

INTRODUCTION

We are engaged principally in the management and operation of the only licensed casino in Phnom Penh, the capital city of Cambodia. Our rights to operate the casino, which were granted by the Cambodian Government pursuant to the Casino Licence, are valid for a period of 70 years from 2nd January, 1995. Our right to operate within the Designated Area is exclusive (save for the right to operate gaming machine stations) until the end of 2035.

Our gaming operations began in 1995 and have been profitable since 1996. Our Casino Licence allows us to operate 24 hours a day throughout the year and contains no restrictions as to the location and size of the casino complex, casino operating areas, number of tables and type of games within the Designated Area. As at the Latest Practicable Date, our casino operated 44 gaming tables offering Mini Baccarat, Roulette, Blackjack, Tai Sai and Caribbean Stud Poker and 211 gaming machine stations. From May 1995 until the end of September 2003, we operated our casino on a barge moored along the banks of the Bassac River in a central location in Phnom Penh. The barge was close to many tourist attractions such as the National Museum, the Royal Palace and the Independence Monument in Cambodia.

On 1st October, 2003, we relocated our casino operations to our new hotel and entertainment complex called NagaWorld, situated on land a few hundred metres away from where the barge was moored. Upon full completion, to the best of the knowledge of our Directors, NagaWorld will be the only entertainment complex with gaming, hotel, entertainment and recreational facilities within the Designated Area. NagaWorld will consist of an eight-storey entertainment wing, a 14-storey hotel wing and a car park block. It is strategically located on a wide landscaped boulevard next to the Hun Sen Garden near the riverfront district of Sisowath Quay in Phnom Penh. As at the Latest Practicable Date, all eight storeys of the entertainment wing are structurally complete with the ground and part of the first floor completely furnished. The entertainment wing, when fully operational, will also house food and beverage outlets, leisure, recreational and entertainment facilities. All 14 levels of the hotel wing are also structurally complete with fittings work being carried out in the lobby and some hotel rooms.

Our casino is currently located on level one of the entertainment wing of NagaWorld. Customers who wish to play our table games are required by our Casino Control Rules and in accordance with best practice within the Cambodian regulatory framework to be foreign passport holders and can be divided into two distinct categories, namely Public Players and STG Players. All customers, including Cambodians, are allowed to play our gaming machine stations. As at the Latest Practicable Date, we derived our revenue principally from casino operations.

COMPETITIVE STRENGTHS

We believe that our success to date and our potential for business expansion are primarily attributable to a combination of the following key strengths:

Our exclusive Casino Licence

Our Casino Licence is valid for a period of 70 years from 2nd January, 1995 and we have the exclusive right to operate the only casino within the Designated Area up to the end of 2035 (save that the right to operate gaming machine stations is not on an exclusive basis).

The benefits of our location

NagaWorld is located in Phnom Penh, the capital city of Cambodia with a population of approximately one million. The city is the commercial hub of Cambodia and is strategically located in the south of the country where the Mekong, Bassac and Tonle Sap Rivers converge. Phnom Penh is also a convenient location for international tourists travelling to Cambodia for destinations such as Siem Reap and the temples of Angkor. Phnom Penh itself also boasts a number of tourist attractions such as the Royal Palace, the Silver Pagoda and the National Museum.

Phnom Penh is in close proximity to our traditional markets namely, Singapore and Malaysia in the south and the PRC in the north, and nearby markets namely, Thailand in the west and Vietnam in the east. Phnom Penh is accessible, by air, within approximately three hours from Singapore, Malaysia and the PRC, and within approximately one hour from Bangkok, Thailand and Ho Chi Minh City, Vietnam. Customers can reach NagaWorld in about 30 minutes by road from Phnom Penh International Airport.

NagaWorld is strategically located on a wide landscaped boulevard next to the Hun Sen Garden near the riverfront district of the Sisowath Quay in Phnom Penh. Among the many attractions that line the streets and riverside of the Sisowath Quay are the Royal Palace and the Silver Pagoda. A collection of restaurants and nightspots are also available near the Sisowath Quay and the riverfront boulevard.

Our established reputation

We believe that we have established a reputation as a provider of quality gaming activities amongst our STG Operators. We endeavour to foster long-term commercial relationships with our STG Operators and have maintained commercial dealings with a number of STG Operators for over eight years. Our relationships with STG Operators allow us to benefit from any increase in the number of ST Groups managed by our STG Operators, thus increasing our customer base. We also believe that we are also a popular destination amongst the expatriate community in Phnom Penh.

Our effective operating costs

During the Track Record Period, the wage of our Cambodian employees averaged approximately US\$151 per month which, in our opinion, compared favourably to staff costs in more developed cities and countries with casinos such as Macau, Malaysia and Australia. As such, by virtue of our casino operations being based in Cambodia, we consider that we have a significant labour cost advantage over our competitors operating in other parts of the region.

Our experienced senior management

Our current management team comprises a group of experienced executives with substantial experience and knowledge of casino operations. Tan Sri Dr Chen, our controlling Shareholder, chief executive officer and a Director, has been active in business in Cambodia since 1990, in which time he has gained knowledge of the local commercial landscape valuable to the future development of our operations. In addition, certain of our senior management have over 10 years of experience in running casino operations in Cambodia.

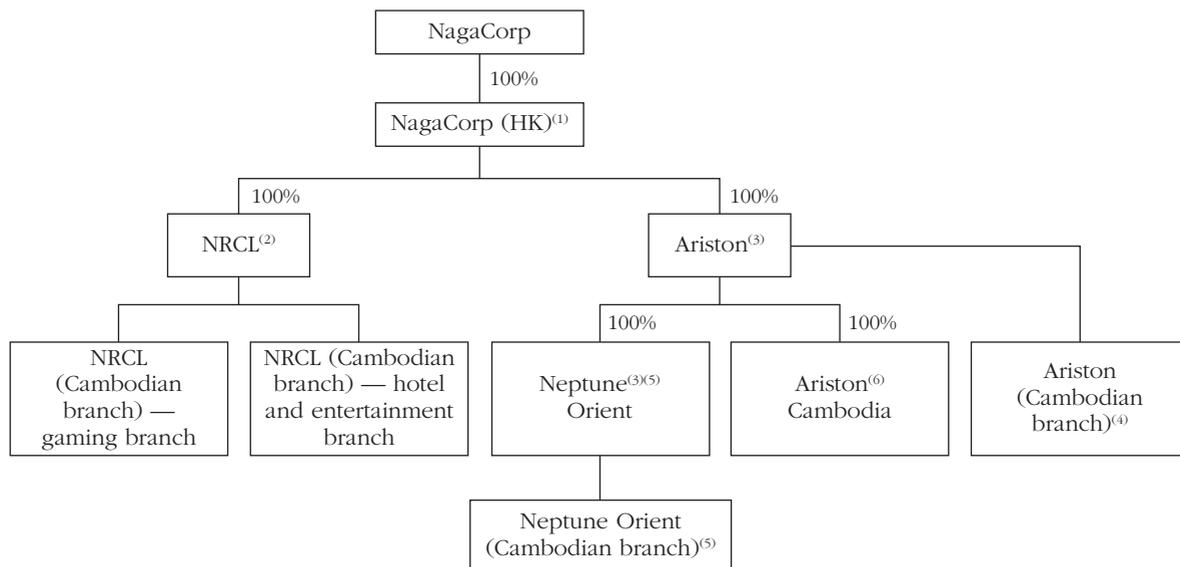
Strong market presence and loyal customer base

Our casino is well known in Phnom Penh and Cambodia as it is the only licensed casino within the Designated Area. A number of our customers have been with us for over eight years and we believe we have a loyal customer base.

CORPORATE STRUCTURE

Group structure

The following chart sets out our corporate structure as at the Latest Practicable Date:



Notes:

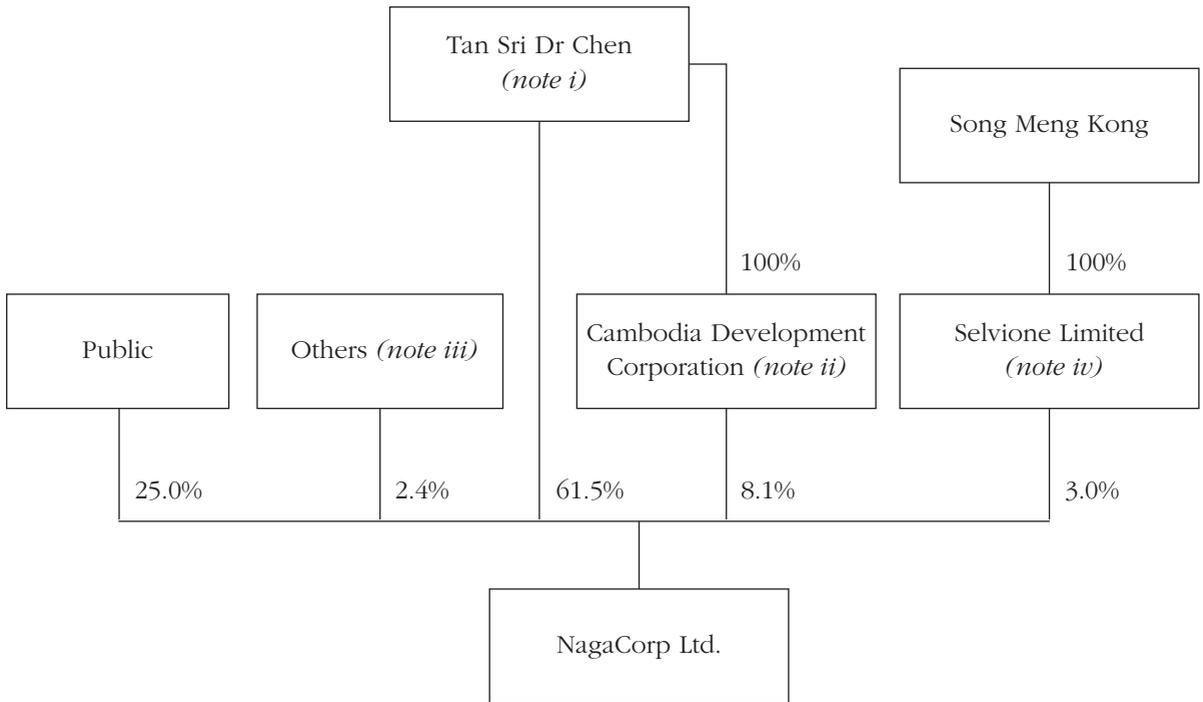
- (1) NagaCorp (HK) is an investment holding company. The issued share capital of NagaCorp (HK) comprises HK\$10 divided into 10 ordinary shares of HK\$1.00 each, of which nine ordinary shares are beneficially owned by NagaCorp and one ordinary share is registered in the name of Cobyryne Limited. Cobyryne Limited holds the one ordinary share on trust for the benefit of NagaCorp.
- (2) NRCL, through its Cambodian branches, is engaged in the casino business and the hotel and entertainment business. The issued share capital of NRCL comprises HK\$78,000,000 divided into 78,000,000 ordinary shares of HK\$1.00 each, of which 77,999,998 are owned by NagaCorp (HK) and two ordinary shares are registered in the name of Berycon Limited. Berycon Limited holds the two ordinary shares on trust for the benefit of NagaCorp (HK).
- (3) Ariston is an investment holding company. Before 30th September, 2002, the entire issued share capital of Ariston was held by Lipkland Holdings Sdn Bhd (“Lipkland”), a company of which Tan Sri Dr Chen was the controlling shareholder. On 30th September, 2002, Lipkland transferred all its shares in Ariston to NagaCorp (HK). This transfer may require the approval of the FIC under the Guidelines on the Acquisition of Interests, Mergers and Takeovers by Local and Foreign Interests (“FIC Guidelines”). Under the FIC Guidelines, Ariston and Neptune Orient are required to increase their Bumiputera equity to at least 30%, with the remaining equity held either by local interest, foreign interest or both. (The term “Bumiputera” is generally described as Malay and other indigenous people.) According to our legal advisors as to Malaysian law, the FIC Guidelines are issued by the FIC which is a committee of the Economic Planning Unit of the Prime Minister’s Department. The committee is not a statutory body and the FIC Guidelines are not issued pursuant to any power granted by legislation. As a result, the Malaysian courts have held that the FIC Guidelines are simply administrative guidelines and do not have the force of law. There are, therefore, no statutory penalties for non-compliance with these guidelines. Non-compliance has no practical consequences unless the relevant company (a) needs to apply for a governmental licence, permit or approval, such as employment work

passes for expatriate personnel, (b) wishes to participate in government contracts, (c) attempts to register any land purchases at the relevant land office or registry in Malaysia or (d) needs to apply to any other regulatory body in Malaysia or other person which may require the prior approval of the FIC or compliance with the FIC Guidelines. Given that the principal activity of Ariston is investment holding, Ariston has no intention to apply for any licence, permit or approval or participate in government contracts or register land purchases in Malaysia, which may require the prior approval of the FIC. As such, Ariston has not applied for the approval of the FIC in respect of the transfer of its shares from Lipkland to NagaCorp (HK). According to our legal advisors as to Malaysian law, the FIC Guidelines do not govern the repatriation and distribution of dividends and assets of companies incorporated in Malaysia.

