to incremental growth in business volumes during 2H2015.

During the Year, EGM revenue grew by 62%, as a result of an EGM Negotiation Fee of US\$40.0 million received and an increase in bills-in of 16%, despite a lower win rate. EGM revenue growth was also attributable to an additional 269 EGM installed in 2H2015 at existing and new gaming areas.

The Group installed TITO system to the majority of EGM in September 2015. Previously, players would require EGM attendants to manually redeem credit for cash at the EGM. With TITO, the EGM is able to generate a ticket for the player which can be immediately inserted into another TITO equipped EGM to continue playing or be redeemed for cash. This added convenience to players has partly contributed to incremental bills-in growth.

The Group's GERC has been tracking well with increasing membership. As at 31 December 2015, GERC had approximately 15,500 active members. This allows the Group to continue its efforts to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

VIP Market

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

Rollings for the Year continued to be strong with sequential increases during 2H2015. VIP rollings increased by 27% to US\$7.9 billion with a win rate of 2.8%. As a result, VIP Market revenue increased by 19% to US\$222.9 million. In the second quarter of 2015, the Group signed additional North Asian junkets under the incentive program. The Group also launched tele-betting with a junket under the incentive program in December 2015.

Non-Gaming – Hotel, Food & Beverage and Entertainment

Non-gaming revenue increased slightly to US\$23.1 million due to better performance from Food & Beverage and other hotel services, which offsets the drop in room revenue attributable to the increased number of rooms sold to junket operators at a lower room rate.

The Group continued its efforts to provide internationally recognised 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 opening of NagaCity Walk by the third quarter of 2016 will enhance the overall retail experience available to the patrons and further strengthen NagaWorld's appeal to both the VIP Market and Mass Market. China Duty Free Group, the largest duty-free operator in China, has entered into an agreement to lease about 3,900 square metres in NagaCity Walk and operate duty-free shopping in the premises.

Revenue and Gross Profit Analysis

Table 2(a)

2015	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	257.7	51%	248.7	76%	97%
VIP Market	222.9	44%	60.9	19%	27%
Non-Gaming	23.1	5%	18.2	5%	79%
Total	503.7	100%	327.8	100%	65%

Table 2(b)

2014	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
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%

Management Discussion and Analysis

The Group recorded a gross profit increase of 20% to US\$327.8 million for the Year. The increase in gross profit for the Mass Market by 35% to US\$248.7 million was driven by higher Public Floors Tables buy-ins, EGM bill-ins and the receipt of the EGM Negotiation Fee from investors. The Mass Market continued to generate a high margin of 97%. The VIP Market's gross profit margin decreased to 27% (31 December 2014: 37%) due to higher incentives paid to overseas junket operators and a lower win-rate. With effect from January 2016, the Group has reduced such incentives to increase its profit margins from the VIP Market.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased marginally by 5% to US\$103.8 million during the Year. Increased expenses were in line with solid revenue growth, as required to support the higher business volume across all segments. Additionally, the Group has hired a number of experienced and qualified staff to facilitate regional marketing efforts and ongoing property enhancements at NagaWorld.

Finance Costs

The Group did not incur any finance costs during the Year.

Net Profit

Net profit attributable to the shareholders of the Group, or net profit, increased by 27% to US\$172.6 million for the Year. Net profit margin for the Year only decreased marginally to 34% despite lower gross profit margin and higher tax payment as a result of cost containment.

Earnings per share were US cents 7.60 (HK cents 58.90 per Share) and US cents 5.96 (HK cents 46.19 per Share) for the year ended 31 December 2015 and 2014, respectively.

Financial Review

Pledge of Assets

As at 31 December 2015, the Group had the promissory notes amounting to US\$6.9 million pledged for issuance of a bank guarantee of RUB400.0 million (31 December 2014: Nil).

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the Service Agreement which was signed between the Company and Tan Sri Dr Chen Lip Keong ("Dr Chen"), the CEO of the Company, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,050,899 (the "2015 Bonus Entitlement") for the Year.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board has considered the matter and has resolved to appeal to the generosity and good judgement of Dr Chen to defer the payment of the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the obligation to make the payment of the 2015 Bonus Entitlement, and at the request of the Company, Dr Chen has agreed to defer the receipt of the 2015 Bonus Entitlement to subsequent years until the achievement of certain KPIs.

The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement shall be extended to the financial years ending 31 December 2016 and 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

Subject to re-election at the annual general meeting of the Company to be held on or around 20 April 2016 (or such other date as the Company may determine), based on the recommendation of the Remuneration Committee of the Company, on recognition of the achievements and sacrifices of Dr Chen not to collect the past performance bonuses amounting to US\$18,580,908 from 2010 to 2014, the Company and Dr Chen further agreed that the Service Agreement which will expire on 15 May 2016 shall be renewed subject to terms agreeable to the parties.

Except for the above, and as disclosed elsewhere in the Group's financial statements, there were no other contingent liabilities as at 31 December 2015.

Issue of New Shares

There were no new Shares issued by the Company during the Year.

Purchase, Redemption or Sale of Listed Securities

During the Year, the Company repurchased 600,000 (2014: 11,490,000) of its Shares on the Stock Exchange for an aggregate consideration of HK\$3,798,840 (equivalent to approximately US\$490,593) (2014: HK\$69,371,020 (equivalent to approximately US\$8,947,000)) excluding transaction costs. On 31 December 2015, all the 12,090,000 Shares repurchased by the Company in 2014 and 2015 were cancelled.

Particulars of the share repurchases by the Company during the Year are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding transaction costs) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	600,000	6.35	6.29	3,798,840

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 its listed securities during the Year.

Management Discussion and Analysis

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 completion of the Top-up Placing and Subscription, (iii) the 2014 interim results announcement of the Company dated 6 August 2014, (iv) the 2014 final results of the Company dated 4 February 2015, and (v) the 2015 interim results of the Company dated 12 August 2015 (collectively, the “Announcements”).

During the year ended 31 December 2014, approximately 83% 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 2015, 100% of the Net Proceeds has been utilised or deployed in accordance with the intended use as disclosed in the Announcements.

Liquidity, Financial Resources and Gearing

As at 31 December 2015, the Group had total cash and cash equivalents, pledged deposits and bonds of US\$143.1 million (31 December 2014: US\$204.0 million).

As at 31 December 2015, the Group had net current assets of US\$153.9 million (31 December 2014: US\$199.3 million). The Group had net assets of US\$686.6 million as at 31 December 2015 (31 December 2014: US\$625.5 million).

As at 31 December 2015 and 31 December 2014, respectively, the Group had no outstanding borrowings. The Group has continued to remain ungeared.

Capital and Reserves

As at 31 December 2015, the capital and reserves attributable to owners of the Company was US\$686.6 million (31 December 2014: US\$625.5 million).

Employees

As at 31 December 2015, the Group employed a total work force of 5,763 (31 December 2014: 5,417), stationed in Cambodia, Hong Kong, Macau, Malaysia, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the Year were US\$56.8 million (31 December 2014: US\$48.7 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

Net trade receivables reduced from US\$12.5 million to US\$11.6 million during the Year.

During the Year, the Group made provision for impairment loss of US\$1.1 million (2014: US\$1.5 million) and reversed provision of impairment loss previously recognised of US\$0.6 million (2014: US\$0.3 million).

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. As a result, during the Year, the credit policy for gaming receivables was changed from seven days (31 December 2014) to a range of five to thirty days from end of tour while the credit policy on non-gaming receivables remained as thirty days from end of month.

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 Riel and Russian Ruble. The Group therefore does not have any significant exposure to foreign currency risk nor has the Group entered into any currency hedging transactions.

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.

Project Updates and Prospects

Update on NagaCity Walk and Naga2

As announced by the Company on 29 December 2015, the Company and Tan Sri Dr Chen Lip Keong (the "Seller") entered into a second supplemental agreement to a conditional share purchase agreement on 28 December 2015 to extend the completion date for the sale and purchase of the NagaCity Walk and the TSCLK Complex from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the Company and the Seller may agree in writing). However, based on the latest update from the project consultant engaged by the Seller in connection with the development of the relevant properties and barring unforeseen circumstances, development of the NagaCity Walk may possibly be completed in the first quarter of 2016, subject to satisfaction or waiver of the other relevant conditions precedent.

Hence, the tenant of NagaCity Walk is expected to commence operations by the third quarter of 2016. Located right next to NagaWorld, NagaCity Walk will offer duty-free shopping operated by China Duty Free Group as its anchor tenant. It is expected that the opening of NagaCity Walk will draw more tourist traffic from China to NagaWorld which will further strengthen NagaWorld's position as a leading integrated gaming and entertainment destination in the Mekong Region.

Update on the Investment Project in Vladivostok

Based on the current state of the PERC Project, the PERC Project remains broadly on schedule for operation by 2018.

Management Discussion and Analysis

A ground breaking ceremony of the PERC Project was held at the site on 22 May 2015. The Company has already deposited with Sberbank an amount of RUB400,000,000 as a condition to show financial capability for the purpose of securing a casino license and has already been paying an annual lease rental of about RUB3,000,000 since 2013 for the purpose of securing the lease interest of the Group in the plots of land (Plot 20, 21, 22 and 25) in the Primorsky Gambling zone. In addition, an amount of US\$34.0 million has been paid to satisfy certain contractual obligations under various contracts. Las Vegas based Steelman Associates was appointed as the Architect – Designer and State-owned China Harbour Engineering was appointed as the subcontractor to carry out the piling and construction works. Preliminary building approval was given by the Russian authorities. Physical site works and construction on site are expected to commence around April 2016. An office has been established at the city centre and a certain number of key personnel have been appointed to monitor various aspects of the progress of the PERC Project.

The Group believes that its strategy to diversify its business geographically and expand into new casino markets will drive revenue growth in the long term.

Prospects

NagaWorld celebrated its 20th anniversary on 1 May 2015 with the tagline “Contribute to Tourism and Socio-economic Development in the Kingdom of Cambodia”. The Group examined its position in relation to the past 20 years, present achievements and future direction for the next 20 years. The short-term, medium-term and long-term plans of the Group aim to not only be the Entertainment Centre of the Mekong Region but also a major entertainment player in the world.

Cambodia has attracted visitors from both Mainland Chinese and other nationalities. International arrivals to the country increased 6% for 2015 compared to 2014. This is driven by the political stability and the abundance of business opportunities as a rising emerging market, coupled with its appeal as a travel destination. This is evident from the continued growth of the Group’s property, NagaWorld – one of the main tourist destinations located at the city centre of Phnom Penh, which is poised to benefit from this growth in visitors. The Group continues to collaborate with Chinese outbound travel agents and an independent airline operator to bring Chinese tourists into Cambodia. The airline operator commenced thrice weekly scheduled flights from Chinese cities of Changsha and Xian to Cambodia in January 2016 and it is expected that the airline operator will commence flights from other Chinese cities in the future. The Group will continue to promote Phnom Penh as a tourist destination for Chinese tourists by improving accessibility to Phnom Penh.

The continued downturn in the gaming sector in Macau offers opportunities for the Group to further penetrate the regional gaming market of both the VIP and Mass Market, by offering better commercial terms to junket operators and agents as a result of NagaWorld's low cost structure. During the Year, the Group signed additional North Asian junkets seeking to diversify their operations to other parts of Asia.

The 27% increase in VIP rollings during the Year demonstrates the success of NagaWorld's incentive program in promoting NagaWorld to a wider range of operators and players in the region. For 2016, the Group has revised its overseas junket incentive program in order to improve its margins as it captures a larger share of the Asian VIP gaming market.

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

Interim and Final Dividends

The Board recommends the payment of final dividend of US cents 1.89 per Share (or equivalent to HK cents 14.65 per Share) for the Year to the shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on Tuesday, 26 April 2016. Subject to the approval of the Shareholders at the annual general meeting to be held on Wednesday, 20 April 2016 (the "2016 AGM") the final dividend is expected to be paid to Shareholders by post on or about Tuesday, 10 May 2016. The proposed final dividend together with the interim dividend for the six months ended 30 June 2015 of

US cents 2.67 per Share (or equivalent to HK cents 20.69 per Share) paid on Thursday, 17 September 2015, amounts to a total dividend declared for the Year of US cents 4.56 per Share (or equivalent to HK cents 35.34 per Share).

Closure of Register of Members

1. 2016 AGM

The register of members will be closed from Monday, 18 April 2016 to Wednesday, 20 April 2016, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2016 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, 15 April 2016.

2. Proposed Final Dividend

The register of members will be closed on Tuesday, 26 April 2016. The ex-dividend date will be Friday, 22 April 2016. 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, 25 April 2016.

Directors' Profile

Timothy Patrick McNally

Chairman

Timothy Patrick McNally, aged 68, 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"), aged 68, is an executive director, the founder, controlling shareholder, Chief Executive Officer, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. TSCLK is also a director of NagaJet Management Limited, a wholly-owned subsidiary of the Company; the commercial director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company, and a director of Fourth Star Finance Corp. which is a substantial shareholder of the Company. Mr. Chen Yiy Fon and Mr. Chen Yepern, executive directors of the Company, are the sons of TSCLK.

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

Philip Lee Wai Tuck

Executive Director

Philip Lee Wai Tuck, aged 53, 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 the 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, NagaWorld Three Limited, Ariston Sdn. Bhd., Neptune Orient Sdn. Bhd. and Ariston (Cambodia) 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 Yiy Fon

Executive Director

Chen Yiy Fon, aged 34, was appointed as an executive director of the Company on 1 June 2015. He is also a member of the AML Oversight Committee of the Company. Mr. Chen graduated with a Bachelor of Arts Degree in Economics from the University of Southern California, Los Angeles in 2003. In 2003, he interned at Morgan Stanley, Los Angeles, California and in 2004 he interned at Credit Suisse First Boston, Singapore.

Mr. Chen was a non-executive director of the Company from May 2009 to February 2011 and is currently a director of several wholly-owned subsidiaries of the Company.

Mr. Chen is also the chief executive officer and executive director of Karambunai Corp Berhad and Petaling Tin Berhad. He also serves as an executive director of FACB Industries Incorporated Berhad. All these three companies 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.

He is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, founder and the controlling shareholder of the Company; and an elder brother of Mr. Chen Yepern, an executive director of the Company.

Directors' Profile

Chen Yepern

Executive Director

Chen Yepern, aged 32, was appointed as an executive director of the Company on 14 February 2011. He is also a member of the Remuneration Committee, the Nomination Committee and the 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, NagaWorld (Macau) Limitada, Ariston Sdn. Bhd., Neptune Orient Sdn. Bhd. and Ariston (Cambodia) Limited. He also acts as the general director and legal representative of Naga Services Company Limited and the general director of Primorsky Entertainment Resorts City No.2 LLC, both are wholly-owned subsidiaries 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; and the younger brother of Mr. Chen Yiy Fon, an executive director of the Company.

