


annual report 2007

NAGACORP LTD.

金界控股有限公司*

NAGACORP

(Incorporated in Cayman Islands with limited liability)

stock code: 3918

* for identification purpose only

momentum

The economic performance of Cambodia has gained momentum since 1991 when Prime Minister Samdech Hun Sen brought stability to Cambodia. It is expected that the gross domestic product of the country would continue to grow in 2007 at an annual rate estimated to be approximately 9.05% and reach approximately US$8.3 billion.

Cambodia is one of the world's fastest developing nations with rapid infrastructure development and a growing affluence. The Royal Government of Cambodia has identified tourism as one of the top priorities in Cambodia's economic development.

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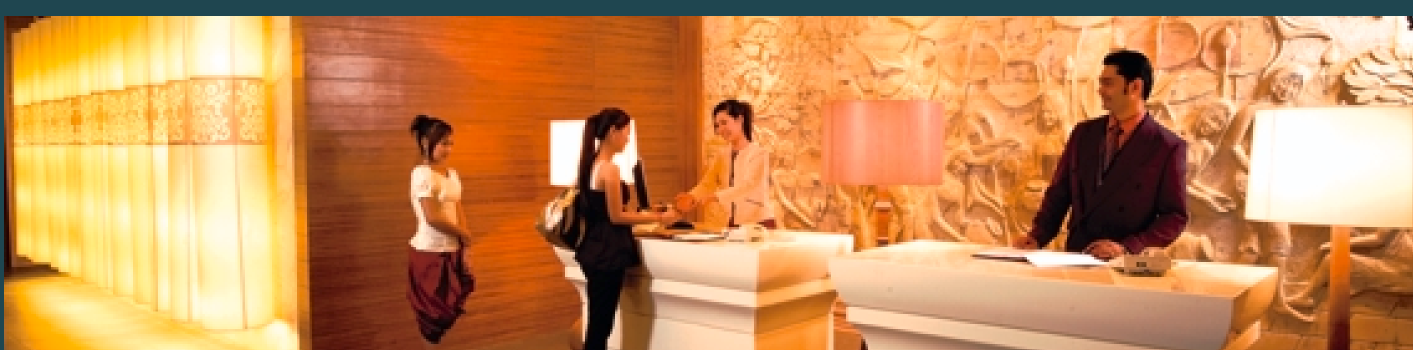


CORPORATE INFORMATION

Board of Directors

Executive Directors:
Tan Sri Dr Chen Lip Keong
(Chief Executive Officer)
David Martin Hodson
Monica Lam Yi Lin
Angus Au-Yeung Wai Kai
(Chief Financial Officer)
Non-executive Director:
Timothy Patrick McNally (Chairman)
Independent Non-executive Directors:
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Wong Choi Kay
Zhou Lian Ji
Leow Ming Fong
Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir
Lim Mun Kee

Audit Committee

Leow Ming Fong
Lim Mun Kee
Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir

Remuneration Committee

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir
Leow Ming Fong
Lim Mun Kee
Tan Sri Dr Chen Lip Keong
Angus Au-Yeung Wai Kai

Nomination Committee

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir
Leow Ming Fong
Lim Mun Kee
Tan Sri Dr Chen Lip Keong
Angus Au-Yeung Wai Kai

Company Secretary

Lai Yau Hong Thomson, ACS ACIS

Qualified Accountant

Chin Kok Siong, ACCA

Authorised Representatives

Monica Lam Yi Lin, ACS ACIS
Lai Yau Hong Thomson, ACS ACIS

Compliance Advisor

Anglo Chinese Corporate Finance, Limited

Auditors

BDO McCabe Lo Limited

Solicitors

P.C. Woo & Co.
Law Offices of Nolan C. Stringfield &
Associates
Law Office of Long Dara
Conyers Dill & Pearman
Zaid Ibrahim & Co

Principal Banker

Malayan Banking Berhad
(Phnom Penh Branch)

Registered Office

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

Principal Place of Business in Cambodia

NagaWorld Building
South of Samdech Hun Sen's Park
Phnom Penh
Kingdom of Cambodia