- (4) Ariston (Cambodian Branch) was established to implement Ariston's development projects pursuant to the SDA (as supplemented and amended by the SSDA). On 30th August, 2002, Ariston assigned certain of its rights to the development projects under the SDA (as supplemented and amended by the SSDA), including the O'Chhoue Teal development, Naga Island Resort and the Sihanoukville International Airport, to Ariston Holdings at cost for approximately US\$6.8 million. Ariston (Cambodian Branch) has been inactive since then.
- (5) On 30th August, 2002, Neptune Orient sold its interest in the leased area on which NagaWorld is built to NRCL and assigned its rights, duties and obligations under relevant construction contracts to NRCL. It was the intention that NRCL would be the main "operations" subsidiary. As a result, Neptune Orient does not hold any material assets (save for the lease of the car park block which remains in the name of Neptune Orient) and does not engage in any business activities. Neptune Orient (Cambodian Branch) was established as the vehicle to acquire the leased area on which NagaWorld is built from International Land Company (ILC) in July 2000. (please also refer to the paragraphs under heading "Development of NagaWorld" in this section for further information). The leased area was sold to NRCL in August 2002 and Neptune Orient (Cambodian Branch) has not engaged in any business activity since then.
- (6) Ariston Cambodia was established as the construction arm of Ariston to undertake the construction of Ariston's projects in Cambodia. However, the Group decided not to venture into any other business activities outside its core business activities namely the offer of gaming and hotel operations. Ariston Cambodia has therefore not engaged in any business activity.

Shareholding structure

The following illustrates the shareholding structure of the Company immediately following the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):



Notes:

- (i) As at the Latest Practicable Date, Tan Sri Dr Chen held 1,183,452,921 Shares, of which 202,332,411 Shares were issued on 11th May, 2006 pursuant to an agreement between, among others, the Company, Ariston and Ariston Holdings.
- (ii) The issued share capital of CDC comprises USD1.00 divided into one ordinary share of USD1.00, which is registered in the name of Cobyrne Limited. Cobyrne Limited holds the one ordinary share as trustee for Tan Sri Dr Chen. CDC is an investment holding company incorporated in the British Virgin Islands.
- (iii) Others include Fameup Trading Limited, Pacific Asset Management Limited, Double Assets Investments Limited, Avia Growth Opportunities Limited, Pureland Enterprise Ltd and individual shareholders namely Lee Heng Ghee, Henry, Kua Phek Long, Huang Yu Zhu, Wendy, Koon Soon Heng and Ng Eng Tiong. The other investors and, in the case of corporate Shareholders, together with their respective ultimate beneficial owners are, to the best of the Directors' knowledge and belief, independent of and not connected with the Company (as defined under the Listing Rules) and are passive Shareholders. Other investors (save for Koon Soon Heng, Huang Yu Zhu, Wendy, Ng Eng Tiong, Pureland Enterprise Ltd. and Fameup Trading Limited) acquired shareholdings in the Company during or around the time of the proposed initial public offering in Singapore that was subsequently aborted.

- (iv) Selvione Limited is an investment holding company wholly owned by Song Meng Kong. Song Meng Kong was one of the first staff members of Ariston and was with the Group for more than 10 years prior to his resignation in February 2003. In recognition of his services, 49,600,000 Shares were transferred from Pepin Investment to Selvione Limited on 5th August, 2003.
- (v) As at the Latest Practicable Date, none of the other investors referred to in notes (iii) and (iv) above has expressed an intention to join the Company and/or any of its subsidiaries and become employees after the listing.

AGREEMENTS WITH THE CAMBODIAN GOVERNMENT AND THE CASINO LICENCE

Agreements with the Cambodian Government

The successful bid made by Ariston for the Sihanoukville Development and the entry into the SDA between Ariston and the Cambodian Government on 2nd January, 1995 marked the beginning of our casino operations in Cambodia.

SDA

On 2nd January, 1995, Ariston entered into the SDA with the Cambodian Government. The SDA was signed on behalf of the Cambodian Government by His Excellency Sok An, Minister in charge of the Council of Ministers, and His Excellency Sun Chanthol, Secretary of Economy and Finance, both with the authority granted by a power of attorney from the then First Prime Minister, His Royal Highness Prince Norodom Ranariddh, and the Second Prime Minister, His Excellency Samdech Hun Sen.

Under the terms and conditions of the SDA, Ariston was granted development rights in respect of the following:

- (i) the development of the Sihanoukville region, including the Sihanoukville International Airport, highway linkages to Naga Island, jetties and catamaran services, independent power production, water supply and treatment, telecommunication, golf course and club house, industrial estate, and residential and commercial development;
- (ii) the development of the Naga Island resort, including a hotel and casino complex, recreational facilities, marina and yacht club, and residential and commercial development; and
- (iii) the development of the Takiev Island resort, including a hotel and casino complex, theme park, and marina and yacht club.

An integral right granted under the SDA was the Casino Licence, which at that time included a 20-year right of exclusivity to operate a casino in Cambodia. Pursuant to the SDA, in May 1995, we commenced our operations at the barge anchored on the bank of the Bassac River in a central location in Phnom Penh.

The SDA required Ariston to comply with casino laws to be promulgated by the Cambodian Government, as well as to pay a specified amount of casino tax in respect of each month of the term of the Casino Licence.

The SDA was conditional on the payment by Ariston of US\$3 million, being the first instalment of the casino premium, and the enactment of a casino law, which the Cambodian Government intended to implement by 31st January, 1995. According to our legal advisors as to Cambodian Law, the second condition was met by the enactment of the Kram on the Control of Gambling. The SDA could be terminated by the Cambodian Government if (i) there was a substantial breach by Ariston of any of its obligations that had not been remedied to the satisfaction of the Cambodian Government within a reasonable period or (ii) except where expressly permitted by the SDA, Ariston assigned the benefit of the agreement without the prior written consent of the Cambodian Government. Under the terms of the SDA, no consent was required for the assignment by Ariston to, amongst others, any company of which Tan Sri Dr Chen was the controlling shareholder.

Further to this power to assign the benefit of the SDA, on 8th May, 1995, Ariston and NRCL entered into the CLA pursuant to which Ariston assigned to NRCL certain of its rights and obligations in respect of the Casino Licence under the SDA and granted to NRCL an irrevocable licence (subject to breach or termination of the CLA) to operate a casino in Phnom Penh for a period of 70 years. Under the terms and conditions of the CLA, NRCL was granted a licence to operate those areas of any vessel, complex and/or building identified for gaming in Phnom Penh, as well as all ancillary areas which relate directly to the operation and functioning of the casino. NRCL was obliged to operate the casino in accordance with the Casino Control Rules of the Group, which may be superseded by casino law promulgated by the Cambodian Government.

The CLA provided that NRCL would pay the casino premium, casino tax and casino licence fee as referred to in the SDA. The CLA also provided, inter alia, that all revenue, cash flow and profits generated by NRCL during the term of the licence would be for the sole account of NRCL.

We were granted our Casino Licence in 1995. However, we did not fully enjoy the benefits of our exclusive right to run casino operations after commencement of our business at that time because there were a number of other casinos operating in Phnom Penh in direct competition with our casino and we therefore believed that Ariston's right of exclusivity was not being sufficiently enforced by the Cambodian Government. In December 1998, the Cambodian Government ordered the closure of all casinos operating in Phnom Penh save for our casino. In June 1999, Ariston subsequently applied to the Phnom Penh City Court to interpret and re-affirm its rights under the SDA. The Phnom Penh City Court re-affirmed the terms and conditions referred to in the SDA. Following the court order, the Cambodian Government and Ariston entered into the SSDA on 2nd February, 2000 to supplement and amend the terms and conditions referred to in the SDA and to affirm the validity and amend the scope of the Casino Licence.

SSDA

The SSDA was signed by His Excellency Sok An, Senior Minister in charge of the Council of Ministers, with the authority granted by a power of attorney from the Prime Minister, His Excellency Samdech Hun Sen.

Under the SSDA it was agreed that Ariston's rights to develop the Sihanoukville region would be amended to consist of the following:

- a casino within 200km of the city limits of Phnom Penh, which included a 20-year right of exclusivity within that area from 2nd January, 1995 and an option to renew such right of exclusivity for a further 20-year period, subject to the consent of both Ariston and the Cambodian Government;
- the development of the Naga Island resort and related facilities (which included a licence to operate a casino); and
- the development of the O'Chhoue Teal area (which included a licence to operate a casino),

and that all other developments under the SDA that had not been undertaken were mutually rescinded by Ariston and the Cambodian Government. The only exception to this is that Ariston's rights to develop the Sihanoukville International Airport continued pursuant to an agreement with the Cambodian Government.

The SSDA required Ariston to pay or cause to be paid to the Cambodian Government a casino tax in accordance with a casino law. No law governing the taxation of casino operations was subsequently promulgated. Instead, the MOEF specifies, annually, the level of obligation payments and casino taxation certificate fees payable by the Group. Although the SSDA contains no express termination or revocation provisions, the Cambodian Government could terminate this agreement, or revoke the licence or the exclusive period of the licence, granted thereunder. Under the terms of the SSDA, if the agreement was terminated or the Cambodian Government breached its obligations in relation to either the granting to Ariston of a casino licence or the initial 20-year period of exclusivity of such licence, the Cambodian Government would be obliged to pay to Ariston (i) a sum equal to the amount of money invested by Ariston in the businesses in Cambodia as an agreed initial investment cost, (ii) mutually agreed damages for the termination and/or revocation of the casino licence before the end of its 70-year duration and (iii) agreed damages for having lost the right of exclusivity to operate a casino within 200km of Phnom Penh.

Under the terms of the SSDA, Ariston was permitted to assign its rights and obligations under the SSDA to any third party without the prior consent of the Cambodian Government. In light of the amendments arising from the SSDA, Ariston and NRCL entered into the Supplemental CLA on 2nd February, 2000 to correspondingly supplement and amend the terms of the rights to the Casino Licence granted by Ariston to NRCL under the CLA.

Under the terms and conditions of the Supplemental CLA, NRCL was granted a licence by Ariston to operate those areas of any complex and/or building identified for gaming located within a 200km radius of Phnom Penh, as well as all ancillary areas which relate directly to the operation and functioning of the casino.

NRCL was obliged to operate the casino in accordance with the Casino Control Rules, which may be superceded by casino law promulgated by Cambodian Government. The Supplemental CLA further provided that NRCL would pay casino tax in accordance with the casino law namely, obligation payments.

On 28th April, 2003, Ariston and NRCL entered into an agreement to amend the Casino Control Rules of the Group to provide that Cambodian nationals are not allowed to play the table games in the casino, in line with their previous practice in this respect.

Pursuant to the Supplemental Deed, entered into between Ariston and NRCL on 30th April, 2003, NRCL agreed to pay to Ariston US\$400,000 per year for a period of 12 years, the first such payment being due and payable on 1st January, 2003 as consideration for the grant and use of the Casino Licence.

On 30th August, 2002, Ariston assigned its rights to develop the Naga Island resort, Sihanoukville International Airport and O'Chhoue Teal area to Ariston Holdings with the exception that Ariston continued to hold the casino licences for Phnom Penh, Naga Island Resorts and O'Chhoue Teal directly.

Addendum Agreement

Ariston entered into the Addendum Agreement with the Cambodian Government on 12th August, 2005. The Addendum Agreement was signed by His Excellency Cham Prasidh, Senior Minister, Minister of Commerce and vice chairman of the Council for the Development of Cambodia, who had the authority to bind the Royal Government of Cambodia which was granted under a power of attorney from the Prime Minister, His Excellency Samdech Hun Sen. The Addendum Agreement was also co-signed by His Excellency Kong Vibol, First Secretary of State of Economy and Finance as co-Vice Chairman of the Council for Development of Cambodia.

Under the Addendum Agreement, Ariston agreed to surrender all concessions and development rights under the SDA, including but not limited to the rights to develop the Naga Island resort, Sihanoukville International Airport and O'Chhoue Teal area. In consideration for the surrender of these concessions and development rights, the Cambodian Government:

- confirmed Ariston's rights to operate a casino in NagaWorld or any other complex that may be built by Ariston or its assignee within the Phnom Penh Municipality;
- confirmed that the Casino Licence was for a period of 70 years from 1995, expiring in 2065;

- confirmed that the Casino Licence has a right of exclusivity within the Designated Area; and
- agreed to extend the period of exclusivity for the operation of the casino within the Designated Area until the end of 2035.