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, aged 76, has been an independent non-executive director of the Company since 17 September 2007. He is also the chairman of the Remuneration Committee and the 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, aged 49, 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 the 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 also 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 a controlling shareholder of the Company.

Michael Lai Kai Jin

Independent Non-executive Director

Michael Lai Kai Jin, aged 46, was a non-executive director of the Company from 31 May 2010 to 5 April 2011 and was redesignated as independent non-executive director of the Company on 6 April 2011. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the 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.





Corporate Social Responsibility

NagaCorp continues to contribute positively to the development of the economy and the community of Cambodia for over 20 years. At NagaCorp, corporate social responsibility (“CSR”) is more than addressing community welfare. It is about developing a sustainable business strategy and conducting business with a conscience and a longer term view – caring for the Company, Shareholders, employees, customers, public, environment and all stakeholders, including the host country.

“Since inception in 1995 until now, contributing to society, doing charity and helping nation building have always been synonymous with the way NagaCorp carries out its business in Cambodia. Through Private and Public Sectors Participation Programs, NagaCorp’s community, environmental and national cares encompass a wide sphere of activities from education, sports development, human resources development, promoting tourism, contributing to charitable causes, Sustainability, Green Initiatives and benchmarking International Industry best practices by adhering to Global Corporate Governance programs- to name some of them.”

– Founder, Tan Sri Datuk Dr Chen Lip Keong

Awards

In 2015, NagaCorp received the following Samdech Techo Prime Minister Eco-Business Awards for Tourism 2015-17: (i) Outstanding Award, (ii) Social Welfare and Heritage Award and (iii) Environment Award. These awards aim to encourage the participation of businesses in eco-business, which would contribute to the development of the economy, environment, society and culture through their CSR programs and environmentally friendly activities.



Education, Scholarships and Training

NagaCorp Kind Hearts – Staff Volunteer program

Besides many other social community and national programs carried out since 1995, NagaCorp has contributed to scholarship programs from Battambang to Srey Reang, building schools, libraries and since March 2014, our initiative aimed to support schools and organizations by creating a better learning and education process for school children.

In 2015, 1,032 NagaCorp staff contributed to: 5,945 volunteer hours; 44,414 students benefited from improved school libraries and distributed reading materials; 108 activities, with 89 schools, 14 non-governmental organizations (“NGOs”) in 11 provinces; three major school improvement projects in rural areas completed; 60 young football players sponsored and 15 youth football clinics conducted; four Clean Up Days organized to beautify Phnom Penh; and 1,369 trees planted in the nation. NagaCorp donated more than 1.3 tonnes of rice, food supplies, sewing machines, towels, sarongs and reading materials to hundreds of orphans, single mothers, HIV/AIDS children and disabled children.



Nation Building through Naga Academy

Set up and launched in November 2012, Naga Academy's goal is to be an effective and comprehensive apprenticeship-based hospitality training institute to nurture the future of Cambodian youth through training. The 3 – 6 month internship programs allow interns to be trained as professionals in hospitality-related skills, with offerings expanded to 16 different departments, including: F&B Service, F&B Kitchen, Front office, Housekeeping, IT, Human Resources, Maintenance & Engineering and Audiovisual.

In addition to the distribution of stationary sets, school bags and exercise books, NagaCorp organised English Spelling and English Essay Writing competitions with the objective to enhance the command of the English Language among children in provincial areas. Further, NagaCorp contributed to school rebuilding and improvement projects in Kampong Cham and Kampong Speu provinces. It also refurbished four school libraries for Cambodian children with the aim to foster reading culture.

Since its inception, Naga Academy has recruited and groomed almost 2,000 interns. The interns were sourced from 35 partners which include local NGOs, international NGOs, universities and vocational schools. The majority of graduates were hired as permanent employees of NagaWorld, while some were given the opportunity to work with 15 external industry partners, who are also major hospitality players in Cambodia – we endorse a “no graduate left behind” policy.



NagaWorld also pledges to provide 1,000,000 additional hours of industry-wide hospitality training in order to support the Ministry of Tourism's mandate to develop 1,000,000 qualified hospitality professionals by 2020.

Naga Academy produced 426 Interns in 2015 of which 14% were hired and a further 6% were referred to industry partners/peers.

Corporate Social Responsibility

In 2015, Naga Academy provided more than 400,000 total training hours to its interns. Naga Academy has conducted over 1,000,000 training hours since inception.



Youth and National Sports Development

NagaCorp believes that sports develops character, fosters teamwork and leadership and helps to revitalize the young and the disadvantaged in a sustainable way. NagaCorp has been working closely with the National Olympic Committee of Cambodia, sponsoring Cambodian athletes at the Southeast Asian Games and supporting the Rugby Federation, the Football Federation, martial arts (sponsorship of the “One Championship”) and tennis (main sponsor of the Cambodia squad in the Davis Cup).

NagaCorp continues to support Cambodian Sports through partnership with the National Olympic Committee of Cambodia and also continuing support of both grassroots and international events.

Extension of Partnership with National Committee of Cambodia (“NOCC”)

NagaCorp signed an agreement to extend its partnership with the NOCC until 2017. The agreement will see NagaCorp continuing to support all Cambodian sports in major sporting events: The Olympic Games, Asia Games and Southeast Asian Games – by providing off-the-field apparel and equipment for all Cambodian athletes and officials. NagaCorp will also provide cash incentives for Cambodian athletes that achieve medals in these competitions.

In 2015, NagaCorp sponsored all sports attire for the Cambodian team at the Southeast Asian Games and presented a cash incentive of US\$5,000 for the gold medal winner at the Chinlone event.



Tennis

In 2015, NagaCorp continued to collaborate with Tennis Cambodia and remained the main sponsor of Cambodia's Davis Cup team for the fourth year in a row. The sponsorship enables the team's continued participation in the premier tennis team competition which was held in Dubai in March. The team competed against Hong Kong, Malaysia, Qatar, Saudi Arabia, Syria, Vietnam and Turkmenistan.

Martial Arts

NagaCorp's partnership with Asia's biggest mixed martial arts organizer, ONE Championship, saw the return of the mixed martial arts events to Phnom Penh, Cambodia in December 2015. The Kingdom of Khmer Event was held at the Koh Pich Theatre with ten exciting bouts of non-stop fighting action. The event was broadcast to neighboring countries in Southeast Asia as well as China. NagaCorp also continued to extend its partnership in 2015 with Apsara TV for its popular monthly traditional kick-boxing event.



Football

Football remains the most popular sport in the Kingdom. NagaCorp's football team, NAGAWORLD Football Club, is very active in encouraging youth participation of the game by working closely with NagaCorp's CSR Department. In 2015, the team travelled with the CSR Team each month to schools to conduct sports clinics with the children and give away football equipment. Besides internal partnerships, the team also partnered with RHB Bank to organize a soccer tournament for over 200 children.



Corporate Social Responsibility



In 2015, NAGAWORLD Football Club came in second in the prestigious Hun Sen Cup tournament and the Cambodia Premier League.

Charity Causes

The Cambodian Red Cross is the largest NGO in Cambodia and is officially recognized by the Cambodian Government as the primary auxiliary for humanitarian services throughout the country. Besides donating to other charitable organizations, NagaWorld has been a long-standing contributor of the Red Cross, and thereby, giving back to the community and working towards building Cambodia's social welfare.



Workplace Safety

Fire Safety

NagaCorp's commitment to the safety of our hotel guests and staff is paramount and essential at all times. Since 2012, NagaCorp's in-house Fire Safety Department ("FSD") continually drives professional standards through further education and training of our firefighters. All 53 Fire Safety operations staff duly passed and completed the NFPA 1001 International Standard Training (The National Fire Protection Association Standard 1001 – Firefighter Professional Qualifications). All firefighters are also trained by the Cambodian Red Cross in First-Aid so they may attend to any medical situation – making NagaCorp a forerunner to provide 24-hour assistance and support for any kind of emergency.



The department is led and managed by fire safety professionals with international backgrounds and experiences in different fields of fire emergency response and management and certifications in international fire safety and risk management, International Construction Health and Safety and Occupational Health and Safety and recognized by NEBOSH (The National Examination Board in Occupational Health and Safety).

In 2015, the FSD successfully promoted fire safety awareness through various programs such as Fire Induction and Fire Warden training, which aim to educate all of NagaCorp's corporate members and staff about fire safety and prevention. Major improvements and upgrades have also been completed in the property's fire safety and protection system. NagaCorp's efforts to drive high standards, recruit competent leaders and provide further education and training of its fire safety, medical and emergency response team allows FSD to protect and serve NagaCorp and its guests.

As at 31 December 2015, FSD comprised 53 firefighters, with a minimum of 12 FSD officers on duty 24 hours a day, seven days a week.



Hygiene and Food Safety

The Hygiene Department at NagaCorp has a moral obligation to safeguard each and every employee, our customers and the environment by aspiring to operate a safe, injury-free and healthy workplace and serving food that is always safe to eat while minimizing wasteful impacts on the environment.

Our primary objective is to ensure that we always serve food prepared to the highest standards and use the best quality products and ingredients. The Group abides by local and international laws and legislations to ensure that the food we serve complies with Food Safety Standards.



To ensure best practices, the Group has developed a common minimum operating standard and set of behaviors which is practiced at every location of the kitchens and restaurants we operate in. These are based on sound scientific, regulatory requirements and industry best practices, which have been introduced into all of our operations. In the next three years, NagaCorp aims to set the benchmark as one of the leading hotels in Cambodia through its Food Safety and Hygiene System.

Corporate Social Responsibility

The Group regularly measures compliance against these standards and implements performance objectives to assure our clients and customers that the food we provide is safe to eat while meeting their quality expectations. In order to achieve this, we provide all employees with the latest information on Food Safety, training and tools necessary to do their job systematically and with good hygiene practices.

Empowerment through Human Resources

As at 31 December 2015, the Group comprised a total of 5,630 employees, diversely representing over 25 nationalities.

Human Resources Mission

HR strategies and programs are aligned to the Group's Vision & Mission.

Vision: "To be the premier entertainment destination in the Mekong River Region"
Mission: "Pursuit of excellence in people, products & profits"



HR Mission: We aim to provide transparent, fair and competitive total rewards based on roles, responsibilities & achievement of superior business & individual performance.

NagaCorp supports a fair, transparent and high performance culture through its Human Resources ("HR") department, where it aims to (i) deliver superior business results through our people and its programs and (ii) be a strategic business partner with all operations. NagaCorp continues to develop and improve its HR programs, through key initiatives such as second language training, talent and leadership development, improved corporate policies and practices and fulfills delegated responsibilities for (i) recruitment, (ii) compensation and benefits, (iii) performance management, (iv) training and development and (v) employee relations.

Recruitment

The Group is committed to ensuring equal employment opportunity to all qualified individuals. All positions are sourced and recruited through a competency-based assessment strategy through various channels. The Group is also actively expanding its talent acquisition strategy by using social media platforms and other innovative platforms, by broadcasting monthly mass recruitment and HR events to the local & global communities.

In 2015, we hired over 800 staff (out of over 8,000 application submissions/interviews) via seven mass recruitment exercises, online submissions and walk-ins. NagaWorld significantly reduced attrition levels in 2015 to less than 1% per month (vs. 3% in 2013) by focusing on improved selection methods and will build on this momentum in 2016 to ensure a robust and scalable expansion strategy and to compete with our peers.



Compensation & Benefits

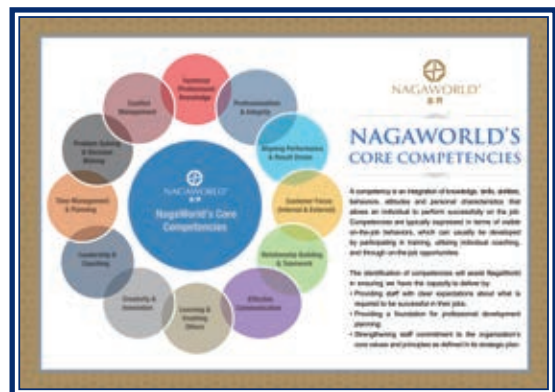
The Group is committed to providing competitive compensation and benefits to all employees. Our programs take into account the employees' education & technical qualifications, experience and degree of responsibility relevant to the job, as well as competitive local, regional and global market & industry standards.

In 2015, in addition to our annual salary increment and bonus programs, new compensation and benefits programs included long service awards – the Group celebrated its first 20 year service award ceremony, spot awards and recognition and reward programs – 9,514 of such awards, valued close to US\$290,000, were delivered to high performing employees.

Performance Management

The Group is committed to providing a performance-driven management program which aims to deliver clear targets & expectations for all employees to achieve business performance goals & priorities. This is done via the implementation and measurement of key performance indicators (“KPIs”) and competencies. Depending on the operational needs, KPIs may be financial, business process, customer and/or people focused. In addition, there are both technical competencies, which are operationally aligned and 12 general core competencies assessed across NagaWorld.

In 2015, NagaWorld conducted its first Company-wide performance management training in Company history for every NagaWorld employee.



Corporate Social Responsibility

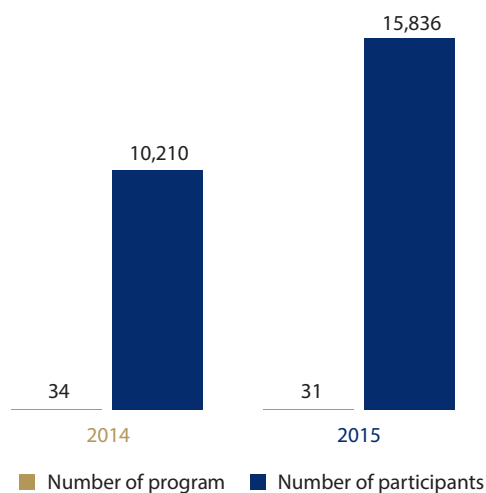
Training & Development

The Group is committed to developing our employees and advancing their careers by providing suitable training opportunities. Each training program is designed specifically to cater to different roles at various levels of the Group, based on operational needs. These programs aim to not only equip our employees with management and operations-related skills, but also empower them with the right attitude and knowledge to succeed in today's dynamic social and economic environment. In addition, our employees are encouraged to develop their skills and expand their knowledge continuously.