Principal Place of Business in Hong Kong

Suite 2806
28th Floor
Central Plaza
18 Habour Road
Wanchai
Hong Kong

Share Registrar and Transfer Office

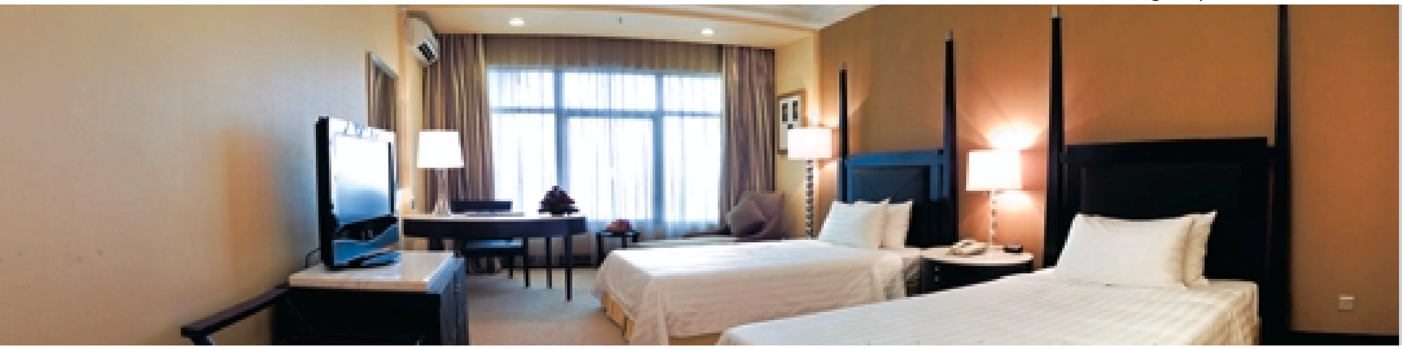
Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

3918

Company Website

www.nagacorp.com



CORPORATE STRUCTURE

NAGACORP

100%

NagaCorp (HK) Ltd

100%

NAGAWORLD LIMITED ("NWL")
(previously known as Naga Resorts & Casinos Limited)

- **NWL**
  (Cambodian branch)
  - hotel & entertainment branch

- **NWL**
  (Cambodian branch)
  - gaming branch

100%

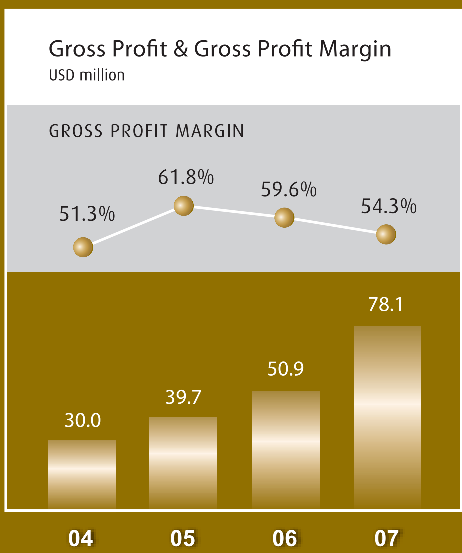
Ariston Sdn Bhd ("Ariston")

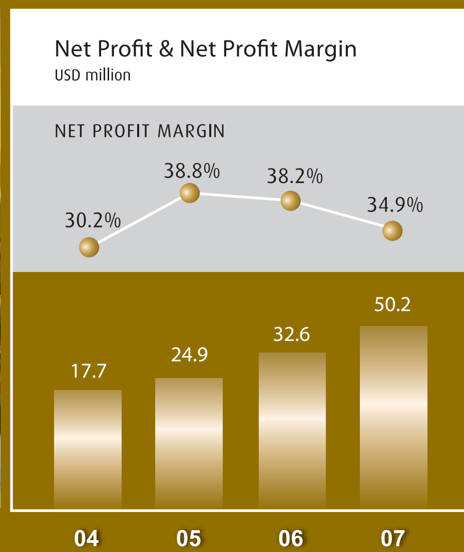
- **Neptune Orient Sdn Bhd (100%)**
  ("Neptune Orient")
  - **Neptune Orient**
    (Cambodian branch)