In order to satisfy Ariston's obligations under the Addendum Agreement, the Company, Ariston, Ariston Holdings and others entered into an agreement on 29th April, 2006 under which Ariston Holdings and certain wholly-owned subsidiaries of Ariston Holdings agreed to surrender all rights, title, benefit, interests and assets in the O'Chhoue Teal area, the Naga Island resort, the Sihanoukville International Airport and other related facilities to the Cambodian Government, with effect from 12th August, 2005 for a consideration of US\$105 million. The consideration was settled as to US\$50 million by way of the allotment and issue of 202,332,411 Shares to Tan Sri Dr Chen and as to US\$55 million by capital contribution by the controlling Shareholder. Further, Ariston Holdings indemnified Ariston for any cost, loss, liability, claim or damage suffered by Ariston or its affiliates in connection with the rights and interests above, whether arising before or after 12th August, 2005.

In light of the amendments arising from the Addendum Agreement, Ariston and NRCL entered into two further agreements. The first agreement was dated 31st August, 2005 and provided for certain payments to be made by NRCL to Ariston for the grant and use of the extended exclusivity period of the Casino Licence. The second agreement was the Second Supplemental CLA pursuant to which the parties agreed to supplement and amend the terms of the rights to the Casino Licence granted by Ariston to NRCL under the CLA in line with the amendments arising from the Addendum Agreement. Under the terms and conditions of the Second Supplemental CLA, the licence granted to NRCL was amended to include an exclusive right to operate a casino located within 200km of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) for the period from 2nd January, 1995 to the end of 2035.

As at the Latest Practicable Date, there were no ongoing negotiations with the Cambodian Government in respect of the extension of the exclusivity period of the Casino Licence. As at the Latest Practicable Date, there were no rights and/or obligations granted to the Group by the Cambodian Government, save for the rights and obligations disclosed in this prospectus and those in respect of its ordinary course business activities.

Our Casino Licence

The principal terms of our Casino Licence are as follows:

1. Duration of Licence

The Casino Licence is for a duration of 70 years from 2nd January, 1995. The SSSA states that the Casino Licence is irrevocable, but also provides that if the agreement is terminated or is breached by the Cambodian Government in relation to the grant by it of the Casino Licence or the right of exclusivity thereunder, for any reason, the Cambodian

Government will pay Ariston a sum equivalent to the amount of money invested in businesses in Cambodia as an agreed initial investment cost and certain mutually agreed damages in respect of termination of the Casino Licence before expiry of its term and/or loss of the right of exclusivity.

2. *Exclusivity*

Ariston has a right of exclusivity to operate a casino within the Designated Area up to the end of 2035 (save that the right to operate gaming machine stations is not on an exclusive basis). During this period, the Cambodian Government is prohibited from:

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

3. *Casino Complex*

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

4. *Premiums/Casino Tax and Licence Fees*

As stated above, Ariston was required to pay to the Cambodian Government certain specified premiums under the terms of the SDA. On signing of the SDA, Ariston paid a sum of US\$3 million, being the first instalment of the premiums. Pursuant to a letter agreement dated 10th July, 2000 entered into between the Cambodian Government and Ariston which was supplemental to the SSDA, it was noted that Ariston had not enjoyed the rights of operating a casino on an exclusive basis as provided in the Casino Licence, and it was agreed and declared that the payment of premiums under the SDA should not be fully implemented and that payment of the said premiums should not be applicable.

Ariston is required under the SSDA to pay casino taxes and licence fees in accordance with the provisions of the casino tax laws promulgated by the Cambodian Government. The casino taxes and licence fees are, however, not payable in the manner set out in the SSDA as no casino law regulating casino taxes and licence fees had been promulgated as at the Latest Practicable Date. The Group has obtained a legal opinion confirming that such casino taxes are not payable. The MOEF in 2000 levied an “obligation payment” of US\$60,000 per month on NRCL payable from January 2000 to December 2003, in respect of gaming activities. The MOEF also confirmed that gaming taxes and licence fees were not payable in respect of periods prior to January 2000. Since the Group relocated its casino business from the barge to level one of the entertainment wing of

NagaWorld, the MOEF revised the obligation payment levied on NRCL. For the year ended 31st December, 2004, NRCL was required to pay US\$100,000 per month for its gambling activities and US\$31,000 per month for non-gambling activities as well as a casino taxation certificate fee of US\$30,000 for the year. For the year ended 31st December, 2005, NRCL was required to pay US\$112,500 per month for its gambling activities and US\$34,875 per month for non-gambling activities as well as a casino taxation certificate fee of US\$30,000 per year. For the year ending 31st December, 2006, NRCL is required to pay US\$126,563 per month for the obligation payment, US\$39,235 per month for non-gaming activities and a casino taxation certificate fee of US\$30,000 per year. Thereafter, tax on our gaming activities will be subject to an annual increment of 12.5% until NagaWorld is fully completed while tax on our non-gaming activities will be subject to the review and approval of the MOEF, on an annual basis. Once NagaWorld is completed, the tax payment on gaming activities will also be reviewed by the MOEF.

REGULATION AND SUPERVISION OF OUR CASINO

The Group was selected as the preferred bidder of an international tender for the development of the Sihanoukville region offered by the Cambodian Government in 1994. We were granted the Casino Licence under the terms of the SDA as a result. The tender was open to any bidders with the commitment and resources to develop the Sihanoukville region. The application process was administered by a team of Australian consultants in accordance with international standards which included, among others, evaluation of business plans and prospects, probity checks on bidders, interviews and submissions of due diligence reports to government ministers. Pursuant to the SDA, the licensing of our casino was within the purview of the Cabinet of the Cambodian Government, namely the Council of Ministers of Cambodia.

Our Casino Licence is governed by the terms of SDA, SSDA and the Addendum Agreement.

The MOI is mandated to supervise our casino operations by way of, among other things, the issue of guidelines on the regulation and supervision of the casino operations and the prevention of money laundering. Since 1996, the Cambodian Government has promulgated laws and guidelines on the regulation of casinos and the prevention of money laundering. Cambodia was an observer of the APG from 1997 to 2004 and has become a full member since then.

The applicable laws and regulations are the Kram on the Control of Gambling (promulgated in 1996) and the “Kram on Drug Control” (promulgated in 1997). After FATF extended its recommendations to cover casino operations in June 2003, the MOI and the National Bank of Cambodia issued guidelines to combat money laundering in the financial and non-financial sectors. In general, pursuant to the laws and regulations in Cambodia, any form of gambling is prohibited everywhere in Cambodia except that permitted by the Cambodian Government. Further, any licence authorising the opening of a gaming establishment, apart from that granted by the Cambodian Government, shall be null and void.

The MOI is the primary regulator in Cambodia for our casino operations. The MOEF regulates the payment of taxation on gaming and on-gaming activities being carried out in Cambodia.

The National Police Central Security Department is responsible for ensuring enforcement of the laws, supervision and monitoring of casino operations, particularly potential money laundering activities. The Central Security Department of Cambodia is also responsible for gathering intelligence concerning organised criminal groups as well as individuals engaged in crimes including the distribution of proceeds from their criminal activities. This national police organisation also investigates allegations and matters pertaining to counterfeit currency. The Central Security Department also stations police officers in our casino for security purposes. Cambodian nationals are not allowed to participate in our table games.

Please also refer to Appendix VI to this prospectus for further details about regulations of our casino and internal controls on money laundering.

BUSINESS OPERATIONS

We operate the only licensed casino within the Designated Area, under a Cambodian branch of our wholly-owned subsidiary NRCL.

Our existing operations

Our gaming facilities

On 1st October, 2003, we relocated our casino operations from a barge moored along the banks of the Bassac River in Phnom Penh to level one of the entertainment wing of NagaWorld. Our casino operates on a continuous basis, 24 hours a day and 365 days a year.

Our casino operations currently occupy level one of the entertainment wing of NagaWorld, which covers an area of approximately 5,018 sq.m. The gaming tables for the public and ST Groups cover an area of approximately 1,663 sq.m., while the gaming machine stations cover the remaining 1,001 sq.m. of gaming space. The food court together with a Chinese restaurant occupies an area of about 561 sq.m.

Our games

As at the Latest Practicable Date, we operated 44 gaming tables offering five major types of table games namely, mini baccarat, blackjack, Tai Sai, Caribbean stud poker and roulette. Mini baccarat is the most popular game amongst our customers as measured by the level of revenue generated from the game and as such it is offered on 33 gaming tables. In addition, we have a total of 211 gaming machine stations located on level one. A gaming machine station is a site where there exists a distinct individual coin slot into which a wager can be placed. As an example, if a gaming machine has eight seats, each with an individual coin slot, that machine represents eight gaming machine stations.

BUSINESS

The breakdown of our gaming tables and gaming machine stations by location and type as at the Latest Practicable Date is set out below:

Game offered	Number	
	Public Area	STG Area
Gaming Tables		
Mini Baccarat	13	20
Roulette	3	2
Blackjack	2	0
Tai Sai	1	0
Caribbean Stud Poker	<u>3</u>	<u>0</u>
Total Tables	<u><u>22</u></u>	<u><u>22</u></u>
Gaming Machine Stations		
Total Gaming Machine Stations	<u><u>211</u></u>	<u><u>—</u></u>

In general, the number of gaming tables and gaming machine stations offering a particular game are allocated in accordance with the popularity of that game.

Our casino operates with table differentials (that is, the difference between the minimum and maximum bets) of up to 130 times on our gaming tables. Generally, a lower differential on bets allowed on a particular table will effectively result in a relatively reduced risk exposure on any one hand to the house. This, in turn, lowers the relative volatility in terms of house takings for the casino.

In general, a gaming table is operated by a trained croupier, who is supervised by a supervisor responsible for overseeing between one and four gaming tables. Our supervisors and croupiers work in eight-hour shifts, and on average work at a particular table for just over an hour, before taking a 20-minute break and then moving on to operate or monitor another gaming table. The arrangement is designed to ensure that our supervisors and croupiers are alert and vigilant at all times during their working shifts.

Our casino games

A brief description of the playing instructions of the table games offered in our casino is set out below:

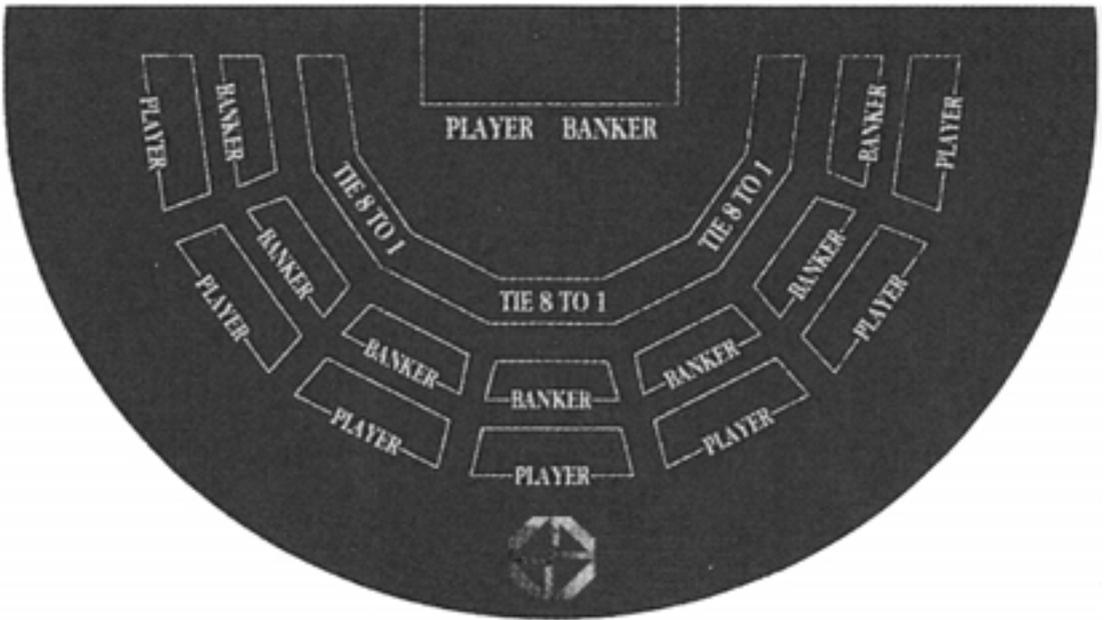
- Mini Baccarat

Mini baccarat is a card game where one can decide to bet on the “Player” hand, the “Banker” hand or a tie between the “Player” and “Banker” hands.