As the Group continues to grow, we will continue to invest in our people, so the opportunities for growth and advancement for our employees to develop their career with us are unlimited – as well as encouraging them to remain focused to lead, partner and collaborate with our partners in the hospitality industry.

In 2015, we recorded over 130,000 hours of training, via 31 focused training programs to its full-time employees. We have also committed to one million hours of training to our staff and the hospitality industry over the next three years.



Employee Relations

Positive employee engagement is our first priority, as our business model dictates that “happy employees” lead to “happy customers”. We reach out every day to members of the Group to work more collaboratively and continue to improve working relationships. We offer our employees career counseling, conflict resolution with the aim to find positive solutions management. Other core functions include serving as the HR liaison to the Shop Steward Conference, led by our Employee Relations function and assisting via experience sharing in various areas of the workplace. We also continue to develop and implement programs to promote team building.

In 2015, we held our first Inter Department Sports Bowling Tournament and developed a more robust Shop Stewards to further improve management and employee relations.



Shop Stewards

Shop Stewards is the employees' representatives forum, with a mandate of two years, to discuss issues relating to the Group. We have a total of 106 representatives (there are 53 Official Shop Stewards and 53 Assistant Shop Stewards). Shop Stewards are grouped into four Sub-Committees: (i) Health & Safety, (ii) Working Conditions, (iii) Welfare and (iv) Internal Rules Sub-Committee. Due to this forum, the Group experiences improved employer/employee relationship and communications. All HR personnel are available for any inquiries in relations to internal rules and company policies and the Group welcomes feedback and constructive suggestions from employees at all times.



Sustainability

Walking the Sustainable Path

Founded 20 years ago, NagaCorp has sought to operate in a responsible, transparent and sustainable way. In summary, being sustainable is to live and operate the business in a way that satisfies today's needs without compromising the needs of future generations. To perpetuate this commitment, the Sustainability Department was formed in 2013 to create programs which reduce our ecological footprint.

Policies and projects have been implemented in the following key areas to guide our decision making process:

Energy: Our goal is to reduce energy consumption without compromising customer satisfaction and operational efficiency

Carbon: Our goal is to minimize our carbon dioxide ("CO₂") footprint by adopting and implementing carbon reducing projects

Waste: We have embraced the 3R strategy in our waste management: Reduce, Reuse and Recycle

Water: Our goal is to reduce water consumption by adopting technology and rethinking our processes, while encouraging guests to be more aware

Air: We are actively working to improve the air quality within our premises

Awareness: We are committed to being a responsible and proactive member of our community

Energy & Carbon

In order to reduce greenhouse gas and CO₂ emissions, NagaCorp is working towards reducing energy consumption. We monitor energy consumption and emissions according to international standards. An energy audit based on "ASHRAE walk through audit – level 1 and 2" was performed in order to identify opportunities for energy savings.

We are seeking to reduce both direct and indirect emissions. Direct emissions are the CO₂ emitted through our activities, including facilities and vehicles. We are working diligently to minimize the CO₂ released by implementing carbon alternative projects, following ISO 14064-1 guidelines for measurement and reporting. Indirect emissions are those produced while manufacturing and transporting the products and services we consume. To reduce it, we attempt to source domestic products whenever it is available and to work closely with our suppliers to develop local supply chains.

The main program being implemented is an "ongoing re-commissioning" system which consists of optimization of our consumption through monitoring and benchmarking of our energy and water consumption on a daily basis. Irregularities are studied with the Engineering Department in order to determine causes and develop solutions. This program also includes a weekly Indoor Air Quality ("IAQ") test to identify any issues a range of key indicators including temperature, relative humidity, CO₂, carbon monoxide, light and sound).

NagaCorp has incorporated energy saving criteria into purchasing policy. As a result of this, the most efficient products are preferred whenever it is feasible to do so. On the operational side, the heating, ventilation, and air conditioning (“HVAC”) systems of an entire wing were replaced in 2015 with more energy efficient systems. This program will be expanded in line with our refresh program over the next few years. We have replaced more than 70% of the “traditional” lighting in public areas and hotel rooms with energy efficient LED lighting. We have installed presence sensors in employee bathrooms to switch off the lights when the room is not being used, displayed smart controls (activity sensors combined to variable speed drives) in our kitchen equipment to ensure the systems are operating in an optimal manner, and a wide automation project which is currently evaluated to save up to 3% of the energy consumed by the HVAC systems.

Since commencing operations, NagaCorp has operated using diesel electric generators. In 2015, we received confirmation that the city grid could support our usage. We connected the facility to the Phnom Penh electricity grid in October 2015. This will eventually optimize energy consumption and reduce the emissions of greenhouse gases significantly, by approximately 30,000 tonnes of CO₂ equivalent in Phnom Penh.

Water

We are committed to using water in a responsible manner and have developed strategies to reduce our water consumption by applying mechanical systems and rethinking processes. These changes include the “opt-in” initiative which offers our guests the choice to decline daily linen changes. Additionally there is an ongoing program which is designed to increase the efficiency of the air conditioning and ventilation systems, which will further 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 work and at home.

Air

NagaCorp is actively working to provide good air quality within the company premises. Regular monitoring is carried out in accordance with ASHRAE standards in order to ensure a safe and comfortable environment for our employees and customers.

NagaCorp also promotes a comfortable working environment for our employees. The Administration Department has been entrusted to look after plants in all offices. Our employees have supported this effort by bringing in their own plants to participate in making the office green.

Sustainability

Waste

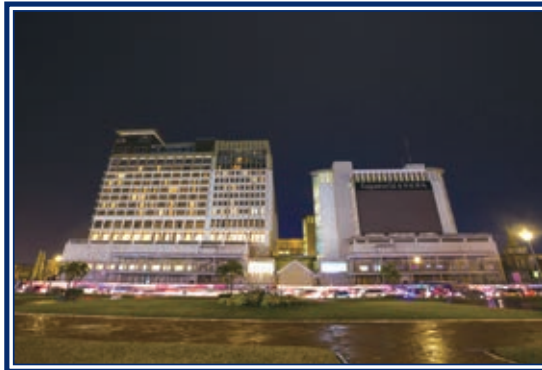
NagaCorp has embraced the 3R strategy in our waste management: Reduce, Reuse and Recycle. The aim is to reduce the amount of waste produced which would eventually end in landfill. The Purchasing Department has developed a Sustainability Policy that encourages the use of goods with low negative impact on the environment and humans and to emphasize life cycle thinking into every business decision made. With these policies in place, we aim to minimize our consumption and reduce waste without impacting customers. One example of this thinking is that we have installed energy efficient hand dryers in public and employee restrooms which have enabled us to reduce the consumption of paper towels.



Awareness

NagaCorp is committed to being a responsible and proactive member of the community. Our goal is to share information about sustainable options with people, as we believe knowledge leads to positive change. We provide training to our employees and encourage them to contribute their ideas for the improvement of our overall sustainability efforts.

One of the ideas that emerged from the sustainability component of our induction program for new joiners was the participation in international events such as the Earth Hour, where we shut off the external lights in our property for an hour in March 2015.



To enhance effectiveness of our awareness campaigns, NagaCorp has introduced city clean-up days when we gathered volunteers from the employees to clean up the streets around our facilities and collect rubbish within the vicinity of Phnom Penh. The first clean-up event of the program in April 2015 successfully collected one tonne of rubbish and waste from the streets. In these efforts, we collected more than 500 kg of rubbish. This voluntary program also sets an example to the city of the importance in keeping the city clean.



Awards and Achievements

Green Key Global

For the second year in a row, NagaCorp was certified by Green Key in 2015, rewarding our environmental practices. Green Key Global is the leading international environmental certification body designed specifically to recognize lodging properties committed to improving their sustainable initiatives. NagaCorp earned the third level out of five, indicating that significant steps have been taken to protect the environment.



Samdech Techo Prime Minister Eco-Business Awards for Tourism

The Cambodian Government encourages the private sector to take initiatives in promoting and implementing environmentally friendly initiatives and activities, especially in the tourism sector. Our continued progress in sustainability is well recognized and rewarded with the receipt of the “Samdech Techo Prime Minister Eco-Business Awards for Tourism”. This award aims to encourage the participation of businesses in eco-business, which contributes to the development of economy, environment, society and culture.

NagaCorp is determined to continuously improve its practices in sustainability, and strongly believes that our sincere, committed and concerted efforts will make a difference for our customers, employees and community.

WORLD
LEAWORLD
2016
COUNTDOWN
31/12/2015





Corporate Governance Report

The Board 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 discussed below), the Company has applied the principles of and complied with, all the applicable code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the Year.

The Board

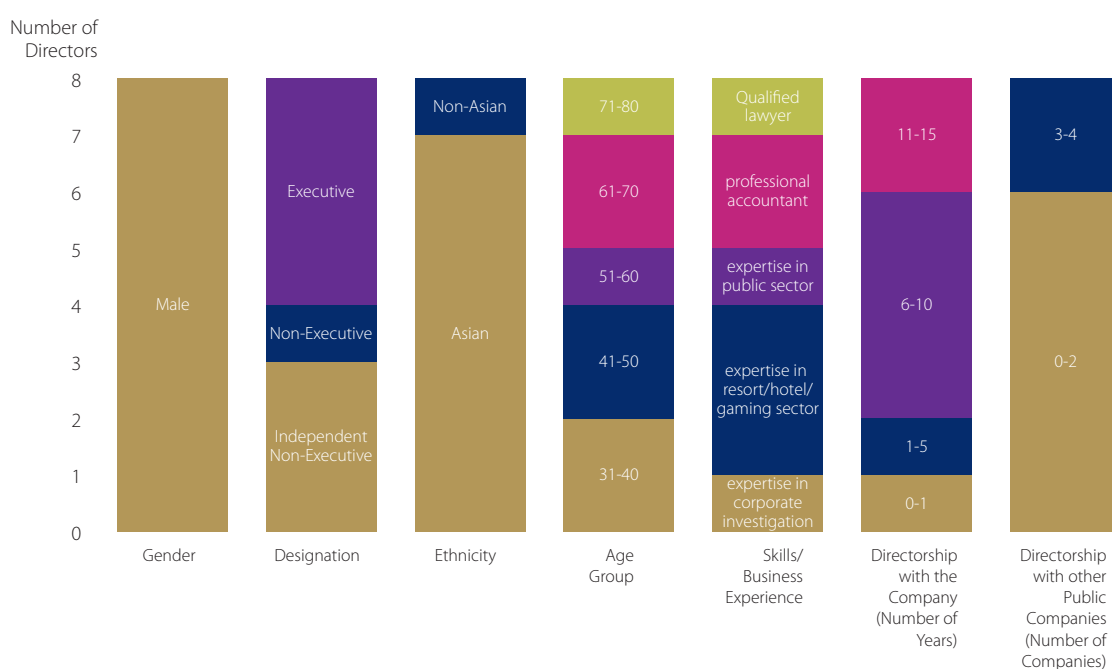
The Company has a Board with a balanced composition of executive and non-executive directors to provide for leadership, control and management of the Company's business and affairs. The Board is committed to making decisions objectively in the interests of the Company.

The Board currently consists of four executive directors, namely Tan Sri Dr Chen Lip Keong (Chief Executive Officer), Mr. Philip Lee Wai Tuck (Chief Financial Officer), Mr. Chen Yiy Fon 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:



Throughout the Year, the Company has 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 the 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 Yiy Fon is an elder brother of Mr. Chen Yepern, both of whom are the sons of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, executive director and controlling shareholder of the Company, to the best of the Directors’ knowledge, 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 the Directors are free to exercise their independent judgment.

Corporate Governance Report

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 working days before each meeting, enabling them to make informed decisions with adequate data.

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 when they consider 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 its committee meetings.

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 (the "Articles of Association") also contain provisions requiring the Directors to abstain from voting for resolutions approving transactions in which such Directors or any of their associates have a material interest.

For the Year, five Board meetings and one general meeting were held. Details of the attendances of the Board meetings and the 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	1/1
Mr. Philip Lee Wai Tuck (<i>Chief Financial Officer</i>)	5/5	1/1
Mr. Chen Yiy Fon (<i>appointed on 1 June 2015</i>)	3/3	0/0
Mr. Chen Yepern	5/5	0/1
Non-executive Director		
Mr. Timothy Patrick McNally (<i>Chairman</i>)	5/5	1/1
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 functioning of the Board and made progress in shaping the Board for the future by adopting the Board Diversity Policy in August 2013, which ensures diversity in its broadest definition. Under the policy:

- (a) the Company recognises and embraces the benefits of having a diverse Board, and sees diversity at the Board level as an essential element in achieving a sustainable and balanced development of the Company;
- (b) all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria (including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service), having due regard for the benefits of diversity; and
- (c) the ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

The Chairman and the Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate 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 policies 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.


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, each Director is given comprehensive introduction of the business operations of the Group and the regulatory and statutory requirements for Directors and is required to attend briefings from senior executives and department heads of the Group.

To ensure effective fulfilment of the respective 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 operations and employees.



The Board aims to hold at least one Board meeting each year at the Company's head office in Cambodia and takes the opportunity to discuss business issues, risks and strategies with the local management. During the Year, two Board meetings were held at NagaWorld in Cambodia, during which the non-executive directors attended site visits to familiarise themselves with, and gained a greater insight into, the Group's businesses.

Directors' training is an ongoing process. The Company will from time to time provide internal training and briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the Year, each of the Directors, namely Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck, Chen Yiy Fon, Chen Yepern, Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee and Michael Lai Kai Jin have participated in continuous professional development by attending an internal training course on disclosure of information by listed companies and was kept informed on the changes and developments on the Group's business and on legislative and regulatory environment in which the Group operates in order to develop, refresh and update their knowledge and skills.

Training records of all Directors 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 developments 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 has been reviewed by the Board on an annual basis.

Delegation by The Board

The Board has established various board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the AML Oversight Committee, and delegated authority to oversee these aspects of the Company's affairs. Pursuant to the respective terms of reference, the Board committees are required 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.

Corporate Governance Report

The principal responsibilities of the Audit Committee include, amongst others, ensuring the objectivity and credibility of financial reporting and internal control principles and 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 which allows employees to raise concerns, in confidence and in anonymity, about possible improprieties in financial reporting, internal control or other matters and ensures that these arrangements allow fair and independent investigation of such matters and appropriate follow up actions.

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.


The terms of reference of the Audit Committee were amended on 11 December 2015 to reflect the additional responsibilities of the Audit Committee arising from the Stock Exchange's proposal on risk management and internal control under the Corporate Governance Code applicable to accounting periods beginning on or after 1 January 2016.