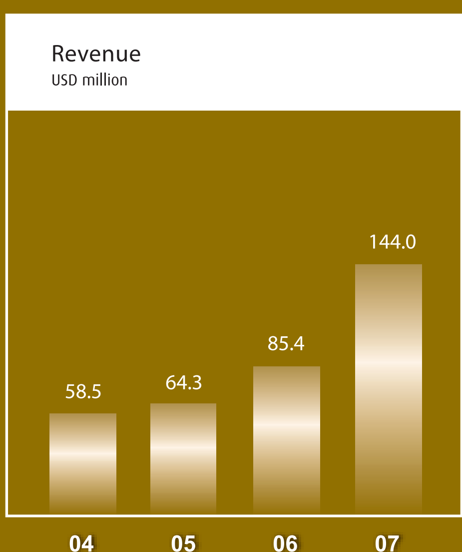
- **Ariston (Cambodia) Ltd (100%)**

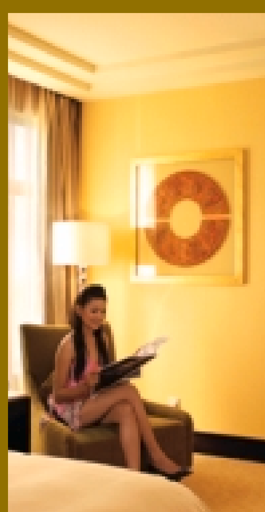
- **Ariston**
  (Cambodian branch)

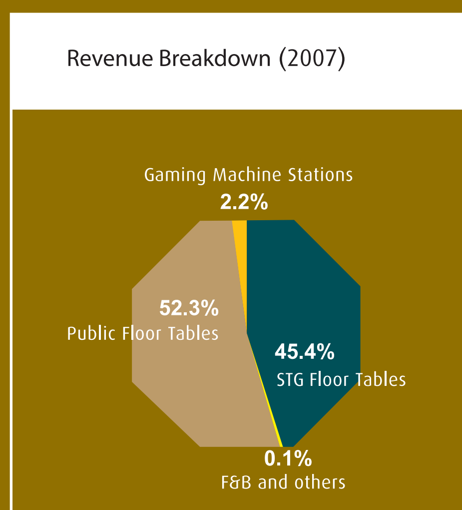
FINANCIAL HIGHLIGHTS









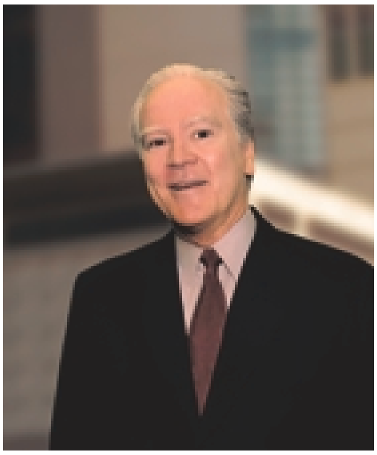


NAGAWORLD

Explore history.
Enjoy luxury.
Experience excitement.

NagaWorld, the only licensed casino in Phnom Penh, comprises an 8-storey Entertainment Wing and a 14-storey Hotel Wing with various meetings, incentives, conventions and exhibitions (MICE), gaming, leisure, recreational and entertainment facilities. NagaCorp Ltd., the first gaming counter to be listed through an initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2006, owns and operates NagaWorld. NagaCorp Ltd. holds a 70-year casino licence up to 2065, and has a 41-year monopoly in Phnom Penh, until 2035.

CHAIRMAN/CEO'S STATEMENT



Timothy Patrick McNally Chairman

To all our shareholders

We are pleased to announce that our revenue grew by 68.6% and profit attributable to shareholders of NagaCorp Ltd. (the "Company") increased by 53.9% to US$50.2 million for the financial year ended 31 December 2007. Earnings per share was approximately US cents 2.42 (HK cents 18.87 per share) compared to US cents 2.12 (HK cents 16.53 per share) in 2006.