BUSINESS

Both the Player and the Banker can only draw a maximum of three cards each. The minimum number of points is 0 and the maximum number of points is 9. The winning hand (of two or three cards) is the one with an aggregate value that is as close to 9 as possible. The perfect hand is one where the total of 9 is achieved with two cards.

All cards from 2 to 9 are counted at face value and an Ace is counted as 1. Picture cards (that is, King, Queen and Jack) and tens have a value of 0 or any combinations totalling 10 will likewise have a value of 0 (for example, King + 10 = 0). The game is played using eight decks of cards to begin with.



- Blackjack

Blackjack (or 21) is a card game in which the basic object is to draw cards totalling 21 or as close to 21 without exceeding this number. The player wins if his points are higher than the house's. Other players, hands on the table do not affect whether a particular player's hand wins against the house

Picture cards (namely, King, Queen and Jack) count as 10, an Ace as 1 or 11 (whichever is to the player's advantage) and all other cards count at their face value. There is no limit on the number of cards which can be drawn as long as the total point count is not less than 12 and not greater than 21.

The rules of play for dealers are clearly specified whereby they must continue to draw until the cards they have drawn equal 17 or more whereupon, assuming they have not exceeded 21, they must "stand" (that is, stop drawing cards). As a result, no decisions are left to the dealer's discretion.



- Caribbean Stud Poker

Caribbean Stud Poker is a variation of poker played with a single deck of cards with the players playing against the casino, as opposed to each other. Players also have the opportunity to wager on the Jackpot.

The game begins with each player making an opening wager (that is, ante). Players also have the option to make a Jackpot bet. Each player is then dealt five cards each face down while the casino is dealt four cards face down and one face up. After players have examined their hand, they can elect to fold (that is, they lose their ante) or play their hand against the casino. If they elect to play, they must place exactly double the amount of their ante in a designated area (that is, bet).

If the casino does not have a hand of an Ace and a King or higher, the player automatically wins their ante and the game is over. If the casino does have a hand of an Ace and a King, the dealer compares his hand to each player's hand individually. If the casino outranks the player, then the player loses his ante and bet. If the player outranks the casino, then the player wins and is paid out depending on the cards he has in hand.

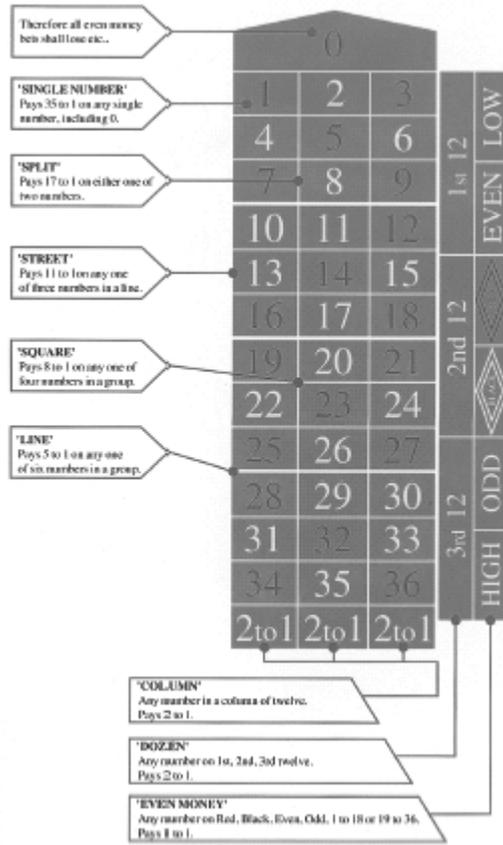
- Roulette

Roulette is one of the oldest and most popular casino games where a player bets on where the spinning ball will finally come to rest. The game is played against the casino and hence, other players do not affect a player's chances.

The game uses a Roulette wheel which has marked on it numbers 0 through 36 inclusive, where 18 of the numbers are marked black and the other 18 are marked red.

The game begins when the dealer turns the wheel in one direction and a Roulette ball is spun in the other direction. The number and colour of the slot that the ball drops in is the winning number.

If a player has placed his bet on the winning number then he will win an amount of 35 times his initial wager. Players are also able to place wagers on different combinations of numbers which offer various payout ratios.



Our gaming chip facilities

Our customers are primarily from countries in the region such as the PRC, Malaysia and Singapore. Currently we offer gaming chips denominated in US\$. We are also able to offer gaming chips, based on player demand, in other currencies such as Singapore Dollars and Thai Baht. Players on our public floors can purchase and redeem gaming chips for cash at our casino cashier counter. Players on our ST Group floors are subject to different arrangements which are described in the sub-section titled “ST Groups” under the “Business” section in this prospectus.

Gaming Machine Stations

Gaming machine stations are installed in our casino to complement our table games and provide our customers with a wider choice of entertainment. The gaming machine stations are located on level one of NagaWorld’s entertainment wing and may be played by all customers, including Cambodians.

Development of NagaWorld

Since 1999, our operations have experienced notable growth on the back of a stable political environment in Cambodia. It became apparent that our temporary facilities located on the barge leased from an independent third party would not be adequate to support the continued growth in our business. Accordingly, we decided to relocate our existing gaming operations to an integrated hotel and entertainment complex known as NagaWorld.

The chosen site for NagaWorld was a parcel of land of approximately 14,160 sq.m. located on the Bassac River, approximately 500 metres away from where the barge had been moored (the “Leased Area”). The Group entered into an agreement to acquire the lease to this land on 27th July, 2000 for an initial consideration of US\$920,000. The rental payments over the course of the remaining 60 years of this lease will total approximately US\$1.4 million. This acquisition was approved by the Municipality of Phnom Penh on 16th August, 2000. The lease is for a 70-year period from 1st August, 1996. In addition, the Group entered into a 10-year lease agreement with the Municipality of Phnom Penh on 26th June, 2001 for an adjacent parcel of land of 2,561 sq.m. The Group is currently entitled to use this adjacent parcel of land only for car parking purposes. However, the Municipality of Phnom Penh has given conditional approval for multi-use construction to be undertaken at the site (such as adding entertainment and staff quarters), subject to the submission of technical drawings and blueprints to the Cambodian Government. The legal advisors to the Company as to Cambodian law have opined that the Group has good and legal title to the leasehold interest in the Leased Area.

Construction of NagaWorld commenced in December 2000 and piling of the NagaWorld complex commenced in March 2001. As at the Latest Practicable Date, the majority of the construction works of the entertainment wing and hotel wing of NagaWorld were completed save for the mechanical and electrical works, interior design fittings and fixtures, loose furniture and carpark block. Level one of the entertainment wing (which is where the public and STG gaming floors and public gaming machine stations are currently located) has been completed and operational since October 2003. NagaWorld is being opened in several phases. When fully operational, NagaWorld will have a 14-storey hotel wing and an eight-storey entertainment wing, connected by two sky bridges, and will encompass a total gross floor area of approximately 80,552 sq.m. There will also be a car park block. It is intended that NagaWorld, upon completion, will be the first international hotel complex containing gaming and entertainment facilities in Phnom Penh, Cambodia, attracting tourists and gaming enthusiasts travelling to the region.

Pursuant to the terms of the lease agreement for the Leased Area, the Cambodian Government has a right to annul the agreement if the rental payments are outstanding for six consecutive months or more. As at 31st May, 2006, the Group had approximately US\$453,990 of rental payments outstanding for the period from April 2004 to June 2006. The rental payments were outstanding mainly as a result of the negotiations for the settlement of the advance of US\$4.2 million made to the Cambodian Government (please refer to the paragraph headed “Arrangement to settle overdue obligation payments and other taxes” in the section headed “Financial Information” of this prospectus). On 9th June, 2006, the Group settled in full the

outstanding rental payments for the Leased Area and the Municipality of Economy and Finance of the Cambodian Government confirmed this in a letter to the Group dated 1st July, 2006. The legal advisors to the Company as to Cambodian Law have opined that this letter constitutes a waiver by the Municipality of its right to terminate the lease for late payment. Our controlling Shareholder has given an undertaking to the Stock Exchange that he will use all reasonable endeavours to procure that the Company will pay the rental payments in respect of the Leased Area in a timely manner.

It should be noted that the Group is not restricted to carry on its business at the Leased Area. The Group could, if management considered it appropriate and desirable, relocate its place of business to anywhere in the Designated Area to continue to enjoy the exclusivity right in accordance with the conditions of the Casino Licence. Therefore, whilst the Group intends to take all necessary steps to ensure that it continues to have the rights to use the Leased Area, the Directors are of the view that the risk of losing the right to the Leased Area is negligible and can be managed.

NagaWorld complex



NagaWorld complex — The hotel wing is on the left and is joined to the entertainment wing on the right by two sky bridges



NagaWorld complex showing the hotel wing



Wimberly, Allison, Tong & Goo was the design architect responsible for designing NagaWorld. Wimberly, Allison, Tong & Goo of Hawaii was responsible for designing several of Las Vegas' famous landmarks, namely the Venetian Resort Hotel Casino, Palace Tower at Caesar's Palace and Mansion at MGM Grand, and other destination tourists attractions such as the Palace of the Lost City in Sun City, South Africa, Disney's Grand Floridian Beach Resort & Spa in Florida, USA and the Grand Hyatt in Bali, Indonesia.

PRA is the architect for NagaWorld. PRA was also the architect for Sheraton Hotel and Towers Subang in Kuala Lumpur, the PD Marina World Resort in Port Dickson and the Village Paradise Resort in Melaka.

The entertainment wing of NagaWorld will encompass a total gross floor area of approximately 21,597 sq.m., and it is proposed that this will include, amongst other things:

- a public floor casino with a total available gaming area of approximately 1,663 sq.m. and the gaming machine station area, which is currently operational, of approximately 486 sq.m.;
- gaming halls for our STG Players in the north and south towers with a total area of approximately 3,262 sq.m.;
- a number of leisure, recreational and entertainment facilities covering a total area of approximately 3,915 sq.m.; and
- a variety of restaurants and other food and beverage shop outlets with a total area of approximately 1,993 sq.m.

The hotel wing of NagaWorld will, upon full completion, consist of a 14-storey building with a total gross floor area of approximately 58,955 sq.m., and will include:

- a proposed international hotel with 508 rooms, which shall be built in stages and shall be equipped with amongst other things, full room amenities, internet connections and electronic safes;
- a hotel lobby with public gaming floor, private club rooms, food and beverage outlets and lounges;
- a proposed themed retail area;
- a proposed leisure, recreational and entertainment area;
- a proposed selection of facilities such as a grand ballroom and smaller function rooms;
- a business centre; and
- a collection of restaurants, bars, discotheque and karaoke lounges.

It is expected that the car park block of NagaWorld will consist of a nine-storey building with a total gross floor area of approximately 20,727 sq.m, and will include 307 car parking spaces and various entertainment facilities, such as discotheque and karaoke lounges and a swimming pool.

The entertainment wing

Construction of the entertainment wing began in December 2000 and was completed structurally with fittings work being carried out in the lobby and the first 70 rooms. Level one (ground floor) of the entertainment wing, which houses our casino, is operational. Interior fitting out work is being carried out on other levels.

The entertainment wing is adjacent to the hotel wing, with the two buildings linked by two sky bridges. The entertainment wing of NagaWorld houses our casino facilities and leisure, recreational and entertainment facilities, together with a collection of food courts and a Chinese restaurant.

Currently, both the public and STG gaming halls are located on level one of the entertainment wing. Following completion of the entertainment wing, the main public gaming hall will be located on level one and have an area of approximately 1,591 sq.m. Levels five to eight of the north and south towers will house private gaming halls for our STGs with a total area of approximately 3,262 sq.m.

Depending on player demand, we anticipate that, when fully operational, the entertainment wing of our casino will have approximately 124 gaming tables (approximately 32 in the public gaming hall and 92 in the STG gaming halls).

In addition to gaming tables, our gaming machines are also located on level one of the entertainment wing. We have 211 gaming machine stations which may be played by all customers, including Cambodians. However, depending on player demand, we may also locate gaming machine stations in other parts of NagaWorld.

We also intend to set up a number of leisure and entertainment facilities on level two of the entertainment wing.