For the Year, five Audit Committee meetings were held and details of the attendance 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	4/5

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, issues arising from the audit and other matters which the independent auditor wished to raise.

For the Year, the Audit Committee had considered, reviewed and 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 statements and the relevant results announcements and give recommendation to the Board for approval; (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 terms of reference of the Audit Committee for approval by the Board. Each member of the Audit Committee has unrestricted access to the independent auditor and all senior staff of the Group.



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 independent 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.

Risks and Internal Controls

The Board plays a key role in overseeing risks undertaken by considering risks as part of the strategy setting process. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. The Board is responsible for maintaining an adequate system of internal controls to mitigate risks and to safeguard the Group's assets. This internal control framework is reviewed annually by the Audit Committee on behalf of the Board.

The Internal Audit Department of the Group performed its functions during the Year following an annual audit plan and routine testing. As part of this review, the Audit Committee reviewed the internal control system in respect of the Year and considered the system effective and adequate. The Board conducted a review of the internal control system of the Group for the Year, including financial, operational and compliance control, and risk management functions. The Board assessed the effectiveness of internal control by considering the reviews performed by the Audit Committee. The Board has satisfied itself, through the work of its Audit Committee, that the internal audit function is adequately resourced and is effective at providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process has been effective.

The Company has in place an AML Procedure Manual, which takes into account regulatory requirements and expectations, as well as industry demands, to ensure that regulatory compliance is maintained at the highest monitoring standards. The Board was also satisfied that the Company complies with the code provisions relating to internal control contained in the Code.

Corporate Governance Report

Internal Controls on Money Laundering

In order to ensure that the Company maintains a high standard for compliance and integrity on AML, the Company has established a program designed to protect the reputation and mitigate AML risks. NagaCorp's long term sustainability and success is dependent on its integrity and transparency in its daily gaming operations in relation to world best practices on AML. The Company has in place a 4-tier AML control structure comprising:

- Tier 1 – An AML Management Committee, led by the Compliance Officer and supported by senior managers from various key operational departments, tasked with ensuring that the Company adopts policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.
- Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.
- Tier 3 – AML Oversight Committee established at the Board level, chaired by the non-executive chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation.

- Tier 4 – External audit of the Company's AML procedures. The Company engages an AML specialist firm which carries out a biannual audit of the Company's AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit is reported in the Company's annual financial reports. For more details, please refer to the heading "Independent Review of Anti-Money Laundering Internal Control at NagaCorp Ltd." in this annual report. It is noted that the Company has been found to be fully compliant with all relevant FATF recommendations.

Independent Review of Investment Risks in Cambodia

Since the listing of the Company, the Company has engaged Political and Economic Risk Consultancy, Ltd., an independent professional party, to assess and review on an annual basis, the political, social, investment and macro-economic risks in Cambodia and disclose its findings in its annual and interim financial reports. For more details, please refer to the heading "Independent Review of Investment Risks in Cambodia" in this annual report.

AML Oversight Committee

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

For the Year, five AML Oversight Committee meetings were held and details of the attendance of the AML Oversight Committee members are set out below:

Directors	Number of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong	5/5
Mr. Chen Yepern	5/5
Mr. Chen Yiy Fon <i>(appointed on 1 June 2015)</i>	3/3
Non-executive Director	
Mr. Timothy Patrick McNally <i>(Chairman)</i>	5/5
Independent Non-executive Director	
Mr. Michael Lai Kai Jin	3/5

For the Year, the AML Oversight Committee had considered, reviewed and discussed (1) reports from the independent professional party; (2) re-appointment of the independent professional party as internal control consultant; (3) report from its sub-committee AML Management Committee; (4) policy and procedures for conducting walkouts and exclusion of undesirable persons from NagaWorld Casino and hotel public areas; and (5) appointment of Compliance Officer of the Committee.

The Board, through reports made by the independent professional parties and the AML Oversight Committee, had reviewed the Group's internal control system and considered it to be effective and adequate.

Management Functions

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

Corporate Governance Report

Directors' and Independent 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 has ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Directors have ensured timely publication of the consolidated financial statements of the Group.

The statement of the independent 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.

Independent Auditor's Remuneration

For the Year, the amounts paid to the independent auditor of the Group in respect of the following services provided to the Group are set out below:

	2015 US\$'000
Audit services	
- Current year	580
- Under-provision for prior year	(44)

Communication with Shareholders

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

The most recent Shareholders' meeting was the 2015 annual general meeting held at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. At that said meeting, the chairman of the Board, the chairman of the respective Board committees and the representative of the independent 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 2015 annual general meeting, all the resolutions were voted 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, the Company and 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:

- Adopting the audited consolidated financial statements for the year ended 31 December 2014 (100%);
- Approving the payment of the final dividend of US cents 2.11 per Share (100%);
- Approving the re-election of Mr. Timothy Patrick McNally, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee as Directors (99.70%, 100% and 99.88% respectively);
- Approving the general mandate to Directors to issue additional Shares, not exceeding 20% of the issued share capital (69.73%); and
- Approving the general mandate to Directors to purchase Shares, not exceeding 10% of the issued share capital (98.59%).


Procedures for Shareholders to Convene General Meetings/put forward Proposals

Subject to the provisions of the Articles of Association, the Listing Rules and the applicable laws and regulations, 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 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, 28/F, 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.

Corporate Governance Report

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
 - 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 giving such right.

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

Corporate Governance Report

Enquiries put to the Board

Apart from the Shareholders' meetings, the Company's website is an effective means of communication 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 2015

As at the end of 2015, the Company had around 300 registered Shareholders. Details of Shareholders by aggregated shareholding are listed below:

Shares held by Shareholders	Number of Shareholders	% of Shareholders	Aggregate Number of Shares	% of issued share capital
1 to 1,000	72	21.82%	3,296	0.00%
1,001 – 10,000	208	63.03%	591,107	0.03%
10,001 – 100,000	31	9.39%	1,027,201	0.04%
100,001 – 500,000	9	2.73%	2,069,319	0.09%
Over 500,000	10	3.03%	2,266,297,952	99.84%
Total	330	100.00%	2,269,988,875	100.00%

From publicly available information and as far as the Directors are aware, as at 31 December 2015, approximately 57.76% of the issued share capital of the Company was held by the public and the public float capitalization was approximately HK\$6,424,113,532.

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

2015 Final Results Announcement	:	1 February 2016 (Monday)
Closure of Register of Members	:	(i) 18 April 2016 (Monday) to 20 April 2016 (Wednesday) (for ascertaining Shareholders' entitlement to attend and vote at the 2016 AGM)
		(ii) 26 April 2016 (Tuesday) (for ascertaining Shareholders' entitlement to the 2015 final dividend)
2016 AGM	:	20 April 2016 (Wednesday)
Record Date for 2015 Final Dividend	:	26 April 2016 (Tuesday)
Payment of 2015 Final Dividend	:	10 May 2016 (Tuesday)

Hong Kong, 1 February 2016

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 for and structure of remuneration of the Directors and senior management of the Company, and to make recommendation to the Board regarding the remuneration packages of executive directors, non-executive directors and senior management of the Company before the Board determines their remuneration based on the expertise, capability, performance and responsibility of our Directors and senior management. The Remuneration Committee also takes into consideration 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 making its recommendation. In addition to salaries, we provide staff benefits such as medical insurance and contributions to staffs mandatory provident scheme.

During the Year, work performed by the Remuneration Committee included (1) reviewing the Company's policy for and structure of remuneration of the Directors and senior management, including the remuneration packages of the newly recruited senior management; (2) making recommendation to the Board regarding the Directors' fee to be approved by Shareholders at the 2015 annual general meeting; (3) confirming and recommending the payment of incentive bonus to the Directors and company secretary; (4) reviewing and recommending to the Board the remuneration package of a newly appointed Executive Director; (5) reviewing the performance bonus of the Chief Executive Officer; and (6) reviewing and endorsing the Remuneration Committee Report included in the 2014 annual report of the Company and recommending to the Board for approval.

For the Year, three Remuneration Committee meetings were held. Details of the attendance of the Remuneration Committee members are set out below:

Directors	Number of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong	3/3
Mr. Chen Yepern	3/3
Independent Non-executive Directors	
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (<i>Chairman</i>)	3/3
Mr. Lim Mun Kee	3/3
Mr. Michael Lai Kai Jin	2/3

Remuneration of Directors

The Directors received the following remuneration for the Year:

	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	150	–	720	870
Philip Lee Wai Tuck	120	–	255	375
Chen Yiy Fon	6	–	113	119
Chen Yepern	30	–	253	283
Non-executive Director				
Timothy Patrick McNally	100	150	367	617
Independent non-executive Directors				
Michael Lai Kai Jin	20	36	–	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	20	36	–	56
Lim Mun Kee	30	48	–	78
Total	476	270	1,708	2,454

Remuneration of Senior Management

Of the five individuals with the highest emoluments, three are Directors whose emoluments are disclosed above. The emoluments of the two individuals with highest emoluments for the Year are as follows:

	No. of Individuals
US\$Nil – US\$256,400	–
US\$256,401 – US\$320,500	–
US\$320,501 – US\$384,600	1
US\$384,601 – US\$448,700	–
US\$448,701 – US\$512,800	–
US\$512,801 – US\$576,900	1

Share Option Scheme

The Company has adopted a share option scheme whereby the Directors are authorized, at their discretions, 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 talents 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.

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, 1 February 2016

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, 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 a Director and nominate such individual to the Board for directorship. The Nomination Committee also assesses the independence of independent non-executive directors, makes recommendations to the Board on the appointment, re-appointment and succession plans of Directors, reviews and monitors the implementation of the Board Diversity Policy.

Board Diversity

The Company recognizes that having a diverse Board can enhance the quality of its performance. In August 2013, a Board Diversity Policy was adopted by the Board which sets out the approach to achieve diversity among 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 and the measurable objectives that the Board has set

for implementing the Board Diversity Policy, and monitor the progress on achieving these objectives.

When recommending suitable candidates to the Board, the Nomination Committee will take into consideration merits of the candidates, such as qualifications, work experiences, and time commitment, and against 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 makes recommendations to the Board and nominates candidates for directorships, and
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 in accordance with the procedure set out on the Company's website.

Appointment and Re-election of Directors

The Articles of Association 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 until the next following annual general meeting of the Company and shall be eligible for re-election.

The Articles of Association also provide that one-third of the Directors for the time being, or, if the 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, Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yiy Fon and Mr. Michael Lai Kai Jin shall retire from office at the forthcoming annual general meeting. Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yiy Fon and Mr. Michael Lai Kai Jin, 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 retirement by rotation and re-election in accordance with the Articles of Association.

Summary of Work Done

During the Year, work performed by the Nomination Committee included (1) reviewing and recommending to the Board that the retiring Directors to stand for re-election at the 2015 annual general meeting; (2) reviewing the structure, size and composition of the Board; (3) reviewing the Board Diversity Policy, measurable objectives for implementing the Policy and the progress on achieving objectives; (4) assessing and arranging for confirmation of independence of each independent non-executive directors pursuant to Rule 3.13 of the Listing Rules; (5) recommending to the Board for approval the appointment of an Executive Director; (6) considering the renewal of appointment letters of three independent non-executive directors and recommending to the Board for approval; and (7) reviewing and endorsing the

Nomination Committee Report included in the 2014 annual report of the Company and recommending to the Board for approval.

For the Year, two Nomination Committee meetings were held. Details of the attendance 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	2/2
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 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 45. The Committee considers that the existing members of the Board possess 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, 1 February 2016

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

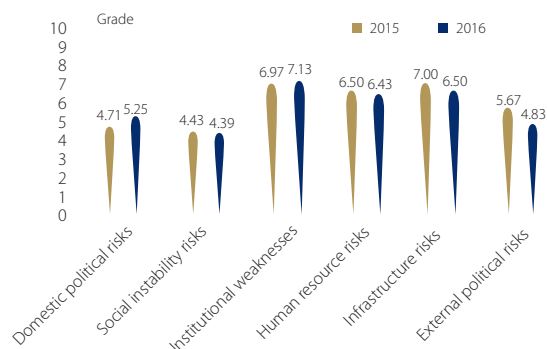
TO THE BOARD OF NAGACORP LTD.

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 2015 and early January 2016, we summarised our findings below:

Perceptions of Cambodia's Business Environment Risks



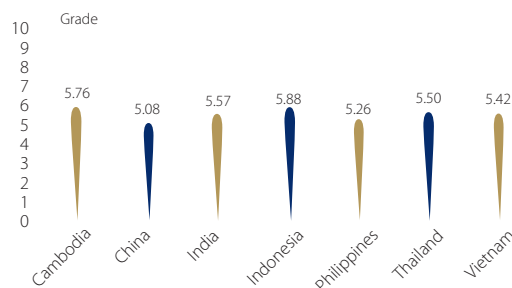
Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

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


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.

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). Cambodia's political and social risks are moderate and fairly stable. There has been a small deterioration in political risks during the past year due mainly to the failure of the political opposition to inspire confidence in its ability to form and run a government if it were to win the 2018 national elections. Weaknesses in the process



of policy formulation by the government are another negative factor. On the other hand, there is greater confidence now than there was a year ago that the present government will win the next elections. It is replacing some old guard leaders with younger, better educated leaders who are pushing economic, education and social reforms that should help the government win back some of the voter support it lost in the last elections.

The biggest problems the country faces are due in large part to the country's continuing strong economic performance. This rapid growth, which is being sustained even at a time when the rest of the Southeast Asian region is experiencing a significant slowdown in growth, is placing new demands on the country's physical and human infrastructure. These demands are growing faster than the government is building new infrastructure, creating strains that could eventually hurt the country's relative competitiveness. When it comes to physical infrastructure, the high cost of electricity is perhaps the largest single problem, while the main negative issue with labor is the shortage of trained staff capable of independent thinking and implementing modern processes.

The major industries driving growth are changing. Construction has emerged as the leading growth sector, but the downside here is that a real estate bubble could occur. Agriculture has weakened and is not living up to its potential. The industrial sector is diversifying, with new foreign investments in electronic components and other sub-assembly industries, but garments and footwear still dominate the manufacturing sector. Tourism continues to lead the growth of service industries, but other services like finance and retail trade are also growing in importance. No matter what happens politically, whoever holds political power in

Cambodia will have to keep nurturing the growth of all these industries in order to maintain popular support. There is little risk that policies will change that discourage tourism or the role of foreign investment.