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Details of the gaming facilities offered, and expected to be offered, in the entertainment wing of NagaWorld are set out in the table below:

Level	Descriptions	Expected Date of full completion
1	(i) Gaming machine area of approximately 486 sq.m. (ii) Main casino hall of approximately 1,663 sq.m. (iii) Food court with capacity for approximately 80 patrons. (iv) Chinese restaurant with capacity for approximately 172 patrons.	Operational
2	(i) This floor will include private dining rooms for the Chinese restaurant. (ii) Leisure, recreational and entertainment facilities.	(i) Completed (ii) Fourth quarter of 2006
3	Leisure, recreational and entertainment facilities	First half of 2007
4 (South Tower)	Surveillance department and executive offices.	Completed
5 (South Tower)	STG gaming halls.	Fourth quarter of 2006
6 (South Tower)	STG gaming halls.	Fourth quarter of 2006
7 (South Tower)	STG gaming halls.	Fourth quarter of 2006
8 (South Tower)	STG gaming halls.	Fourth quarter of 2006
4 (North Tower)	Casino staff amenities area including staff lockers, dining and housekeeping.	Completed
5 (North Tower)	Offices.	Completed
6 (North Tower)	STG gaming halls.	Fourth quarter of 2007
7 (North Tower)	STG gaming halls.	Fourth quarter of 2007
8 (North Tower)	STG gaming halls.	Fourth quarter of 2007

The hotel wing

All 14 levels of the hotel wing have been structurally completed with fittings work being carried out in the lobby and some of the hotel rooms.

The hotel wing consists of the following sections:

- (i) 14 levels of hotel north tower;
- (ii) 14 levels of hotel south tower; and
- (iii) 5 levels of podium block expected to be completed by the end of 2007.

The hotel wing of NagaWorld will, upon full completion, house our international hotel which will offer a total of 508 guest rooms comprising:

- 444 standard rooms;
- 61 executive suites;
- 2 executive VIP suites; and
- 1 presidential suite.

The hotel rooms are designed to be comparable to the other international hotels in Phnom Penh in terms of quality, standard and size. Each room will be equipped with facilities such as air-conditioning, satellite television, mini-bar, computer modem outlets and electronic safes.

Upon completion, the hotel lobby, which will house a public gaming floor, will encompass an area of approximately 4,264 sq.m. while the grand ballroom which will be situated on level three will have an area of approximately 1,164 sq.m. and will offer banqueting facilities for up to approximately 1,000 persons. The public gaming floor in the hotel lobby is expected to be completed by the second half of 2007 and, upon completion, have 52 gaming tables.

The hotel will allow us to accommodate our STG Players on our premises rather than other hotels in Phnom Penh. In addition, we hope our hotel will allow us to capitalise on the growing number of visitors and business travellers visiting Phnom Penh.

Upon full completion (including the north and south towers), the hotel will have 508 guest rooms. 60 guest rooms (of the central tower) are expected to be fully completed by the fourth quarter of 2006 and an additional 157 guest rooms are expected to be completed by the first half of 2007.

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The remaining 291 guest rooms of the north and south towers of the hotel wing of NagaWorld are expected to be completed by the second half of 2007 and will comprise:

- 252 standard rooms;
- 38 executive suites; and
- 1 presidential suite.

The proposed leisure, recreational and entertainment area, together with the collection of restaurants and bars and karaoke lounges, are expected to be completed by first half of 2007.

Building work has not yet commenced on the car park block. However, it is expected that this block, together with the entertainment facilities proposed to be contained in it, will be completed by the end of 2007.

Costs

Based on the estimate by an independent quantity surveyor the construction of NagaWorld will cost in aggregate approximately US\$90.5 million, with a breakdown as follows:

	Estimated Costs	
	<i>(US\$'000)</i>	<i>(HK\$'000)</i>
Hotel wing and car park block	49,780	388,284
Entertainment wing	20,564	160,399
External works and services	<u>870</u>	<u>6,786</u>
	71,214	555,469
Preliminaries (mobilisation, surveying fees etc)	4,189	32,674
Contingencies (allowance for cost overruns based on a percentage of total construction cost deemed appropriate by the independent quantity surveyor)	<u>2,513</u>	<u>19,601</u>
Sub-Total	<u>77,916</u>	<u>607,744</u>
Furniture, furnishings and equipment	6,618	51,620
Hotel operators equipment — hotel wing (this includes interior fitting-out items such as tables, desks, beds and other hotel fittings)	<u>5,940</u>	<u>46,332</u>
Total	<u><u>90,474</u></u>	<u><u>705,696</u></u>

In addition to the US\$90.5 million estimated construction costs mentioned above, a further amount of approximately US\$5 million is estimated for the purchase and installation of casino related equipment for NagaWorld.

Of the total construction cost of approximately US\$90.5 million for NagaWorld, approximately US\$31.5 million was incurred and approximately US\$59.0 million allocated as capital commitment as at 31st May, 2006.

It is to be noted that whilst we will endeavour to procure the engagement of relevant parties for the construction of NagaWorld and to ensure that it is completed according to the schedule and within budget, the actual completion costs of NagaWorld may exceed the estimated cost of US\$90.5 million due to unexpected or unforeseen circumstances, such as cost overruns due to faults or delays by contractors, our failure to obtain tenders for construction works at or below our cost estimates or unexpected additional structural works to be undertaken.

SALES AND MARKETING

We have not set up any marketing offices outside Cambodia. As a result, we have relied principally on our STG Operators and local operators to promote the quality and scope of our casino services by word-of-mouth, person-to-person marketing and referrals. Our Casino Marketing and VIP Services Department is responsible for fostering cordial commercial relationships with STG Operators and local operators.

Our Casino Marketing and VIP Services Department also formulates promotion plans and conducts sales and marketing activities for the promotion of NagaWorld. In particular, we intend to set up and maintain our own website for the promotion of NagaWorld as a preferred destination for tourists travelling to Cambodia.

CUSTOMERS

Our principal business involves the provision of gaming activities to players such as tourists, travellers and STG Players arriving at NagaWorld (and previously, until 1st October, 2003, at the barge moored in Phnom Penh).

Our customers comprise players on the public floors (mostly walk-in customers) and STG Players on STG floors. Given that only gaming chips are accepted at the table games and gaming machine stations offered in our casino, all players are required to purchase gaming chips prior to gaming and the total amount of chips purchased is recorded by our Treasury Department. Individual winnings and contributions to turnover cannot be monitored for all individuals. In general, other statistics such as check-in amounts and buy-in amounts do not translate directly into our revenue and as such, there is no record of the turnover contributed by our top five customers for the Track Record Period.

Under our Casino Control Rules and Cambodian rules and guidelines, only foreign passport holders are allowed to enter or remain in our casino's gaming halls where table games are played. However, Cambodian nationals who do not hold foreign passports are allowed into the non-gambling areas to use our facilities including the gaming machine stations. Accordingly, all the gaming table players at our casino are foreign passport holders and are divided into two categories, namely public customers and STG Players, as further described below.

Public customers

The public customers of our casino comprise expatriates living in Cambodia, business travellers visiting Cambodia and other visitors including tourists visiting Cambodia.

These customers are essentially walk-in customers who normally purchase chips at our casino for cash. For each of the three financial years ended 31st December, 2005 and the five-month periods ended 31st May, 2005 (*unaudited*) and 2006, the revenue derived from the public floor gaming tables and gaming machine stations was approximately US\$33.6 million, US\$33.4 million, US\$29.0 million, US\$10.9 million and US\$15.8 million, respectively, which accounted for approximately 60.9%, 57.1%, 45.1%, 52.9% and 41.6%, respectively, of our total revenue.

ST Groups

We endeavour to maintain long-term commercial relationships with a number of STG Operators, some of whom have been our customers for over eight years. Many of our STG Operators come from various countries in the region such as Singapore, Malaysia and Thailand and in addition to our casino, may also visit other casinos. STG Operators organise ST Groups to visit our casino and participate in our STG programmes, which entitle the STG Operators to receive commissions and the STG Players to enjoy complimentary incentives such as free accommodation, food and beverages and rebates on air tickets, subject to achieving a pre-determined amount of Rollings during their visit to our casino. In order for members of the ST Group to qualify as STG Players to gamble on our STG floors we have set a minimum check-in amount of US\$5,000 per person.

There are two types of ST Groups: those with an STG Operator who is well-known to the Group and those with an STG Operator who is not. Common to both types is that the STG Operator, and not the individual STG Player, deals with the house in relation to money for betting and, where applicable, wins and losses on the part of the individual STG Player. Before the ST Group's visit begins, the STG Operator takes money from the STG Players. After the ST Group's visit, the STG Operator refunds individual STG Players or demands further money from the individual STG Players, depending on whether they have won or lost in the casino. The payment from the casino to the STG Operator or the payment to the casino is not done on a bet-by-bet basis but, instead, is settled at the end of the ST Group's visit.

The settlement differs between the two types of ST Groups. In the case of ST Groups with an STG Operator who is well-known to the Group, the STG Operator will not normally be required to actually place a deposit with NRCL before embarking on the tour. Instead, the casino offers credit terms to these STG Operators and the settlement at the end of the ST Group's visit reflects this. In the case of STG Operators who have not attained this trusted status, they are required to make a deposit with NRCL before the ST Group's visit. In the case of STG Operators bringing ST Groups from the PRC and Hong Kong, this settlement is carried out in Hong Kong; in the case of STG Operators bringing ST Groups from elsewhere, this settlement is carried out in Cambodia.

Our Finance Department will notify the Treasury Department of our casino of the amount of any check-in deposit paid, actually or notionally, by an STG Operator and the Treasury Department will issue to the STG Operator a number of NN Chips according to the check-in amount deposited with us upon their arrival at our casino. The STG Operator is then responsible for ensuring that the relevant STG Players are given their respective value of gaming chips for participating in the games offered on our STG floors.

The procurement of STG Operators is carried out through person-to-person referrals. The STG Operators are independent of and not connected persons in relation to the Company (as defined under the Listing Rules).

STG programmes

We offer STG programmes to ST Groups who achieve a certain level of Rollings during their trips to our casino, which typically last for three to four nights per visit. Under the STG programmes, members of an ST Group are able to enjoy benefits such as complimentary accommodation and food and beverage and rebates on air tickets. The level of benefits offered under the STG programmes varies depending on the minimum check-in amounts deposited by an ST Group (which ranges from US\$25,000 to US\$125,000) or the minimum check-in amounts deposited on behalf of an STG Player (which ranges from US\$5,000 to US\$60,000); and the level of Rollings required per STG Player per trip (which ranges from US\$25,000 to US\$200,000). The higher the minimum level of check-in amounts and Rollings, the higher the value of air ticket rebates and complimentary accommodation offered under the STG programmes.

In order to provide accommodation for our STGs, we have block bookings for hotel rooms at preferred rates with a number of hotels in Phnom Penh including Hotel Cambodiana and Phnom Penh Hotel. Once our hotel wing at NagaWorld is completed, we will be able to offer our customers accommodation on our premises.

Rollings

ST Groups are required to achieve a certain level of Rollings during their trips to our casino in order to qualify for the STG programmes. The level of Rollings achieved by an STG is measured

through the use of NN Chips, which are given to STGs when they arrive at our casino. The level of Rollings achieved by the STG during a trip reflects the amount of NN Chips purchased by an STG during the course of its visit to our casino, less the amount of NN Chips returned, if any, prior to leaving our casino.

Rollings are typically specified as a multiple of the initial check-in amount deposited by an STG. This multiple generally ranges between three to six times the initial check-in amount. NN Chips cannot be redeemed for cash prior to the end of an STG visit. Any winnings recorded by our STG Players are paid in JC Chips, which can be redeemed for cash prior to the end of the visit. In view of the minimum level of Rollings that must be achieved by the STG for the incentives under our STG programmes, STG Players will typically convert their JC Chips (that is, winnings) into NN Chips and continue their gambling at our casino so as to increase the chances of meeting the required minimum level of Rollings.

STG Players normally return all their NN Chips and JC Chips to our casino prior to their departure. The aggregate value of the NN Chips and JC Chips of the STG is counted and cross-checked with reference to the records maintained by the STG Operator along with the level of Rollings achieved by the STG. Any discrepancies between our records and those of the STG Operator are investigated and reconciled.

The STG Operator is paid a pre-agreed commission, the amount of which is determined by the level of Rollings achieved by their ST Group during their trips to our casino. The pre-agreed commission rates are set by reference to market conditions and negotiations between the STG Operator and ourselves and documented in a written agreement. For the Track Record Period, many of the STG Operators traveled from our core markets in Singapore, Malaysia and the PRC.

For the three financial years ended 31st December, 2005 and the five-month periods ended 31st May, 2005 (*unaudited*) and 2006, the revenue derived from the STG floor gaming tables was approximately US\$21.6 million, US\$25.1 million, US\$35.3 million, US\$9.7 million and US\$22.2 million, respectively, which accounted for approximately 39.1%, 42.9%, 54.9%, 47.1% and 58.4%, respectively, of our total revenue.

Complimentary rated programme

The complimentary rated programme is offered to players who wish to enjoy our gaming activities offered in the public floor of our casino at a lower check-in amount in comparison to that under a STG programme. Players under the complimentary rated programme are entitled to certain benefits similar to those offered to STG Players including complimentary accommodation, food and beverage and rebates on air tickets.

None of our Directors or their respective associates or our existing Shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest STG Operators.