Cambodia's single strongest external relationship is with Mainland China, but the government is also having success in maintaining its relations with other countries like the US, Japan and EU members. This is ensuring that the Cambodian government gets the external support it needs to finance important programs, maintain a stable balance of payments, and protect currency stability. These relationships are also contributing to strong foreign direct investment inflows and exports at a time when many other countries in the region are being adversely affected by weak external demand conditions.

Positive Developments

- One of the most encouraging developments of the past year was the way tourism inflows from Mainland China continued to grow strongly despite the slowdown in China's economy and government policies that caused a sharp fall in Mainland visitors to places like Macao. The strong visitor inflows from China reflect both the continuing attractions to Mainland Chinese of Cambodia as a destination and the continuing emphasis Beijing is placing on cultivating a strong relationship with Cambodia.
- Solid growth and improved tax and customs administration have eased fiscal pressures on the government. The growth of domestic revenues sources has been complemented by continuing strong growth in external bilateral assistance, especially from China.

Independent Review of Investment Risks in Cambodia

- Cambodia's close relations with China dovetail with the ongoing transformation in China's trade patterns and regional factory relocation. This gives Cambodia a unique opportunity to diversify its production and export base.
- The government has been taking steps to improve transparency and predictability of customs procedures in order to expedite cross-border flows of goods and integration with regional supply chain networks. Streamlining bureaucratic procedures is also improving the environment for foreign investors.
- Because of serious deficiencies in the local education system, it will be up to private sector employers to provide training so they have the staff needed to support rapidly growing businesses in the face of growing competition. Service industries like tourism are especially vulnerable since their clients, especially Mainland Chinese and Vietnamese, are becoming more sophisticated in their travel expectations. This means it is not adequate just to maintain service standards. Those standards need to keep improving.
- 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.
- Bank credit has been growing so rapidly (30% p.a. plus) for so long that the quality of banks' loan portfolios is vulnerable to such factors as a correction in real estate prices and a continuation of low agricultural prices.

The Challenges

- Appreciation of the real effective exchange rate following US dollar strengthening and growing competition from other low-cost producers are all challenges. Concerns regarding governance, access to finance, institutional efficiency, education and skills, and inadequate infrastructure also need to be addressed better.
- Recent trends suggest that average real wages are growing faster than in other countries and are outpacing gains in productivity. Moreover, the reputation of the labor force is being hurt by its militancy.

Robert Broadfoot
Managing Director
PERC

Hong Kong, 14 January 2016



Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of Political & Economic Risk Consultancy, Ltd. (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 31st December 2015. The site visits took place in July 2015 and January 2016. Prior to the second site visit H&A and NagaCorp had conducted an exercise to examine updated AML regulations with a focus on gaming which had been enacted in other global jurisdictions in the past year. These included enhancements introduced by the Casino Regulatory Authority in Singapore and similar updates in the European Union and the United States. Our exercise did not reveal any areas where current NagaCorp controls were deficient with regard to new or existing AML controls in any of the jurisdictions.

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.

Significantly, as H&A noted in our previous review, the most recent assessment of Cambodia by FATF has resulted in the recognition of the progress made by the country with respect to anti-money laundering controls. The following was published by FATF at its Paris conference in February of 2015.

“The FATF welcomes Cambodia’s significant progress in improving its AML/Countering Financing of Terrorism (“CFT”) regime and notes that Cambodia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2011. Cambodia is therefore no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process. Cambodia will work with the Asia/Pacific Group on Money Laundering (“APG”) as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.”

Importantly, NagaCorp was invited to attend a Pre-Mutual Evaluation Workshop conducted by APG which took place on January 18-19, 2016. This workshop was an integral part of the process leading to an updated evaluation of Cambodia by the APG which shall take place in December 2016. The purpose of the APG is to ensure the adoption, implementation and enforcement of internationally accepted anti-money laundering and counter-terrorist financing standards as set out in the FATF Forty Recommendations and FATF Eight Special Recommendations. During the workshop, attended by Mahendran Supramaniam on behalf of NagaCorp, Cambodian officials referred positively to the contribution of NagaCorp to the country’s AML development.

During the site visit H&A also reviewed records on the ongoing AML training of relevant NagaCorp staff. In 2015 a total of 360 staff attended courses based on the Company's Training Manual which was previously evaluated by H&A as a particularly useful training tool. Details of the training that has taken place were provided by NagaCorp and this ongoing process is recognized by H&A as providing substantial understanding of AML issues at all levels of NagaCorp.

As with the audits of the last few years, our main point of contact remains Mr. Mahendran Supramaniam, who is the Head of Internal Audit and in that role has significant involvement in the successful application of all required AML controls, in coordination with the NagaCorp Compliance Officer Mr. Philip Lee. 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. One area where internal controls are in the process of being amended to ensure that they are comprehensively applied is in the recording of chip purchases taking place at gaming tables in addition to transactions taking place at the cages. The purchase of chips at tables was introduced in the second half of 2015 as this is a service offered at all casinos operated by international companies in major gaming jurisdictions. New procedures are being documented to ensure that record keeping at the tables is as comprehensive as that completed at the cages.

Cooperation between the Financial Intelligence Unit ("FIU") within the National Bank of Cambodia and NagaCorp is ongoing. Sources within the National Bank of Cambodia and also external sources consulted by H&A acknowledge that NagaCorp remains at the forefront of AML compliance efforts in Cambodia.

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. The review team is satisfied NagaCorp maintains full control of the gaming operations and these operations remain compliant with all relevant FATF recommendations.

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 and also noted that the upgrading of Cambodia by FATF is a very positive development.

John Bruce

Director of Operations (Macau)

Head of Corporate Intelligence North Asia
Hill & Associates Ltd.

Hong Kong, 29 January 2016

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



2016

MAEWAORLD
COUNTRY DANCE BALL

3/2/5



Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the Year.

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 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year. An analysis of the Group's performance for the Year by business segment and its geographical segment information is set out in note 13 to the consolidated financial statements.

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Management's Discussion and Analysis on pages 12 to 21 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report on pages 44 to 59. Also, the financial risk management objectives and policies of the Group can be found in note 27 to the consolidated financial statements. The Board has not identified any important events affecting the Group that have occurred since the end of the Year. During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlight on page 5 of this annual report. In addition, discussions on the Group's environmental policies are contained in the Sustainability on pages 38 to 41 of this annual report.

In regard to the stakeholder relationships, NagaCorp understands the importance of creating and maintaining a holistic network of relationships to its business operations, and places priority in engaging various stakeholders in its daily activities. The Company believes that healthy relationships can be cultivated by maintaining active communication with employees, quality services and improved products to our players and customers, and collaborating with key business associates.

With over 5,500 employees diversely representing over 25 nationalities, NagaWorld supports a fair, transparent and high performance culture through its Human Resources Department in key areas such as recruitment, compensation and benefits, performance management, training and development and employee relations, details of which are set out in the Corporate and Social Responsibility on pages 28 to 37 of this annual report.

The Group aims to be one of the best hospitality providers in the Mekong Region and has provided proper and structured training to all of its service staff so as to ensure its players and customers receive international-standard services. Most of the local service staff are also able to converse either in English or Mandarin, which facilitates communication for our players and customers whom mainly originate from Southeast Asian and North Asian regions.

Apart from providing quality services and improved products to our players during their stay in NagaWorld, the Group has also launched its loyalty program – Golden Edge Rewards Club in 2012 and has approximately 15,500 active members as at 31 December 2015. The launch of the membership club has enabled NagaCorp to observe the gaming habits of its members and to leverage this information to create a better gaming experience for them.

The Group believes in the power of positive partnerships to consolidate its position as the premier gaming destination in the Mekong Region. By collaborating with quality business associates, NagaCorp will be able to consistently deliver quality and sustainable products and services.

As one of its initiatives to propel the Cambodian economy, the Group firmly believes in engaging local companies for the sourcing of services and products required by NagaWorld. In 2015, about 90% of the total business partners are local suppliers and contractors supplying products and services to our businesses and expansion. As a result, the Group is estimated to have contributed about 1.3% to the Cambodian Gross Domestic Product (calculated based on expenditures) in 2015.

NagaCorp has maintained strong working relationships with junket operators through jointly promoting NagaWorld to its players. Regular events showcasing renowned international stars are held to assist the junket operators to develop their business for mutual benefit.

Major Junket Operators

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

	Percentage of the Group's total	
	Revenue	Cost of sales
The largest junket operator	9%	20%
Five largest junket operators in aggregate	32%	70%

Report of the Directors

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 Year.

Results and Appropriations

The financial performance of the Group for the Year is set out in the consolidated statement of income on page 87.

An interim dividend of US cents 2.67 per share (2014: US cents 2.07 per share) was declared in August 2015 and paid in September 2015. The Directors proposed the payment of a final dividend of US cents 1.89 per share (2014: US cents 2.11 per share) for the Year. The proposed final dividend together with the interim dividend represented a dividend payout ratio of approximately 60%.

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 149.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association 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\$1,096,000 (2014: US\$1,115,000), all of which were donated in Cambodia.

Share Capital

Details of the movement in share capital of the Company during the Year are set out in note 23 to the consolidated financial statements.

Reserves

Movements in the reserves of the Company and of the Group are set out in note 23 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/N/M}
(Chief Executive Officer)

Philip Lee Wai Tuck
(Chief Financial Officer)

Chen Yiy Fon ^M
(appointed on 1 June 2015)

Chen Yepern ^{R/N/M}

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 86(3) of the Articles of Association, Mr. Chen Yiy Fon who was appointed on 1 June 2015 will hold office until the forthcoming annual general meeting. In addition, in accordance with Article 87 of the Articles of Association, Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck and Mr. Michael Lai Kai Jin shall retire from office by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

The Directors who held office as at 31 December 2015 had the following interests in the Shares and underlying Shares at that date as recorded in the register of directors' and chief executive's 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 as set out in Appendix 10 to the Listing Rules:

Report of the Directors

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 <small>(Note 2)</small>	951,795,297 (L)	41.93 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner <small>(Note 3)</small>	7,150,000 (L)	0.31 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner <small>(Note 3)</small>	1,566,282,107 (L)	69.00 (L)

Notes:

(1) Based on the Company's issued share capital of 2,269,988,875 Shares as at 31 December 2015.

(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 the Shares 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 of TanSriChen Inc. and TanSriChen (CityWalk) Inc. (collectively referred to as the "Target Companies") under the conditional share purchase agreement, a supplemental agreement and a second supplemental agreement, each entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011, 28 December 2011 and 28 December 2015 respectively (collectively referred to as the "Acquisition Agreements"). The number of these 1,566,282,107 underlying Shares in which Tan Sri Dr Chen Lip Keong is interested is subject to such adjustments as stated in or referred to in the shareholders' circular of the Company dated 30 December 2011 and will not be issued until the respective completion applicable to the acquisition of 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 2015, none of the Directors or chief executive 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.

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

So far as the Directors or the chief executive of the Company are aware of, as at 31 December 2015, the Shareholders, other than the Directors or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares 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)	41.93(L)
Fourth Star Finance Corp.	Beneficial owner	789,534,854 (L)	34.78(L)

(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)	7.15 (L)

Notes:

- (1) Based on the Company's issued share capital of 2,269,988,875 Shares as at 31 December 2015.
- (2) Such interests are held by Fourth Star Finance Corp. and Cambodia Development Corporation which in turn are controlled by ChenLa Foundation of which Tan Sri Dr Chen Lip Keong is the founder.
- (3) The letter "L" denotes the entity's long position in the Shares.

Report of the Directors

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware of, as at 31 December 2015, no other party (other than the Directors or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares 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.

Summary of the Share Option Scheme of the Company

The Company has a share option scheme (the "Share Option Scheme") which was adopted upon the listing of the Shares on the Main Board of the Stock Exchange on 19 October 2006 (the "Adoption Date"). The Board may, in its absolute discretion, grant share options to any eligible participants to subscribe for Shares subject to the terms and conditions of the Share Option Scheme.

(1) Purpose

The purpose of the Share Option Scheme is to permit the Company to issue share options to eligible participants to assist the Company to attract and retain the best available personnel and to provide additional incentives to them to promote the success of the Group.

(2) Eligible Participants

Eligible participants include any employee (whether full-time or part-time), director (including independent non-executive directors), and consultant, business associate or advisor of any member of the Group.

(3) Total number of Shares available for issue

The maximum number of Shares which may be issued upon the exercise of all options to be granted by the Company under the Share Option Scheme must not exceed in aggregate 10% of the issued share capital of the Company as at the Adoption Date (being 200,000,000 Shares as at such date).

Subject to the approval of the Shareholders in general meeting, the limit may be refreshed to 10% of the Shares in issue as at the date of approval of such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) shall not be counted for the purpose of calculating the limit as refreshed.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 200,000,000 Shares, representing approximately 8.81% of the Shares in issue (i.e. 2,269,988,875 shares) as at the date of this annual report.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes if this will result in such overall limit being exceeded.

(4) Total Maximum Entitlement of each Eligible Participant

Unless approved by the Shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or outstanding) under the Share Option Scheme to any eligible participant in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to a substantial shareholder or independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) in any 12-month period up to and including the date of such grant in excess of 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, exceeding HK\$5 million must be approved by Shareholders in general meeting in advance.

(5) Option Period

The period within which the options may be exercised under the Share Option Scheme will be determined by the Board at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum Period for which an Option must be Held Before it can be Exercised

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

(7) Payment on Acceptance of the Option

No consideration is payable by the eligible participant upon the acceptance of an option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the eligible participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.

(8) Basis of Determining the Exercise Price

The exercise price of the options shall be determined by the Board and notified to the eligible participants at the time of the grant but shall not be less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the grant of such option, which must be a business day;
- (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of such option; and
- (iii) the nominal value of the Shares.

Report of the Directors

(9) The Remaining Life of the Share Option Scheme

Unless otherwise terminated by the Board or the Shareholders in general meeting in accordance with the provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, and after which no further options shall be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect and in all other respects with respect to options granted prior to such termination and not then exercised which shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

Since the Adoption Date and up to 31 December 2015, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at the date of this annual report. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the date of this annual report.

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.

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 has 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 2015.

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 Transactions, Arrangements or Contracts

Other than as disclosed under the section "Equity-linked Agreements" and "Connected Transactions" below, no transactions, arrangements or contracts of significance in relation to the Group's business to which any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year.

Permitted Indemnity

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Properties

Particulars of the major properties and property interests of the Group are set out in note 14 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

During January 2015, the Company repurchased 600,000 Shares on the Stock Exchange for an aggregate consideration of HK\$3,798,840 (equivalent to approximately US\$490,000) excluding transaction costs. The repurchase of the Shares during the year ended 31 December 2014 and 2015 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.