GAMING MACHINE STATIONS

For the five years up to the end of June 2005, our gaming machine stations were supplied by RGB Sdn. Bhd. (“RGB”), an independent supplier engaged principally in the distribution of gaming machine stations and video arcade game machines in South East Asia, pursuant to a rental agreement. Under this agreement, RGB was required to provide gaming and video machines to our casino and maintain these machines. Our arrangement with RGB was exclusive and RGB had undertaken not to be involved in a similar arrangement to let, lease or hire similar gaming machines to any other person, party or casino operator in Phnom Penh without our prior consent. In return, RGB was entitled to a rental fee based on 50% of the gross amount collected by these machines less mutually agreed operating costs. Our arrangement with RGB expired at the end of June 2005.

Following commercial negotiations, the Group and Best Merit Assets Limited, an independent party, entered into two agreements on 28th March, 2005 and 28th December, 2005 respectively under which Best Merit Assets Limited is responsible for the provision, operation and maintenance of gaming machine stations owned by Best Merit Assets Limited in a designated area of our casino and is obliged to observe and follow our AML internal controls with effect from 1st July, 2005.

Under the terms of these agreements, Best Merit Assets Limited is obliged to provide and maintain its gaming machine stations in our casino for a period of ten years ending on 30th June, 2015 and in return Best Merit Assets Limited, as the principal receiver of proceeds from the gaming machines stations, is obliged to make payments to us in accordance with the following terms:

- payment of a fixed sum of US\$10 million in respect of the first four years to 30th June, 2009 with the initial payment of US\$4 million duly received in March 2005, twelve monthly instalments of US\$100,000 each from 1st July, 2006 to 30th June, 2007, twelve monthly payments of US\$150,000 each from 1st July, 2007 to 30th June, 2008 and twelve monthly payments of US\$250,000 each from 1st July, 2008 to 30th June, 2009, while excess proceeds from the gaming machine stations after payments of the fixed sums to us will be kept by Best Merits Assets Limited;
- profit share of 60% due to the Group, or a guaranteed monthly income to NRCL of US\$275,000 (total guaranteed income due to the Group of US\$9.9 million), for the period from 1st July, 2009 to 30th June, 2012; and
- profit share of 70% due to the Group or a guaranteed monthly income to NRCL of US\$300,000 (total guaranteed income due to the Group of US\$10.8 million), for the period from 1st July, 2012 to 30th June, 2015.

We are given the right to elect the type of income payment method for years five to ten. The arrangement with Best Merit Assets Limited gives us an option to receive guaranteed revenue, in aggregate of approximately US\$30.7 million, and reduce the impact of potential fluctuations stemming from the competitive gaming machine stations market in Cambodia.

Best Merit Assets Limited also agreed to indemnify the Group against any liability arising from the misconduct of its employees and/or agents; and to maintain a public liability insurance policy to protect the Group against all liability that may be suffered by players of its gaming machine stations in our casino.

For the three financial years ended 31st December, 2005, our largest supplier, namely RGB, accounted for approximately 25.5%, 35.3% and 12.7%, respectively, of our total purchases. For the three financial years ended 31st December, 2005, our five largest suppliers accounted in aggregate for approximately 55.4%, 62.2% and 53.3%, respectively, of our total purchases. For the five-month periods ended 31st May, 2005 (*unaudited*) and 2006, our largest supplier accounted for approximately 29.6% and 17.4%, respectively, of our total purchases and our five largest suppliers accounted in aggregate for approximately 58.4% and 45.1%, respectively, of our total purchases. Credit terms of 14-45 days are generally granted by suppliers to the Group.

None of our Directors or their respective associates or our existing shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest suppliers.

CREDIT MANAGEMENT

We presently only offer credit facilities, on an unsecured basis, to those STG Operators who have a good financial background or with whom we have had extended dealings over the past few years. We adopt a stringent credit control policy and evaluate the financial background and credit standing of STG Operators, before extending any credit facilities to them. A formal credit control policy setting out requirements for credit applications and conditions for credit approval allows us to monitor the quality of our credit lines and minimise our credit risk exposure.

We require applicants who wish to apply for credit lines with our casino to complete a credit application form and submit such completed form together with the following supporting documents for our review:

- if applicable, references from other casinos; and
- previous credit history with the Company, if any.

It should be noted that mere goodwill which the Company may have for an STG Operator is not sufficient to obtain credit lines. Credit lines with our casino will only be granted to STG Operators with good financial background and credit standing. The granting of a credit line with a limit up to US\$500,000 (approximately HK\$3.9 million) must be approved by the credit committee comprising the Vice President of Operations, the Company's Chief Operating Officer and the Chief Financial Officer. The granting of a credit line exceeding US\$500,000 must be approved by our Board-appointed executive committee comprising Tan Sri Dr Chen, Mr. Lee Wing Fatt and Mr. Tian Toh Seng. The credit granted to the STG Operators is normally settled shortly after their trips to our casino or, for some STG Operators, the credit securities may be rolled forward to future visits. In general, STG Operators may be given a credit period of up to 14 days.

We also maintain and update, on a regular basis, records of those of our STG Operators who are granted credit lines. The records include, amongst other things, personal particulars of the STG Operators such as banking details and history of settlements of outstanding balances of the credit lines. The records will be considered by our credit committee or executive committee in the granting of credit lines to our STG Operators. Our credit committee holds regular meetings to review the quality of credit lines granted to STG Operators for formal review at least once every year.

As we offer credit to STG Operators with a good financial background and credit standing and adhere to strict credit approval procedures, we believe the potential risk to our financial position due to doubtful debts is not significant.

For the three financial years ended 31st December, 2005 and the five-month periods ended 31st May, 2005 (*unaudited*) and 2006, we had set aside an allowance for doubtful debts of approximately US\$0.2 million, US\$0.2 million, US\$0.2 million, US\$0.2 million and approximately US\$0.4 million, respectively. Our credit committee meets regularly to monitor the quality of our credit lines and sufficiency of the allowance against bad and doubtful debts.

QUALITY ASSURANCE AND INTERNAL CONTROLS

The casino business has a number of unique operational risks. Accordingly, our management has sought to create an internal control environment which is capable of managing these risks. In doing so, our management has taken guidance from the standards adopted by major casino operators in highly regulated environments such as Australia and the United States.

We have adopted a system of internal controls for quality assurance and risk management of our casino operations. The specific measures we have put into place are set out below:

Casino Control Rules

We have developed our own Casino Control Rules based on internationally accepted standards adopted by casinos in Australia and USA with an aim to ensuring that gaming in our casino is conducted in a professional manner. The key features of our Casino Controls Rules are set out below:

Casino Operations

- Maintenance of casino facilities: All facilities and amenities of our casino must be maintained in a condition that will at all times promote the satisfaction of patrons and ensure that the operation of the casino is conducted in a proper and competent manner and that all gaming equipment and chips are in good condition. In addition, we must ensure that all casino installation, equipment and procedures for security and safety purposes are properly and competently tested, used, operated and applied.

- Casino layout: We shall ensure that visibility throughout the gaming area is clear and unobstructed and that floor plans, the layout of closed circuit television systems and other surveillance systems are sufficiently documented.
- Training courses for employees: We shall provide training courses relating to the playing and conduct of games and any other activities in connection with casino operations.
- Junkets: We shall not enter into a junket agreement unless it is a written agreement. When we do enter into such an agreement, we must ensure that a photocopy of the relevant parts of the participant's passport is deposited at our casino.

Administrative, Accounting and Audit Requirements

- System of controls and procedures: We shall have in the premises a description of our proposed system of internal controls and administrative and accounting procedures. Such description must contain both narrative and diagrammatic representation of the system to be utilised by us including, but not limited to, the accounting procedures for gaming operations, job descriptions and the system of organising personnel, and the procedures for the conduct and playing of games.
- Documents to be kept on premises: All books, records and documents relating to the operations of our casino complex or casino must be kept on the casino premises. These records and documents shall be retained for a period of three years (subject to any other law) after completion of the transactions to which they relate.
- Accounts: We shall keep proper accounting records in a manner that will enable true and fair financial statements and accounts to be prepared from time to time and that will enable the convenient and proper auditing of these statements.
- Financial statements: We shall prepare, in accordance with international accounting standards, financial statements and accounts giving a true and fair view of the financial operations of the casino. These statements and accounts shall include trading, profit and loss and balance sheet accounts.
- Audit provisions: We will cause the books, accounts and financial statements to be audited by a person who is a qualified and registered public accountant and auditor.

General

- Entry and exclusion: Except where provided in the Casino Control Rules, no person has a right to enter or remain in our casino except at our sole discretion. A verbal or written direction prohibiting a person from entering or remaining in our casino may be given by us or the person who at the time is in charge of the operation of our casino.
- Cambodian nationals: Cambodian nationals who do not hold foreign passports are not allowed to enter or remain in our casino's gaming halls where table games are played except as our employee, agent or officer or a member of the National Police of Cambodia acting in the course of his/her duties.
- Cambodian Government may exclude entry: The Cambodian Government may exclude a specified person from the casino.
- List of names of excluded persons: We shall maintain a list of names of persons who are excluded from entry into our casino. We must also make available to the Cambodian Government a current copy of the list of excluded persons.
- Operator's right to exclude or remove excluded person: We shall use such force as is reasonably necessary to prevent such excluded persons from entering or remaining in our casino.
- Provisions relating to minors: Persons under the age of 18 years shall not be permitted in our casino during the hours of operation of the casino on any day. Such persons who are found in our casino during these hours will be requested to leave the casino and such an incident will be reported to the National Police of Cambodia.
- Cheating and unlawful use of equipment: Any person found cheating (as defined in the Casino Control Rules) will be requested to stop playing in our casino and such an incident will be reported to the National Police of Cambodia.

Key internal controls on money laundering — since 1995

We and our controlling shareholder are committed to combat money laundering and terrorist financing. Accordingly, we have put in place since the beginning of our casino operations in 1995 key and adequate AML internal controls to mitigate effectively the risk of money laundering.

We do not grant sub-concessions to any third parties to offer table games so as to avoid the risks relating to the introduction of new management and staff of untested background, changes in management culture and standards of compliance with internal controls and applicable laws and regulations. In some countries and cities, the sub-concession of casino licences is allowed and casino operators do indeed appoint third parties for the provision of gaming activities.

We have put in place key AML internal controls, such as the stringent control of the issue of cheques and provision of electronic funds transfers for the benefit of our casino customers. Since inception, we have not issued cheques to Public or Non-STG Players. This is key to preventing the public floor from being exploited for money laundering.

We have also adopted other key AML internal controls that are the foundation and cornerstone of any good AML practice, such as customer due diligence, good record keeping and not dealing with anonymous accounts.

Internal controls on money laundering — since extension of FATF recommendations in June 2003

In June 2003, FATF extended its recommendations, for the first time, to cover non-financial sectors, such as casino operations, and professions, such as lawyers and accountants. We adopted AML internal controls that comply with the relevant recommendations from FATF and that are relevant and applicable to the monitoring and safeguarding of casino operations against money laundering and terrorist financing.

In addition, we have engaged independent professional parties to assess and report on our internal controls, including our AML internal controls, and acted upon the recommendations from these independent professional parties.

Establishment of AML Oversight Committee and AML Sub-Committee

At Board level, we set up an AML Oversight Committee comprising Directors, some of whom have extensive experience in domestic and international law enforcement, to formulate policies and strategies on AML development and implementation programmes as well as to help ensure quality control and act as oversight committee on AML matters.

At management level, our AML Sub-Committee was formally set up to help ensure day-to-day compliance with our AML internal controls. The AML Sub-Committee comprises senior management personnel from key departments, each of whom is a member of the United States based Association of Certified Anti-Money Laundering Specialists.

Internal audits

Our Internal Audit Department has conducted internal audits to assess the effectiveness of the AML internal controls and documented findings from such internal audits for future review and reference.

The first round of internal audits started soon after the issue of the FATF recommendations covering non-financial sectors in June 2003, and covered the period between July 2003 and December 2003.

Another two rounds of internal audits were conducted for the period between January and December 2004. The fourth and fifth internal audits were conducted for the period between January and December 2005. The sixth internal audit was conducted for the period between January and June 2006.

The effectiveness of the internal controls in place, particularly in respect of record keeping, has led to the provision of information (with some dating back to 1996) to a law enforcement body in Hong Kong in connection with an investigation in 2003.

Independent reviews by Hill & Associates

Hill & Associates, an independent professional party with working knowledge of AML and risk management, reviewed the AML internal controls of the Group and the external AML environment in which our casino operates for the purpose of assessing the degree of compliance of our AML internal controls with the relevant FATF recommendations issued in June 2003.

Hill & Associates reviewed the AML internal controls of the Group for the period between August 2004 and February 2005 and conducted follow-up reviews on the AML internal controls for the period between March 2005 and December 2005 and in September 2006. Its findings are set out in a report dated 18th September, 2006.