As at 31 December 2015, all the repurchased Shares were cancelled.

Particulars of the repurchases during the Year are as follows:

Month of Repurchase	No. of Shares Repurchased	Price per Share		Aggregate Consideration (excluding Transaction Costs) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2015	600,000	6.350	6.290	3,798,840

Save as disclosed above, the Company did not redeem any of its Shares on the Stock Exchange nor did the Company or any of its subsidiaries purchase, or sell any such Shares during the Year.

Report of the Directors

Equity-linked Agreements

On 28 December 2015, the Company entered into a second supplemental agreement in respect of the original share purchase agreement dated 13 June 2011 and as amended by a supplemental agreement dated 28 December 2011 (collectively referred to as the "Acquisition Agreements") with Tan Sri Dr Chen Lip Keong, an executive Director, the Chief Executive Officer and a substantial shareholder of the Company. Pursuant to the Acquisition Agreements, the Company acquired from Tan Sri Dr Chen Lip Keong TanSriChen Inc. and TanSriChen (CityWalk) Inc. (collectively referred to as the "Target Companies", and these companies are in the process of developing hotels, entertainment and retail facilities in Phnom Penh, Cambodia, adjacent to the Company's existing operations). The purpose of the second supplemental agreement is to extend the completion date and the long stop date of the transaction stipulated in the Acquisition Agreements from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the parties may agree in writing).

The agreed consideration for the transactions contemplated under the Acquisition Agreements is US\$369,000,000, divided as to US\$275,000,000 for TanSriChen Inc. and US\$94,000,000 for TanSriChen (CityWalk) Inc. The consideration will be settled, at the option of Tan Sri Dr Chen Lip Keong:

- (i) in the form of consideration shares (being new ordinary shares of the Company), to be allotted and issued at a price of HK\$1.8376 per consideration share (pursuant to the terms as stated in or referred to in the shareholders' circular of the Company dated 30 December 2011); or
- (ii) in the form of convertible bonds issued by the Company and convertible at the option of the bondholder into conversion shares (being new ordinary shares in the Company), also to be allotted and issued at a conversion price of HK\$1.8376 per conversion share (pursuant to the terms as stated in or referred to in the shareholders' circular of the Company dated 30 December 2011); or
- (iii) through a combination of consideration shares and convertible bonds for an aggregate value of US\$369,000,000.

The total number of new ordinary shares of the Company that stands to be allotted and issued as consideration shares or upon conversion of the convertible bonds is 1,566,282,107 Shares, subject to such adjustments as stated in or referred to in the shareholders' circular of the Company dated 30 December 2011.

Pursuant to the terms of the Acquisition Agreements, the shares and/or convertible bonds will not be issued until satisfaction of, among others, the following conditions:

- (i) the construction completion in relation to the NagaCity Walk Project and the TSCLK Complex Project has been achieved and certified by way of the issue a certificate of practical completion by the project architect in accordance with the project plans applicable to each of the NagaCity Walk Project and the TSCLK Complex; and
- (ii) the relevant property interests having been duly obtained by the Target Companies in compliance with Cambodian laws on or before the relevant completion;
- (iii) all material and necessary consents, authorisations, approval or other relevant agreement which may be required by the relevant Target Company from the relevant government, other competent regulatory authority or other relevant party for the consummation of the transactions contemplated by the Acquisition Agreements having been obtained and any relevant regulatory or legal requirements and obligations to which the relevant Target Company is subject to having been satisfied including legal rights to the property interests; and
- (iv) delivery to the Company of audited consolidated financial statements of the Target Companies in the case of combined completion, and audited accounts of each of the Target Companies, in the case of split completion, audited by the Company's accountants, made up to a date that is within 60 days of completion, showing inter alia an aggregate net asset value of the Target Companies equal to or in excess of the agreed consideration for the entire issued share capital of TanSriChen Inc. and TanSriChen (CityWalk) Inc..

The transaction (including as regards the proposed allotment of new ordinary shares by the Company – as consideration shares and/or conversion shares) was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 30 January 2012.

Save as disclosed above, the Company has not entered into any equity-linked agreements during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

Report of the Directors

Connected Transactions

During 2015, the Company entered into (or continued to be party to) certain transactions with First Travel & Tours (M) Sdn Bhd (“FTT”), and Karambunai Resorts Sdn Bhd (“KRSB”), Karambunai Corp Bhd. FTT has been providing air ticketing and travel booking services to the Group, primarily in relation to travels between Cambodia and other parts of the Southeast 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 three 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.

On 28 December 2015, the Company entered into a second supplemental agreement with Tan Sri Dr Chen Lip Keong, an executive Director, the Chief Executive Officer and a substantial shareholder of the Company. The purpose of this second supplemental agreement is to extend the completion date and the long stop date of the transaction contemplated under the Acquisition Agreements from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the parties may agree in writing). Details of the Acquisition Agreements are included in the section “Equity-linked Agreements” above.

Events after Reporting Period

There were no major subsequent events since the end of the reporting year and up to the date of this annual report.

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 28 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.

Independent Auditor

BDO Limited acted as independent auditor of the Company and audited the Group’s consolidated financial statements for the Year.

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

By order of the Board

Timothy Patrick McNally

Chairman

Hong Kong, 1 February 2016

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 87 to 148, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Group as at 31 December 2015, 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 compliance 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, 1 February 2016

Consolidated Statement of Income

For the year ended 31 December 2015
(Expressed in United States dollars)

	Note	2015 \$'000	2014 \$'000
Revenue	6	503,655	404,298
Cost of sales		(175,844)	(131,604)
Gross profit		327,811	272,694
Other income	7	5,611	3,295
Administrative expenses		(47,169)	(51,483)
Other operating expenses		(97,235)	(82,545)
Profit before taxation	8	189,018	141,961
Income tax	10	(16,395)	(5,875)
Profit attributable to owners of the Company		172,623	136,086
Earnings per share (US cents)			
Basic and dilute	12	7.60	5.96

The notes on pages 94 to 148 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Expressed in United States dollars)

	2015 \$'000	2014 \$'000
Profit for the year	172,623	136,086
Other comprehensive income for the year Items that may be reclassified subsequently to profit or loss exchange adjustments	(2,516)	–
Total comprehensive income attributable to the owners of the Company for the year	170,107	136,086

The notes on pages 94 to 148 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015
(Expressed in United States dollars)

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Property, plant and equipment	14	407,080	337,231
Interest in leasehold land held for own use under operating lease	14	1,308	608
Intangible assets	15	69,748	73,295
Prepayments for construction	20	47,003	13,732
Prepayments – non-current		689	1,327
Promissory notes	16	6,885	–
		532,713	426,193
Current assets			
Consumables	19	1,177	1,292
Trade and other receivables	17	45,999	29,062
Investment in bonds	18	–	25,809
Cash and cash equivalents	21	143,081	178,238
		190,257	234,401
Current liabilities			
Trade and other payables	22	34,824	34,604
Current tax liability		1,570	490
		36,394	35,094
Net current assets		153,863	199,307
NET ASSETS		686,576	625,500

Consolidated Statement of Financial Position

As at 31 December 2015
(Expressed in United States dollars)

	Note	2015 \$'000	2014 \$'000
CAPITAL AND RESERVES	23		
Share capital		28,375	28,526
Treasury shares		–	(9,004)
Reserves		658,201	605,978
TOTAL EQUITY		686,576	625,500

Approved and authorised for issue by the Board on 1 February 2016

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Chief Financial Officer

The notes on pages 94 to 148 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Expressed in United States dollars)

	Share Capital				Capital redemption reserve	Merger reserve	Capital contribution reserve	Exchange reserve	Retained profits	Total
	Note	Issued and fully paid	Treasury shares	Share premium						
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 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		-	-	-	-	-	-	-	(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
Balance at 1 January 2015		28,526	(9,004)	287,936	-	(12,812)	55,568	63	275,223	625,500
Changes in equity during the year 2015										
Profit for the year		-	-	-	-	-	-	-	172,623	172,623
Other comprehensive income-exchange adjustments		-	-	-	-	-	-	(2,516)	-	(2,516)
Total comprehensive income for the year		-	-	-	-	-	-	(2,516)	172,623	170,107
Purchase of own shares		-	(494)	-	-	-	-	-	-	(494)
Cancellation of treasury shares		(151)	9,498	(9,498)	151	-	-	-	-	-
Dividend declared and paid	11	-	-	-	-	-	-	-	(108,537)	(108,537)
		(151)	9,004	(9,498)	151	-	-	(2,516)	64,086	61,076
Balance at 31 December 2015		28,375	-	278,438	151	(12,812)	55,568	(2,453)	339,309	686,576

The notes on pages 94 to 148 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(Expressed in United States dollars)

	2015 \$'000	2014 \$'000
Operating activities		
Profit before taxation	189,018	141,961
Adjustments for:		
– Depreciation and amortisation	35,959	30,150
– Amortisation of casino licence premium	3,547	3,547
– Interest income	(1,644)	(1,113)
– Realised/Unrealised gain on investment in bonds	(329)	(684)
– Impairment loss on trade receivables	1,079	1,519
– Loss on disposal of property, plant and equipment	1	52
– Write-off of property, plant and equipment	521	–
– Reversal of impairment loss on trade receivables previously recognised	(646)	(263)
Operating profit before changes in working capital	227,506	175,169
Decrease/(Increase) in consumables	115	(285)
Increase in trade and other receivables	(16,732)	(10,355)
Increase/(Decrease) in trade and other payables	157	(1,004)
Cash generated from operations	211,046	163,525
Tax paid	(15,315)	(5,811)
Net cash generated from operating activities	195,731	157,714
Investing activities		
Interest received	1,196	1,113
Payment for the purchase of property, plant and equipment and for the construction cost of property	(140,239)	(97,051)
Proceeds from disposal of property, plant and equipment	–	2
Additions of investment in bonds	–	(25,125)
Disposal of investment bonds	26,138	–
Additions in promissory notes	(8,952)	–
Net cash used in investing activities	(121,857)	(121,061)

	2015 \$'000	2014 \$'000
Financing activities		
Purchase of own shares	(494)	(9,004)
Dividends paid	(108,537)	(101,541)
Net cash used in financing activities	(109,031)	(110,545)
Net decrease in cash and cash equivalents	(35,157)	(73,892)
Cash and cash equivalents at beginning of year	178,238	252,130
Cash and cash equivalents at end of year	143,081	178,238
Analysis of cash and cash equivalents		
Cash and bank balances	74,690	86,659
Non-pledged fixed deposits with original maturity of less than three months when acquired	68,391	91,579
Cash and cash equivalents as stated in the consolidated statement of cash flows	143,081	178,238

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 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.

Information about subsidiaries

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

1 General (continued)

Information about 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	Effective Equity Held by a Subsidiary	Principal Activities
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
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

(Expressed in United States dollars)

1 General (continued)

Information about 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	RUB677,360,138	-	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.

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.

IFRSs (Amendments)	Annual improvements 2010-2012 Cycle
IFRSs (Amendments)	Annual improvements 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated 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 30).

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

(Expressed in United States dollars)

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 31.

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.

(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.

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Owned assets (continued)

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.

(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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(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.

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 related parties) 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.

4 Principal accounting policies (continued)

(e) Financial assets (continued)

Loans and receivables (continued)

(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.

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

4 Principal accounting policies (continued)

(e) Financial assets (continued)

Loans and receivables (continued)

(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.

(f) Trade and other payables

Trade and other payables (including amounts due to 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.

4 Principal accounting policies (continued)

(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.

(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; and
- intangible assets.

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.

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.

The Group operates defined contribution retirement plans namely Mandatory Provident Fund and Employee Provident Fund for its employees in Hong Kong and Malaysia respectively. Contributions to both plans are made based on a percentage of the employee's basic salaries. The Group's employer contributions vest fully with the employees when contributed into the plans.

There is no mandatory retirement plans in Cambodia except for government employees and veterans who are eligible for government-run pension plans.

(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 and Russian Ruble, 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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.
- (vi) Negotiation fee income is recognised when service is rendered.

(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.

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:

	2015 \$'000	2014 \$'000
Casino operations – gaming tables	343,766	296,821
Casino operations – electronic gaming *	136,834	84,563
Hotel room income, sale of food and beverage and others	23,055	22,914
	503,655	404,298

* Included in the amount is a negotiation fee of \$40,000,000 from investors for exclusive negotiation of the placement of electronic gaming machines in NagaWorld.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

7 Other income

	2015 \$'000	2014 \$'000
Interest income	1,644	1,113
Rental income	3,319	1,888
Reversal of impairment loss previously recognised	646	263
Others	2	31
	5,611	3,295

8 Profit before taxation

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

	2015 \$'000	2014 \$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	56,747	48,668
Contributions to defined contribution retirement schemes [#]	48	13
Total staff costs	56,795	48,681
Average number of employees (Full-time equivalent)	5,629	5,243
(b) Other items:		
Auditor's remuneration		
– Current year	580	476
– (Over)/Under-provision for prior year	(44)	186
Fuel expenses	5,081	9,101
Amortisation of casino licence premium charged to other operating expenses	3,547	3,547
Depreciation and amortisation	35,959	30,150
Impairment loss on trade receivables	1,079	1,519
Reversal of impairment loss on trade receivables previously recognised	(646)	(263)
Write-off of property, plant and equipment	521	–
Loss on disposal of property, plant and equipment	1	52
Realised/Unrealised gain on investment in bonds	(329)	(684)
Operating lease charges for land lease rental	201	294
Operating lease charges for office and car park rental	1,510	1,547
Operating lease charges for hire of equipment	3,511	3,986
Exchange loss, net	1,263	851

There were no forfeited contributions utilised to offset employers' contributions to retirement schemes during the year.

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	2015 Total \$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	–	150	–	720	870
Philip Lee Wai Tuck	–	120	–	255	375
Chen Yepern	–	30	–	253	283
Chen Yiy Fon	–	6	–	113	119
Non-executive director					
Timothy Patrick McNally	–	100	150	367	617
Independent non-executive directors					
Michael Lai Kai Jin	–	20	36	–	56
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	–	20	36	–	56
Lim Mun Kee	–	30	48	–	78
Total	–	476	270	1,708	2,454

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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	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	-	-	36	2	38
Lim Mun Kee	-	-	48	2	50
Total	-	41	270	1,795	2,106

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Tan Sri Dr Chen Lip Keong ("Dr Chen"), the CEO of the Company, 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	:	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	:	performance bonus of \$1.1 million plus 5% of additional portion of PBT from \$50,000,001 onwards

For the year ended 31 December 2014, Dr Chen was entitled to a performance incentive of \$5.7 million. However, the terms of this performance incentive were revised in last annual reporting period such that it was payable at the discretion of the Board, subject to certain performance benchmarks set for the year. During the year, Dr Chen has waived his performance incentive of \$5.7 million.