Hill & Associates noted, among others, the following:

- the Group has put in place AML internal controls and procedures that are efficient and effective;
- no areas of weakness were identified in the internal operating environment of the Group;
- the AML internal controls of the Group comply in full with the relevant FATF recommendations; and
- the Cambodian Government is compliant with the FATF recommendations, particularly when applying the country best practice qualification, as recognised by FATF, in accordance with the unique legal and financial system, constitutional framework and social, economic and political circumstances of the country.

A summary of the improvements made to the AML internal controls of the Group in response to recommendations from Hill & Associates is set out below:

Areas of AML internal control	Improvements
Customers due diligence	<ul style="list-style-type: none">● Engagement of an international security firm to conduct background checks on STG Operators● Enhanced random checks on customers
Audit	<ul style="list-style-type: none">● Engagement of external professional party to audit and review the AML internal controls

The Group has taken up all the recommendations from Hill & Associates. (Please refer to Appendix VI for more details about the improvements on AML internal controls of the Group and Appendix VII for a summary of the report from Hill & Associates)

Hill & Associates was first appointed in August 2004 to review the AML internal controls and external environment in relation to our casino operations in Cambodia and the level of compliance with the relevant FATF recommendations. Hill & Associates documented its findings in its report that was finalised in January 2005 and addressed to the Sponsor and dated 19th February, 2005. The report from Hill & Associates had been commissioned for the purpose of providing to the Sponsor due diligence and verification material supporting the statements to be included in this prospectus relating to the Company's AML controls. In compliance with the decision of the Listing (Review) Committee of 23rd November, 2005 namely, (i) the Company should engage an independent professional party to review/audit its internal controls with a focus on AML, on a bi-annual (or semiannual) basis, and the findings would be disclosed in its annual report. The Company would act upon any recommendations of the independent auditor, where appropriate, and (ii) Tan Sri Dr Chen, our controlling shareholder, should indemnify the Company for any liabilities suffered and brought about by any actions or suits filed by third parties as a result of any shortcomings and deficiencies in AML internal controls of the Company that might have occurred prior to the listing. Hill & Associates were commissioned to carry out an update of its report for the purpose of the Company's listing application. It was agreed that the report which had originally been prepared for due diligence and verification purposes as referred to above should be included in the prospectus. Under the Listing Rules, Hill & Associates would be deemed to be an expert.

In 2004, we were seeking a professional party with knowledge and experience of AML controls in Asia Pacific region for the review of our casino operations and through an intermediary, we were introduced to Mr. Timothy Patrick McNally, who was then employed as the Executive Director of Security and Corporate Legal Services of the Hong Kong Jockey Club until

his departure in October 2005. Mr. McNally in this capacity dealt with a number of firms providing security services. Mr. McNally was requested to recommend to the Group firms that would be capable of providing an independent assessment of anti-money laundering controls in Asia Pacific region and particularly, in Cambodia. Following a meeting with Tan Sri Dr Chen in February 2004, Mr. McNally suggested, among other firms, Hill & Associates, which was engaged to conduct the review for us in August 2004.

In February 2005, Mr. McNally became our chairman and an independent non-executive Director.

Shortly before leaving the Hong Kong Jockey Club in October 2005, Mr. Timothy McNally was approached by Mr. Colin Hill, the chairman of Hill & Associates, for a consultancy role for business development in the US. Mr. McNally accepted the offer and joined Hill & Associates as a senior adviser for which he was entitled to an annual fee of US\$50,000 and a commission based on business referred successfully to Hill & Associates. Mr. McNally had not received and will not receive any form of remuneration from Hill & Associates in relation to its engagement for the review and preparation of the reports. It was not an exclusive arrangement and Mr. McNally was free to and did provide consultancy services to other companies. Mr. McNally also carries out his own investigative and security consultancy business in the US and he is not financially dependent on Hill & Associates, the Company, any of its subsidiaries or its connected persons.

In June 2006, the Sponsor became aware of Mr. McNally's relationship with Hill & Associates and made inquiries in this respect. On 10th July, 2006, the Sponsor informed the Stock Exchange in writing of Mr. McNally's relationship with Hill & Associates.

Mr. McNally has informed us that his appointment as a senior adviser to Hill & Associates was due to his prior professional experience with the Hong Kong Jockey Club and the Federal Bureau of Investigation and was not connected with the Company or his appointment to the board. Mr. McNally was not a director, partner, principal nor an employee of Hill & Associates. In addition to Mr. McNally, Hill & Associates engaged five other senior advisers. Mr. McNally's role was to develop clients in the United States and particularly, in California, and attend conferences there, and make presentations on behalf of Hill & Associates of its capabilities to deliver services in Asia. Mr. McNally's role in the US operation of Hill & Associates was considered to be a minor aspect of the whole operation of Hill & Associates as the majority of which was based around its 18 offices in Asia. The Company was informed that Hill & Associates recorded total revenue of approximately US\$22 million in 2004 and approximately US\$24 million in 2005. Mr. McNally had no role in Hill & Associates' operations in Asia. The arrangement formed a small part of Mr. McNally's overall business and his responsibilities were limited to work for Hill & Associates in the United States but not in Asia. As such, the arrangement between Hill & Associates and Mr. McNally was not, in our view, considered to be material either financially, in terms of revenue, or commercially.

The Hill & Associates report, prior to its updating in March 2006, was presented to the Company and the Sponsor in February 2005 approximately eight months before Mr. McNally became an adviser to Hill and Associates. Mr. McNally had no involvement in the commissioning

or preparation of the initial report and the updated reports save that he reviewed them in his capacity as the chairman and an independent non-executive Director. The reports from Hill & Associates focused on the AML internal controls of the Group and how they have complied with the relevant FATF recommendations. The reports covered mainly factual documents and procedures that have already been established and followed and, in our view, leave little room for subjective interpretation.

The report updated in March 2006 noted improvements made to the AML internal controls of the Group and compliance with the relevant FATF recommendations. Hill & Associates had confirmed that there was no material change to the conclusion and findings in this updated report when compared to the initial report.

On 24th August, 2006, the Listing Committee of the Stock Exchange considered whether the relationship between Mr. McNally and Hill & Associates affected the independence of the report updated by Hill & Associates in March 2006. The Exchange considered the following factors weighed in favour of adopting a disclosure-based approach:

- (i) the issue did not call into question the competence or expertise of Hill & Associates;
- (ii) when the Company appointed Hill & Associates in August 2004, Mr. McNally was not a Director or an adviser of Hill & Associates;
- (iii) Mr. McNally had not been involved in preparing the reported updated in March 2006 although he had reviewed it in his capacity as a Director; and
- (iv) Mr. McNally will cease to be an adviser of Hill & Associates upon listing.

However, the Listing Committee also noted the following factors weighed against adopting a disclosure-based approach:

- (i) although Mr. McNally had not been involved in preparing the updated report, his association with Hill & Associates did not leave that report untainted;
- (ii) the appointment of independent experts to review the Company's AML controls had been a very significant part of the Stock Exchange's conditions for listing; and
- (iii) the appointment of Hill & Associates was a continuing one as reviews of the Company's AML controls on an ongoing basis had been made a condition of the listing the Company.

The Listing Committee determined that on balance it was not appropriate to accept the updated report from Hill & Associates. As such, it requested that the Company should appoint another independent expert to conduct a review of the Company's AML controls.

On 29th August, 2006, the Company requested the Stock Exchange to reconsider the acceptability of the updated report from Hill & Associates and it was granted a review hearing by the Listing (Review) Committee on 8th September, 2006.

The Listing (Review) Committee supported the view of the Listing Committee that it was inappropriate to accept the report updated by Hill & Associates in March 2006 and determined that the Company should appoint another independent expert to conduct a review of the Company's AML controls or, alternatively, it should undertake the following to the satisfaction of the Listing Division:

- the Company should arrange for the report to be updated by Hill & Associates through a date which is after the resignation of Mr. McNally as an adviser to Hill & Associates and which is the latest practicable date prior to the date of the prospectus. The Listing (Review) Committee required that the updated report in full be made available to the public as a document for inspection and a summary of which be disclosed in the prospectus;
- a declaration by Hill & Associates in respect of its independence during the preparation of the updated report addressed to the Stock Exchange and signed by Mr. Colin Hill, the chairman of Hill & Associates, and such declaration be set out in the prospectus;
- the Company should make full disclosure in the prospectus of the relationship among the Company, Mr. McNally and Hill & Associates reflecting the information contained in the various submissions (oral and written) made to the Listing (Review) Committee.

The Listing (Review) Committee arrived at its determination recognising the fact that Mr. McNally was an adviser to Hill & Associates from October 2005, during which time the report was being updated. The Listing (Review) Committee believed that this could give rise to questions about the independence of the report.

On 11th September, 2006 Mr. Timothy Patrick McNally terminated his position as a senior adviser to Hill & Associates and ceased to have any relationship with Hill and Associates thereafter. On 12th September, 2006, Hill & Associates conducted a further review after the resignation of Mr. McNally covering a period up to 18th September, 2006 and produced, a further update of the report and in connection with this, issued an independence confirmation in respect of the updated report. The full review which was completed on 18th September, 2006 comprised, among other things, interviews with members of the AML Oversight Committee, AML Sub-Committee, our senior management and officials of the Cambodian Government, a physical walk-through of AML controls and procedures of the Group, a review of randomly selected transactions, a review of AML documentations and records and an assessment of compliance with the relevant FATF recommendations. In this latest review, Hill & Associates noted the compliance

of the Group's AML internal controls with the relevant FATF recommendations and that there was no material change to the conclusion and findings. Please refer to Appendices VII and VIII respectively to this prospectus for a summary of the report and the independence confirmation from Hill & Associates.

Internal controls on gaming operations

Exposure to the risk of cheating and fraud

Cheating is a specific industry risk relating to casinos. Notwithstanding the preventative and mitigating measures that a casino operator may adopt and observe, the risk of fraud and cheating cannot be eradicated completely. Our Directors have confirmed that, to the best of their knowledge, only one major case of attempted fraud and cheating has occurred in our casino during the Track Record Period in the amount of US\$2 million, for which full provision was made. In this particular case, the Surveillance Department reviewed the images of gaming activities immediately after the losses occurred and detected suspicious activities which led to the reporting of the alleged fraud to the MOI and an injunction being filed to stop the payment to the STG Operator concerned. The incident appears to be an isolated event. The prompt detection has prevented the Group from suffering a financial loss. In view of the preventative and mitigative measures adopted by us, our management is of the view that the risk relating to fraud and cheating in the casino can be managed.

Preventative and mitigating measures

We have in place the preventative and mitigating measures as described below.

Due diligence on and screening of STG Operators are carried out by us in accordance with the relevant recommendations issued by FATF. Where the information is available, we also keep a list of customers who have or are suspected of having committed cheating and fraud in other casinos for reference.

Detection and prevention of fraud, cheating and other malpractices in our casino are primarily carried out by the Casino Tables Operations Department with the cooperation of other casino departments, especially the Treasury and the Surveillance Department. The Treasury Department is the first point of contact when customers buy chips at the casino, such as on the public floor, and will alert the other relevant departments whenever there is a large amount of buy-in in accordance with our casino policy and procedure. The dealers, supervisors, pit bosses and casino shift managers of the Casino Tables Operations Department are trained to identify and detect any suspicious activities in the conduct of gaming by players. The Casino Table Operations Department will also sort the used cards after each round to ensure completeness of the cards.

In addition, any betting activities over a certain value will be monitored by the Surveillance Department. The Surveillance Department monitors all activities in the casino through the use of a network of closed circuit television cameras which are strategically placed throughout the casino. Whenever there is a table loss of a certain value at any one time, close-up and enlarged images of the table activities will be reviewed to detect any potential cheating element. High resolution video images of the gaming activities recorded will be archived normally for seven days or until such period as our management deems fit.

Procedures for the effective implementation of the internal controls of the Group, including controls for prevention and mitigation of fraud and cheating, are documented, reviewed and updated.

Our Directors believe that the internal controls and procedures in place are adequate to help prevent and mitigate the risk of fraud and cheating in the casino.

External reports by Ernst & Young

Ernst & Young considered the internal controls over the gaming operations of the Group based on agreed upon procedures. The procedures were performed in December 2004 and May 2005 and April 2006. In this connection, summary and full reports were issued on 28th August, 2006.

In the assessments, the internal controls on gaming activities of the Group were assessed against controls identified by our management to be the key internal controls applied to casinos operating in highly regulated environments such as the USA and Australia. It is noted in the report, among other things, that certain of the key internal controls were not operating in the same manner as in casinos in a more regulated environment and, consequently, the internal controls on our gaming operations did not fully conform with the key internal controls selected. Management provided explanations for these instances along with an action plan to address these matters. Management has implemented a number of the internal controls to conform with the key internal controls selected. Improvements that management have made are set out below. Other than as described more fully below, the Company had in place the sample of key internal controls at the time of review.