Based on the above formula stated in Clause 3.3 of the Service Agreements which was signed between the Company and Dr Chen, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,051,000 (the "2015 Bonus Entitlement") for the financial year ended 31 December 2015.

Pursuant to a resolution passed by the board of directors of the Company (the "Board") on 1 February 2016, the Board has considered the matter and has resolved to appeal to the generosity and good judgement of Dr Chen to defer the payment of the 2015 Bonus Entitlement. The parties agree that it is in the interests of the Company to defer the obligation to make the payment of the 2015 Bonus Entitlement, and at the request of the Company, Dr Chen has agreed to defer the receipt of the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators ("KPIs").

The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement shall be extended to the financial years ending 31 December 2016 and 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

9 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Subject to re-election at the annual general meeting of the Company to be held on or around 20 April 2016 (or such other date as the Company may determine), based on the recommendation of the Remuneration Committee of the Company, on recognition of the achievements and sacrifices of Dr Chen not to collect the past performance bonuses amounting to US\$18,581,000 from 2010 to 2014, the Company and Dr Chen further agree that the Service Agreement which will expire on 15 May 2016 shall be renewed subject to terms agreeable by the parties.

(b) Five highest paid individuals

Of the five individuals with highest emoluments, three (2014: two) are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the two individuals for the year ended 31 December 2015 (2014: three) are as follows:

	2015 \$'000	2014 \$'000
Basic salaries, housing and other allowances and benefits-in-kind	878	1,517

The emoluments of the two individuals (2014: three) with the highest emoluments are within the following bands:

	2015 Number of Individuals	2014 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)	–	–
\$320,501 – \$384,600 (approximately HK\$2,500,001 – HK\$3,000,000)	1	–
\$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
\$512,801 – \$576,900 (approximately HK\$4,000,001 – HK\$4,500,000)	1	2
	2	3

10 Income tax

Income tax in profit or loss represents:

	2015 \$'000	2014 \$'000
Current tax expense		
– Current year	6,957	5,875
– Additional non-gaming Obligation Payment	9,438	–
	16,395	5,875

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

	2015 \$'000	2014 \$'000
Profit before taxation	189,018	141,961
Profits tax using Cambodian corporation tax rate of 20% (2014: 20%)	37,804	28,392
Tax exempt profits from Cambodian operations (note (a))	(37,804)	(28,392)
Obligation Payments (note (a))	6,957	5,875
Additional non-gaming Obligation Payment	9,438	–
	16,395	5,875

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$365,322 (2014: \$324,731), monthly non-gaming Obligation Payment of \$214,338 (2014: \$164,875) and an additional non-gaming obligation payment of \$9,438,000 (2014: Nil) payable to the Ministry of Economy and Finance (the “MOEF”) of Cambodia by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

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

(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 had obtained a legal opinion that no casino taxes and licence fees are payable until the relevant legislation is enacted.

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. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year. For the year ended 31 December 2015, the estimated Obligation Payments is \$365,322 per month (2014: \$324,731 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.

10 Income tax (continued)

Notes: (continued)

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

(i) Casino tax and licence fees (continued)

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.

(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 SSDA, 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

10 Income tax (continued)

Notes: (continued)

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

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

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 SSDA 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.

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. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the period ended 31 December 2015, the estimated provision of non-gaming obligation payment is \$214,338 per month (2014: \$164,875 per month).

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.

During the year, having discussed with the MOEF, the Group paid an additional non-gaming Obligation Payment of \$9,438,000 to the MOEF in respect of previous periods. The final outcome is subject to future developments in this matter.

10 Income tax (continued)

Notes: (continued)

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

(iii) Other jurisdictions

The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian 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%.

(c) Amendment to the Law on Investment and LoT

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 wrote a letter to the MOEF to clarify whether the amendments of the LoI and LoT would apply to their gaming business and 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 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

	2015 \$'000	2014 \$'000
Interim dividend declared during the year:		
2014: US cents 2.07 per ordinary share	–	47,334
2015: US cents 2.67 per ordinary share	60,612	–
Final dividend proposed after the end of reporting period:		
2014: US cents 2.11 per ordinary share	–	47,925
2015: US cents 1.89 per ordinary share	42,962	–
	103,574	95,259

The interim dividend of \$60,612,000 (2014: \$47,334,000) for the six-month period ended 30 June 2015 was declared in August 2015 and paid in September 2015.

12 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$172,623,000 (2014: \$136,086,000) and the weighted average number of 2,269,990,519 (2014: 2,281,614,300) ordinary shares in issue less treasury shares during the year.

The weighted average number of ordinary shares is as follows:

	2015	2014
Issued ordinary shares less treasury shares at 1 January	2,270,588,875	2,282,078,875
Purchase of own shares	(598,356)	(464,575)
	2,269,990,519	2,281,614,300

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2015 and 31 December 2014.

13 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 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
Year ended 31 December 2015			
Revenue from external customers	480,600	23,055	503,655
Inter-segment revenue	–	15,349	15,349
Reportable segment revenue	480,600	38,404	519,004
Segment profit/(loss):			
Year ended 31 December			
2014	166,474	20,603	187,077
2015	243,861	(36)	243,825

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

13 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			
2014	567,047	380,347	947,394
2015	698,676	392,542	1,091,218
Segment liabilities:			
As at 31 December			
2014	(29,232)	(294,356)	(323,588)
2015	(29,476)	(377,405)	(406,881)
Net assets:			
As at 31 December			
2014	537,815	85,991	623,806
2015	669,200	15,137	684,337
Other segment information			
Capital expenditure:			
Year ended 31 December			
2014	53,252	43,934	97,186
2015	34,028	72,910	106,938
Impairment loss on trade receivables:			
Year ended 31 December			
2014	1,519	–	1,519
2015	1,079	–	1,079
Reversal of impairment loss on trade receivables:			
Year ended 31 December			
2014	(263)	–	(263)
2015	(646)	–	(646)

13 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:

	2015 \$'000	2014 \$'000
Revenue		
Reportable segment revenue	519,004	441,522
Elimination of inter-segment revenue	(15,349)	(37,224)
Consolidated revenue	503,655	404,298
Profit		
Reportable segment profit	243,825	187,077
Other revenue	663	716
Depreciation and amortisation	(39,506)	(33,697)
Unallocated head office and corporate expenses	(15,964)	(12,135)
Consolidated profit before taxation	189,018	141,961
Assets		
Reportable segment assets	1,091,218	947,394
Elimination of inter-segment assets	(371,319)	(288,973)
	719,899	658,421
Unallocated corporate assets	3,071	2,173
Consolidated total assets	722,970	660,594
Liabilities		
Reportable segment liabilities	(406,881)	(323,588)
Elimination of inter-segment payables	371,319	288,973
	(35,562)	(34,615)
Unallocated corporate liabilities	(832)	(479)
Consolidated total liabilities	(36,394)	(35,094)

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

13 Segment information (continued)

(b) Geographical information

The Group's operations and activities are located entirely in Cambodia. As at 31 December 2015, the Group has non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets located in Cambodia and Russia of \$488,221,000 (2014: 426,193,000) and \$37,607,000 (2014: Nil) respectively.

14 Property, plant and equipment, and interest in leasehold lands held for own use under operating lease

	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 lands held for own use under operating lease \$'000 (note (ii))
Cost:								
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
At 1 January 2015	35,796	93,845	21,107	230,732	5,749	53,887	441,116	751
Additions	20,667	-	82,595	456	410	2,103	106,231	800
Disposal	(5)	-	-	-	-	-	(5)	-
Written off	(167)	-	(493)	-	(9)	-	(669)	-
Transfer	10,317	15,030	(50,977)	25,630	-	-	-	-
Exchange adjustments	(2)	-	-	-	(4)	-	(6)	-
At 31 December 2015	66,606	108,875	52,232	256,818	6,146	55,990	546,667	1,551

14 Property, plant and equipment, and interest in leasehold lands held for own use under operating lease (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 lands held for own use under operating lease \$'000 (note (ii))
Accumulated depreciation/ amortisation:								
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
At 1 January 2015	18,250	9,375	-	70,040	3,299	2,921	103,885	143
Charge for the year	5,930	3,137	-	23,053	861	2,878	35,859	100
Disposal	(4)	-	-	-	-	-	(4)	-
Written off	(139)	-	-	-	(9)	-	(148)	-
Exchange adjustments	(1)	-	-	-	(4)	-	(5)	-
At 31 December 2015	24,036	12,512	-	93,093	4,147	5,799	139,587	243
Net book value:								
At 31 December 2015	42,570	96,363	52,232	163,725	1,999	50,191	407,080	1,308
At 31 December 2014	17,546	84,470	21,107	160,692	2,450	50,966	337,231	608

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

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

Notes:

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

	2015 \$'000	2014 \$'000
Hotel and casino complex	52,232	21,107

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 lands held for own use under operating lease is located as follows:

	2015 \$'000	2014 \$'000
Cambodia	1,308	608

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 (2014: \$187,000), subject to increment for every 10 years, as shown in notes 5 and 24 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.

Another piece of leasehold land, which is undertaken between NWL and the Kingdom of Cambodia, has a remaining leasehold period expiring on 10 January 2038.

15 Intangible assets

	2015 \$'000	2014 \$'000
Casino licence premium and extended exclusivity premium:		
Cost:		
At 1 January and 31 December	108,000	108,000
Accumulated amortisation:		
At 1 January	34,705	31,158
Charge for year	3,547	3,547
At 31 December	38,252	34,705
Net book value	69,748	73,295

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 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, Dr Chen, 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 Dr Chen 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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

15 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.

16 Promissory Notes

On 12 February 2015, the Group bought promissory notes in the aggregate principal amount of RUB469,100,000 (approximately US\$8,952,000) from a bank in Russia with interest rate of 6.6% per annum and due 2,909 days from the date of issue, i.e 30 January 2023 (the "Promissory Notes"). The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group's gaming and resort development project in Russia. In the opinion of the Directors, the Promissory Notes are, in substance, investments on the project in Russia.

As at 31 December 2015, the value of the Promissory Notes and all interest accrued thereon was RUB496,413,000, equivalent to approximately \$6,885,000. The decrease in value of the Promissory Notes is due to depreciation of Russian Ruble against United States dollars.

17 Trade and other receivables

	2015 \$'000	2014 \$'000
Trade receivables	13,864	14,371
Less: Allowance for impairment loss	(2,262)	(1,829)
	11,602	12,542
Deposits, prepayments and other receivables	34,397	16,520
	45,999	29,062

17 Trade and other receivables (continued)

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:

	2015 \$'000	2014 \$'000
Current to within 1 month	8,864	11,173
1 to 3 months	1,015	1
3 to 6 months	190	–
6 to 12 months	–	605
More than 1 year	1,533	763
	11,602	12,542

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

	2015 \$'000	2014 \$'000
Less than 1 month overdue	8,355	11,173
1 to 3 months overdue	1,015	1
3 to 6 months overdue	190	–
More than 1 year overdue	1,223	453
	10,783	11,627

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 27(c).

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

	2015 \$'000	2014 \$'000
At 1 January	1,829	2,290
Impairment loss recognised	1,079	1,519
Bad debts written off	–	(1,717)
Reversal of impairment loss previously recognised	(646)	(263)
At 31 December	2,262	1,829

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(Expressed in United States dollars)

18 Investment in bonds

On 13 June 2014, the Group bought notes linked to a China bond USD hedged index (the "Index") issued by a reputable international bank (the "Bonds"). The Bonds are traded over-the-counter with a coupon rate of 3% per annum based on nominal value of \$25,000,000 and due three years from the date of issue, i.e. 13 June 2017. The redemption amount of the Bonds at the maturity date is calculated by reference to the Index level at the issue date and the maturity date of the Bonds. The Bonds contain derivatives and were designated as fair value through profit or loss.

The Bonds were disposed of during the year.

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

	2015 \$'000	2014 \$'000
Fair value:		
As at 1 January	25,809	–
Additions	–	25,125
Realised/Unrealised gain included in other operating expenses	329	684
Disposal	(26,138)	–
As at 31 December	–	25,809

19 Consumables

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

20 Prepayments for construction

As at the end of the reporting year, prepayments for construction relate to contractual advances made for various construction activities in NagaWorld and other jurisdictions. It is anticipated that these advances shall be set-off against progress claims within the next twelve months.

21 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash and bank balances	74,690	86,659
Fixed deposits	68,391	91,579
	143,081	178,238

21 Cash and cash equivalents (continued)

As at 31 December 2015, fixed deposits bear interest of 0.12% to 10.67% (2014: 0.12% to 15.05%) per annum and mature at various times up to and including February 2016 (2014: mature at various times up to and including January 2015).

Cash at bank earns interest at floating rates based on daily bank deposits rates.

The bank balances and fixed deposits are deposited with credit worthy banks with no recent history of default.

The carrying amounts of these assets approximate their fair values.

22 Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables (note)	2,624	1,518
Unredeemed casino chips	16,089	17,365
Deferred revenue	1,649	456
Deposits	718	400
Construction creditors	3,333	3,270
Accruals and other creditors	10,411	11,595
	34,824	34,604

Note:

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

	2015 \$'000	2014 \$'000
Due within 1 month or on demand	2,606	1,500
Due after 1 month but within 3 months	–	–
Due after 3 months but within 6 months	–	–
Due after 6 months but within 1 year	–	–
Due after 1 year	18	18
Total	2,624	1,518

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

23 Capital and reserves

(a) Share capital

(i) Authorised:

	2015 \$'000	2014 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

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

	2015		2014	
	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	2,282,078,875	28,526
Cancellation of treasury shares (Note (b))	(12,090,000)	(151)	-	-
At 31 December	2,269,988,875	28,375	2,282,078,875	28,526
Treasury shares:				
At 1 January	(11,490,000)	(9,004)	-	-
Purchase of own shares (Note (a))	(600,000)	(494)	(11,490,000)	(9,004)
Cancellation of treasury shares (Note (b))	12,090,000	9,498	-	-
At 31 December	-	-	(11,490,000)	(9,004)
Number of shares in open market:				
At 1 January	2,270,588,875		2,282,078,875	
Purchase of own shares (Note (a))	(600,000)		(11,490,000)	
At 31 December	2,269,988,875		2,270,588,875	

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.

23 Capital and reserves (continued)

(a) Share capital (continued)

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

Note:

- (a) During the year ended 31 December 2014 and 2015, 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
January 2015	600,000	6.350	6.290	490
	12,090,000			9,437

Transaction costs of \$57,000 and \$4,000 were incurred in 2014 and 2015 respectively for the repurchase.

- (b) The 12,090,000 repurchased shares were cancelled in December 2015. The issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of \$151,000 was transferred from share premium to the capital redemption reserves. The premium paid on the purchase of the shares of \$9,347,000 was charged to share premium.

(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

(Expressed in United States dollars)

23 Capital and reserves (continued)

(a) Share capital (continued)

(iii) Capital management (continued)

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

	2015 \$'000	2014 \$'000
Debt	–	–
Cash and cash equivalents	(143,081)	(178,238)
Net debt	(143,081)	(178,238)
Equity	686,576	625,500
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.

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 91 of the consolidated financial statements.

23 Capital and reserves (continued)

(c) 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.

(iv) *Capital redemption reserve*

The capital redemption reserve arises from cancellation of 12,090,000 treasury shares during the year. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, upon the cancellation, the par value of the cancelled treasury shares was transferred from share premium accounts.

(v) *Exchange reserve*

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

(d) Distributable reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to owners of the Company was \$278,218,000 (2014: \$301,616,000) within which \$278,438,000 (2014: 287,936,000) related to the share premium of the new ordinary shares issued under placement in past years and \$55,000,000 (2014: \$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 1.89 per ordinary share (2014: US cents 2.11 per ordinary share) amounting to \$43.0 million (2014: \$47.9 million). The dividend has not been recognised as a liability at the end of the reporting period.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

24 Lease commitments

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

	2015					2014				
	In respect of:					In respect of:				
	Land lease	Office, staff	Equipment	Gaming	Total	Land lease	Office, staff	Equipment	Gaming	Total
		quarters and car park		rental			rental		rental	
\$'000	\$'000	\$'000	Tables games \$'000	\$'000	\$'000	\$'000	\$'000	Tables games \$'000	\$'000	
Within 1 year	225	1,124	1,536	1,001	3,886	219	807	1,536	1,022	3,584
1 to 5 years	944	1,434	2,598	1,310	6,286	933	524	4,134	1,703	7,294
After 5 years	20,401	579	-	-	20,980	20,637	574	-	-	21,211
	21,570	3,137	4,134	2,311	31,152	21,789	1,905	5,670	2,725	32,089

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 14(ii) for further details in respect of the land.

25 Capital commitments

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

	2015 \$'000	2014 \$'000
Hotel and casino complex – contracted but not incurred	224,829	39,558

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”. As at 31 December 2015, \$147 million (2014: \$350 million) of the investment is authorised but not contracted for.

26 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 (2014: Nil) and there are no outstanding share options at the end of the reporting period (2014: Nil).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

27 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.

(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 LoT and Lol 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 five to thirty days (2014: seven days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2014: 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 18% (2014: 29%) 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.

27 Risk management (continued)

(d) Liquidity risk

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

	2015 \$'000	2014 \$'000
Less than one year	34,824	34,604

(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:

	2015		2014	
	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	46,994	0.01 to 0.8	52,880
– Fixed term of 7 days or less	0.12	10,069	0.12	30,507
– Within one year	1.60 to 10.67	58,322	1.50 to 15.05	61,072
		115,385		144,459
Promissory Notes	6.6	6,885	N/A	–
Bonds	N/A	–	3.00	25,809
		122,270		170,268

The Group has no significant interest bearing assets except fixed rate bank deposits, the Promissory Notes and the Bonds detailed in notes 21, 16 and 18 respectively. The Group policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue 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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

27 Risk management (continued)

(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 and trade and other payables. Due to their short term nature, the carrying values of these financial instruments approximately fair values.

(h) Financial instruments measured at fair value

The Bonds included in the Group's consolidated financial statements in last year required measurement at fair value as details in note 18. The fair value measurement of which utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements were categorised into different levels based on how observable the inputs used in the valuation technique utilised were (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 was based on the lowest level of the inputs used that had a significant effect on the fair value measurement of the item.

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

The Bonds were disposed of during the year.

28 Related party transactions

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

(a) Compensation of key management personnel

	2015 \$'000	2014 \$'000
Basic salaries, housing and other allowances and benefits in kind	8,497	8,343
Bonus	792	261
	9,289	8,604

(b) Others (note)

	2015 \$'000	2014 \$'000
Travel expenses	36	800
Expenses paid on behalf of related companies	118	205

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 2015, amounts due from related companies of \$413,000 (2014: \$301,000) are included in trade and other receivables as disclosed in note 17 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum balance during the year was \$413,000 (2014: \$344,000).

29 Ultimate controlling party

At 31 December 2015, Dr Chen was interested in 958,945,297 ordinary shares out of the 2,269,988,875 issued ordinary shares of the Company, of which 7,150,000 ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 ordinary shares were held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 ordinary shares held by ChenLa Foundation.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2015

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 2015, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendment to IAS 1	Disclosure initiative ¹
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to IAS 27	Equity Method in Separate Financial Statements ¹
IFRS 9 (2014)	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

Amendments to IAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2015 (continued)

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively.

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.

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

30 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2015 (continued)

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.

31 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.

(iii) Recognition of negotiation fee income

Part of the Group's income is generated from negotiation fee income from investors for exclusive negotiation of the placement of electronic gaming machines in NagaWorld (note 6). IFRS requires that recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. Management have assessed whether or not the negotiation fee agreement and the operating agreement for the electronic gaming machines are linked and should be accounted for as a single arrangement. In making this assessment, management has considered the nature, terms and commercial substance of each transaction and determined that the negotiation fee agreement and operating agreement should be accounted for on a stand-alone basis as two independent transactions. In particular, the negotiation fee was negotiated separately and is receivable irrespective of whether any operating agreement is entered into and the estimated returns to the investors from the operating agreement exclusive of the negotiation fee are commercial.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

32 Acquisition of subsidiaries

The Company entered into a conditional share purchase agreement on 13 June 2011 (as amended by two supplemental agreements dated 28 December 2011 and 28 December 2015) with Dr Chen, the controlling shareholder of the Company, to acquire the entire equity interests in TanSriChen Inc. and TanSriChen (City Walk) Inc. both of which are incorporated in the British Virgin Islands and are beneficially owned by Dr Chen. The agreed consideration is \$369,000,000, which will be settled upon completion, at the election of Dr Chen, in the form of Shares or convertible bonds to be issued by the Company. The acquisition was approved by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting held on 30 January 2012. Completion of the acquisition is subject to the completion of the construction of several projects including the development and construction of the hotel and gaming complex and a retail walkway adjacent to NagaWorld in Phnom Penh, Cambodia, to be undertaken by TanSriChen Inc. and TanSriChen (City Walk) Inc.

33 Contingent Liabilities

Based on the formula stated in Clause 3.3 of the Service Agreements which was signed between the Company and Dr Chen, the CEO of the Company, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of \$8,051,000 for the financial year ended 31 December 2015.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board has considered the matter and has resolved to appeal to the generosity and good judgement of Dr Chen to defer the payment of the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the obligation to make the payment of the 2015 Bonus Entitlement, and at the request of the Company, Dr Chen has agreed to defer the receipt of the 2015 Bonus Entitlement to subsequent years until the achievement of certain KPIs.

The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement shall be extended to the financial years ending 31 December 2016 and 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

Subject to re-election at the annual general meeting of the Company to be held on or around 20 April 2016 (or such other date as the Company may determine), based on the recommendation of the Remuneration Committee of the Company, on recognition of the achievements and sacrifices of Dr Chen not to collect the past performance bonuses amounting to \$18,581,000 from 2010 to 2014, the Company and Dr Chen further agree that the Service Agreement which will expire on 15 May 2016 shall be renewed subject to terms agreeable by the parties.

Except for the above, and as disclosed elsewhere in the consolidated financial statements, there were no other contingent liabilities as at 31 December 2015.

34 Statement of financial position of the Company

	2015 \$'000	2014 \$'000
Non-current assets		
Property, plant and equipment	335	215
Investments in subsidiaries	15,503	15,503
	15,838	15,718
Current assets		
Deposits, prepayments and other receivables	657	635
Amounts due from subsidiaries	272,387	248,801
Investment in bonds	–	25,809
Cash and cash equivalents	18,267	55,774
	291,311	331,019
Current liabilities		
Accruals and other payables	553	402
Amounts due to subsidiaries	3	25,197
	556	25,599
Net current assets	290,755	305,420
NET ASSETS	306,593	321,138
CAPITAL AND RESERVES		
Share capital (Note)	28,375	28,526
Treasury shares	–	(9,004)
Reserves	278,218	301,616
TOTAL EQUITY	306,593	321,138

Approved and authorised for issue by the Board on 1 February 2016

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Chief Financial Officer

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

34 Statement of financial position of the Company (continued)

Note:

Capital and reserves of the Company

	Share capital \$'000	Treasury shares \$'000	Share premium \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Accumulated losses \$'000	Total \$'000
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
At 1 January 2015	28,526	(9,004)	287,936	-	55,000	(41,320)	321,138
Purchase of own shares	-	(494)	-	-	-	-	(494)
Cancellation of treasury shares	(151)	9,498	(9,498)	151	-	-	-
Profit for the year	-	-	-	-	-	94,486	94,486
Dividend declared and paid	-	-	-	-	-	(108,537)	(108,537)
At 31 December 2015	28,375	-	278,438	151	55,000	(55,371)	306,593

Five-year Financial Summary


(Expressed in United States dollars)

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Consolidated statement of income					
Revenue	223,781	278,762	344,946	404,298	503,655
Profit attributable to owners of the Company	92,030	113,141	140,290	136,086	172,623
Earnings per share (US cents)	4.42	5.43	6.28	5.96	7.60
Dividend					
Interim dividend declared	32,141	31,438	43,996	47,334	60,612
Final dividend proposed after the end of reporting period	32,280	53,172	54,207	47,925	42,962
Total dividend attributable to the year	64,421	84,610	98,203	95,259	103,574
Dividend per share (US cents)	3.09	3.84	4.31	4.18	4.56
Consolidated statement of financial position					
Property, plant and equipment and interest in leasehold land held for own use under operating lease	187,716	238,200	270,731	337,839	408,388
Intangible assets	83,936	80,389	76,842	73,295	69,748
Other non-current assets	4,408	14,436	21,627	15,059	54,577
Net current assets	76,418	68,874	230,759	199,307	153,863
Employment of capital	352,478	401,899	599,959	625,500	686,576
Represented by:					
Share capital	26,026	26,026	28,526	28,526	28,375
Treasury shares	–	–	–	(9,004)	–
Reserves	326,452	375,873	571,433	605,978	658,201
Shareholders' funds	352,478	401,899	599,959	625,500	686,576
Other non-current liabilities	–	–	–	–	–
Capital employed	352,478	401,899	599,959	625,500	686,576
Net assets per share in open market (US cents)	16.93	19.30	26.29	27.55	30.25

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, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 April 2016 at 10:00 a.m. for the following:

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and independent auditor for the year ended 31 December 2015 (the “Year”).
2. To declare a final dividend in respect of the Year.
3. To re-elect the following retiring directors of the Company:
 - i. Tan Sri Dr Chen Lip Keong as an executive director of the Company.
 - ii. Mr. Philip Lee Wai Tuck as an executive director of the Company.
 - iii. Mr. Chen Yiy Fon as an executive director of the Company.
 - iv. Mr. Lai Kai Jin Michael as an independent non-executive director of the Company.
4. To approve the directors’ remuneration for the Year and to authorize the board of directors to fix the directors’ remuneration for the year ending 31 December 2016.
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 with or without amendments, the following resolutions as ordinary resolutions:
 - (A) **“That:**
 - (i) subject to paragraph (A)(iii) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares of the Company (the “Shares”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares 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) 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 authorisation given to the Directors and shall authorise the Directors 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;

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- (iii) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors 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; or (3) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the “Articles of Association”) in force from time to time; or (4) any issue of Shares 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 total number of issued Shares 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 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, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares 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 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).”

Notice of Annual General Meeting

(B) **“That:**

- (i) subject to paragraph (B)(ii) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued shares of the Company (the “Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong (the “Commission”) and the Stock Exchange and, subject to and in accordance with all applicable laws, the Code on Share Buy-backs issued by the Commission and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate number of the Shares, which the Company is authorised to repurchase pursuant to the approval in paragraph (B)(i) above shall not exceed 10% of the total number of issued Shares 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 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.”

- (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 (the “Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (the “Shares”) 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 number of Shares which may be allotted by the Directors pursuant to such general mandate of the aggregate number of Shares 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 total number of issued Shares at the date of passing of this resolution.”
- (D) **“That** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company, representing 10% of the number of issued shares of the Company on the date of this resolution, which may fall to be issued pursuant to the exercise of any options granted under the new share option scheme of the Company (the “New Scheme”) (a copy of which has been submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification), the New Scheme be and is hereby approved and adopted on the date of this meeting and the directors of the Company be and are hereby authorised to grant options and to allot and issue shares of the Company thereunder and to take all such steps and do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Scheme.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“That subject to and conditional upon the entry of the dual foreign name of the Company on the register maintained by the Registrar of Companies in the Cayman Islands, the adoption of “金界控股有限公司” as the dual foreign name of the Company be approved and that the directors of the Company be and are hereby authorised to do all such acts and things and to execute all documents or make such arrangements as they may consider necessary or expedient to give effect to the adoption of the dual foreign name of the Company.”

By Order of the Board of Directors
Timothy Patrick McNally
Chairman

Hong Kong, 16 March 2016


Notice of Annual General Meeting

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

Principal Place of Business in Hong Kong:
Suite 2806, 28/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

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 of the Company (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.
- (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 Hong Kong share registrar of Company, 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, 18 April 2016 to Wednesday, 20 April 2016, 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, 15 April 2016; and

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- (b) on Tuesday, 20 April 2016, 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, 25 April 2016. The Company's shares will be traded ex-entitlement from and including Friday, 22 April 2016.
- (vi) In respect of the ordinary resolution numbered 6(A) above, the directors of the Company (the "Directors") 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 of Hong Kong Limited (the "Listing Rules").
- (vii) In respect of ordinary resolution numbered 6(B) above, the Directors 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 16 March 2016.

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

Executive Directors

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck, Chen Yiy Fon 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 樓
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-L 座

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

Russia 俄羅斯

7 Primorsky Entertainment Resorts City LLC

612, 6th Floor
Fresh Plaza Business Center
17, Okeansky Avenue
Vladivostok 690091, Russia