Given the operating environment and size of our operations, our management is of the view that the Company has made appropriate improvements to its internal control on gaming operations for the purpose of mitigating all relevant risks.

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A summary of the material improvements made to the internal controls of the Group based on observations set out in the summary report together with other improvements are set out below:

Areas of internal controls	Observations	Improvements made
1. Policies and Procedures Manual	Policies and procedures documented should contain greater detail.	<p>Not in full compliance with the key internal controls.</p> <p>We have compiled policy and procedures manuals based on an assessment of the key risks and level of complexity and size of our operation.</p> <p>Regular review on the manuals is carried out to ensure key risks are covered and addressed. Our management is of the view that the scope of the policy and procedures manuals are adequate based on an assessment of the key risks facing our gaming operations and level of complexity and size of our casino operation.</p>
2. Treasury and Income Control	<p>The chips stored in reserve cabinet should be counted on a more regular basis.</p> <p>Unused fill and credit forms are not stored in a locked storage facility.</p> <p>Duties between the cheque bank cashier and other cage functions are not segregated.</p> <p>Income audit should retain its own copy of all documents audited.</p>	<p>Adopted to comply with the key internal controls.</p> <p>More counting of chips stored is carried out.</p> <p>Adopted to comply with the key internal controls.</p> <p>Unused fill and credit forms are now kept in a locked facility and supervised by treasury manager on duty.</p> <p>Adopted to comply with the key internal controls.</p> <p>A counter has been designated for cheque bank cashier to segregate its functions from other cage functions.</p> <p>Adopted to comply with the key internal controls.</p> <p>We keep copies of documents vetted separately by income audit unit which is under the finance department.</p>

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Areas of internal controls	Observations	Improvements made
	The income audit function should be performed in a location segregated from the gaming operations.	Adopted to comply with the key internal controls. The income control function has been relocated to another area away from the treasury operations.
3. Routine Gaming Day Operations	A separate main bank close out form is ordinarily completed for each gaming shift.	Adopted to comply with the key internal controls. We have computerised the filing procedure and use appropriate separate forms.
4. VIP/Junket Operations	Junket operators' identity and credit worthiness are not formally documented.	Adopted to comply with the key internal controls. We have expanded the level of details in and centralised the documentation.
	In certain circumstances non-negotiable chips are issued to junkets prior to the clearance of front monies.	Adopted to comply with the key internal controls. The issuance of chips to junket operators before clearance of front monies is subject to approval from the authorised personnel. All approvals are appropriately documented. The chips are issued in accordance with our internal policy and procedure.
	Formal background and credit checks are not performed prior to issuing credit to junket operators.	Adopted to comply with the key internal controls. We have commissioned an independent security firm to conduct background checks on junket operators in addition to our internal background checks. Copies of junket operators' passports are retained. Careful credit analysis is carried out before granting credit facilities to the junket operators.
5. Gaming Information Systems	The Company has not formally tested its disaster recovery plan.	Adopted to comply with the key internal controls. We currently have not installed an integrated computer system to link up all the operations as it has not achieved the economies of scale as yet. We have formally tested our disaster recovery plan. Testing is carried out on stand-alone computers. We have also expanded the level of detail in documentation.

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Areas of internal controls	Observations	Improvements made
6. Human Resources	<p>Limited background checks which include liaison with local police and interviews with neighbours.</p> <p>Engagement of a compliance manager to ensure compliance with gaming legislation and to facilitate regular updates of the policy and procedures manuals.</p>	<p>Not in full compliance with the key internal controls.</p> <p>Enhanced background checks have been conducted on all new potential employees. These include obtaining police clearance and paying a visit to places of residence of potential staff. Passports are viewed and copies taken as part of the background checks for expatriate candidates. Senior management staff is subject to background checks by an independent security firm wherever necessary in addition to our own internal background checks. The National Police of Cambodia does not maintain a centralised record of all employees of casinos in the country. Nonetheless, we have continued to enhance background checks on potential staff as more external information becomes available for assessment.</p> <p>Adopted to comply with the key internal controls.</p> <p>A compliance manager has been appointed to further ensure compliance with all relevant regulations and to facilitate regular updates of the internal control policy and procedures manuals.</p>
7. Security	<p>The external transportation of cash from the casino is not conducted by a specialised external party.</p>	<p>Not in full compliance with the key internal controls.</p> <p>NRCL has recruited a special task force unit since commencement of business to transfer cash to external banks. Our management has reviewed the possibility of using a security firm to conduct cash transfers from NagaWorld to external banks. Given the limited maximum cash allowed per transfer and therefore the high frequency of such cash transfers offered by security firms in Cambodia, our management is of the view that it is currently more effective for the function to be carried out by its specially trained staff.</p>

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Areas of internal controls	Observations	Improvements made
8. Surveillance	A new digital surveillance system was introduced which did not provide for audio in the count room.	<p>Adopted to comply with the key internal controls.</p> <p>A new digital surveillance system has been introduced since commencement of operations in NagaWorld. An audio device has been added at the count room to aid in cash count process with the new gaming machine supplier, this cash count process is currently undertaken by them.</p>
9. Internal Audit	<p>Formal documentation of internal audit plan on gaming functions such as:</p> <ul style="list-style-type: none"> ● Table fill and credits ● Jackpot and slot fill procedures ● Cage and credit procedures ● Treasury and cage functions. 	<p>Adopted to comply with the key internal controls.</p> <p>Internal audits for Casino Operation Department, Treasury Department, Finance Department and Surveillance Department are carried out at least once a year. Other areas will be audited at least once every two years. Audit results are documented.</p> <p>The internal audit department will review key performance indicators used in management reports on a monthly basis.</p>
10. Management Reporting	Preparation of actual to budget comparisons.	<p>Adopted to comply with the key internal controls.</p> <p>Management reports are prepared on a monthly basis. Budgets and monthly reports including details and explanations of variances are also prepared.</p>

Our management is of the view that it is not appropriate for the Company to comply fully with certain recommendations above (items 1, 6 and 7), given the scale and complexity of its operations and the external operating environment in which it operates. Save for the above, the Company has, where appropriate, taken into account all the observations and made appropriate improvements.

(Please refer to Appendix VI for more details about the improvements on internal controls of the Group.)

Note:

The reports from Ernst & Young were compiled based on agreed upon procedures and were for the purpose and use of the Company only. They were not prepared for disclosure in a listing document for public inspection. The preparation of the reports did not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements. Accordingly, Ernst & Young did not express any

assurance or opinion on the internal controls over the gaming operations of NRCL. The reports contained factual findings in a form selected to enable a more detailed description of the gaming internal controls reviewed, the gaming internal controls the Company had in place and areas of gaming internal controls where the Company could implement or improve on to meet the standard of internal controls of casinos operating in the USA and Australia.

The procedures performed by Ernst & Young only considered a selection of key gaming internal controls and did not consider all of the internal controls a regulated casino would be expected to have in place. The key gaming internal control procedures considered were selected by management based on the assessment of the importance of these controls.

The reports from Ernst & Young are available for public inspection. (Please refer to Appendix X to this prospectus for further details.)

Our commitment to good corporate governance

Internal audit function

Our internal audit department reviews the internal controls and quality assurance, on a regular basis, to ensure strict compliance with our policies and procedures.

External audit on AML internal controls

After the listing, we will engage an independent auditor to review and/or audit our internal controls with a focus on AML, on a semi-annual basis, and to have its findings disclosed in our annual reports. We undertake to act upon the recommendations made by the independent auditor where appropriate.

Review of investment risks in Cambodia

After the listing, we shall engage an independent professional party to assess and review, on an annual basis, the investment risks in Cambodia and disclose its findings in our annual and interim reports.

Controlling Shareholder's indemnity

Tan Sri Dr Chen, our chief executive officer and controlling Shareholder, has undertaken to indemnify the Group for any liabilities suffered and brought about by any actions or suits filed by third parties as a result of any shortcomings and deficiencies in our AML internal controls that might have occurred prior to listing. For further details about the indemnity, please refer to the paragraphs headed "Taxation and AML indemnity" in Appendix IX to this prospectus.

COMPETITION

Our business is subject to the following principal competitive factors:

- competition from existing and new casinos in the Asia Pacific region;
- the nature of the products and services we offer to our customers;
- competition for STG Operators;
- competition from other operators of gaming machine stations in Phnom Penh; and
- other forms of gambling in Cambodia.

Competition from existing and new casinos in the Asia Pacific region

The casino industry in the Asia Pacific region is becoming increasingly competitive given the number of countries which have considered, or are giving consideration to, legalising casino gaming. Further, a number of existing casino operators in the Asia Pacific region have expanded their existing casino facilities.

We face competition from land-based casino facilities based in Macau, Malaysia, Philippines and South Korea.

We also face competition for potential customers residing in the PRC, Hong Kong, Singapore, Malaysia, Thailand and Taiwan from various cruise-ship operators with onboard casinos.

While there are a number of casinos operating in other parts of Cambodia, such as Poipet and Sihanoukville, we understand that they are generally targeted at the Thai market. Accordingly, we do not perceive Cambodia's domestic border casinos as a significant competitive threat to our operations.

With respect to Macau, the Government of Macau announced the liberalisation of its gaming industry and in 2002 granted three gaming concessions to casino operators. The existing casinos in Macau, along with new casinos may present a competitive threat to the profitability of our operations, in particular, with respect to our customers from the PRC.

The nature of the products and services we offer our customers

A large segment of our revenue is derived from STG Players, who are normally more accustomed to place heavier bets than our public players. Accordingly, the table limits set in our casino will be a consideration for higher stakes gamblers when deciding whether to visit our

casino or our competitors. The table limits in our casino are generally lower than those available in the casinos in Malaysia and Macau. Accordingly, players wishing to bet higher stakes would likely visit our competitors in Malaysia and Macau.

We understand that casinos in some other Asian countries offer credit facilities to individual players and STG Operators. We presently only offer credit facilities to STG Operators with good financial background and with whom we have had extended dealings over the past few years. As a result, we may not be in the best position to compete for the business of high stakes players or certain STG Operators who wish to obtain high credit facilities from casinos.

Competition for STG Operators

There are other casinos operating in Cambodia outside the Designated Area. As mentioned above, a large segment of our revenue is derived from STG Players, who visit our casino in a tour organised by STG Operators. The STG Operators earn commissions calculated against the amount of Rollings achieved by an STG organised by them at a casino. Most STG Operators also organise for players to visit other casinos, including those operated by our competitors, and so we compete for STG Operators.

Competition for players of gaming machine stations

There are a number of outlets in Phnom Penh and elsewhere in Cambodia that offer gaming machine stations to customers and we compete with such outlets for players of gaming machine stations (who may be either Cambodian nationals or foreign passport holders).

Other forms of gambling in Cambodia

In the past few years, there have been a growing number of gaming outlets around Phnom Penh offering lottery games. In addition to these lottery operators, there is also legal football bettings. While these games may attract the attention of foreign passport holders who visit our casino, we do not view them as a significant threat to our business given the different nature of our products.

INSURANCE

We maintain the following insurance policies:

- insurance to cover losses or damages in respect of property, buildings, gaming equipment and contractors' risks;
- personal accident insurance for our expatriate employees;

and we have purchased an insurance policy as a precautionary measure in order to hedge our country risk in Cambodia.

The gaming machine stations in our casino are owned by Best Merit Assets Limited and it is required to take and maintain public liability insurance in respect of the operation of the machines in our venues.

We did not make any material insurance claim during the Track Record Period nor have there been any incidents likely to give rise to the need to make a material claim.

Our Directors have confirmed that, to the best of their knowledge and experience, the insurance coverage of the Group is sufficient for its operations.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered a number of our trademarks in several different jurisdictions. Ariston has registered the “NAGA” logo trademark in Cambodia, Taiwan (in class 42) and the United Kingdom, the “NAGA RESORTS & CASINOS” trademark in Taiwan and the United Kingdom and the “NAGA RESORTS & CASINOS LIMITED” trademark in Cambodia and the Company has registered the “NagaCorp”, “NagaWorld” and “Naga” trademarks as well as the diamond shaped logo in Hong Kong.

As at the Latest Practicable Date, we had also lodged renewal applications in respect of the registration of the “NAGA” logo and “NAGA RESORTS & CASINOS” trademarks in Taiwan (in class 41).

Other than the above protective measures and the legal protections conferred by the registrations of our trademarks, there were no other measures to prevent infringement of our intellectual property rights by third parties.

For the Track Record Period, we were not exposed to any infringement claims and did not experience any third party infringement of our intellectual property rights.