The stable political environment and buoyant economic development of Cambodia continued for the financial year under review. Our business has benefited from these favorable conditions. A very significant development in 2007 is the lesser dependence on the Specialized Tour Group ("STG") Programs which are more prone to recessionary pressures. We have seen a robust growth in gaming activities conducted in our public floor where we admit all customers including Cambodians with foreign passports. The public floor became our largest revenue contributor and accounted for 52.3% of the total revenue in 2007. Being the landmark entertainment complex in Phnom Penh, NagaWorld has attracted patronage of Cambodians who hold foreign passports. The continued economic expansion of Cambodia and a growing affluent population support the country's gaming industry.

In 2007, our gaming operations continued to be the principal revenue source and represented over 99% of the total revenue of the Group. Revenue derived from our gaming operations was approximately US$143.9 million in 2007 compared to US$85.1 million in 2006. The increase in revenue from our gaming operations was attributable mainly to the higher contributions of revenue from our public floor tables and STG floor tables in 2007.

Final Dividend

In view of the good results, the board of directors (the "Board") has proposed to pay a final dividend of US cents 0.77 per share (HK cents 6.0 per share). The proposed final and interim dividends together represented a combined dividend payout ratio of approximately 60%. This is consistent with our dividend policy to distribute not less than 50% of the Group's distributable profit for each year.

Tan Sri Dr Chen Lip Keong CEO

Financial Highlights

- Total revenue increased by 68.6% to US$144.0 million
- Gross profit increased by 53.5% to US$78.1 million
- Net profit increased by 53.9% to US$50.2 million
- Earnings of US cents 2.42 per share (US cents 2.12 per share in 2006)
- Interim dividend of US cents 0.67 per share
- Proposed final dividend of US cents 0.77 per share

Operational Highlights

For the financial year ended 31 December 2007, our gaming operations continued to benefit from the political stability and economic expansion of Cambodia. The number of visitors to Cambodia increased by approximately 18.5% to around 2.0 million visitors in 2007 *(Source: Ministry of Tourism, Cambodia)*.

Revenue from public floor tables surged 156.5% to US$75.4 million while revenue from STG floor tables increased by 24.3% to US$65.4 million. Our various programmes were well received by the market as reflected by the increase in the level of gaming activities conducted in our casino. Our gaming operations contributed over 99% of our total revenue

Public Floor Tables

- Revenue increased by 156.5% to US$75.4 million
- Revenue accounted for 52.3% of total revenue
- Buy-ins increased by 122.8% to US$265.1 million
- Gross profit margin was 63.6%

We witnessed a robust performance on our public floor tables in 2007. The various programmes launched by the Group namely, the Vietnam Ground Junket Programme, Travel Agent Junket Programme and Premium Players Programme started to bear results. The continued expansion of the domestic economy created a growing population of affluent Cambodians. The domestic gaming and hospitality industry is poised to benefit from this development.

STG Floor Tables

- Revenue increased by 24.3% to US$65.4 million
- Revenue accounted for 45.4% of total revenue
- Check-ins increased by 36.1% to US$409.4 million
- Rollings increased by 13.0% to US$1,984 million
- Gross profit margin was 41.3%

Gaming activities at the STG floor tables continued to show strong growth in 2007. The level of gaming activities, as measured by rollings, increased 13.0% to US$1,984 million. The number of STG players who visited our casino increased 37.5% to 18,032 STG players. Average check-ins per STG player were US$22,704 and US$22,900 in 2007 and 2006 respectively.

Prospects

Our corporate vision is to become a world class corporation "with excellence in our products, people and profits" for the benefits of the host nation and all our shareholders.

We have continued to make headway in achieving our corporate vision. For the financial year ended 31 December 2007, the Company reported significant revenue growth on the back of favourable business conditions. The performance was based mainly on the utilisation of about 101 tables and 211 gaming machine stations, representing only part of our full gaming capacity of 300 tables and over 600 gaming machine stations to be offered in the gaming space of approximately 15,217 sq. m. in NagaWorld.

2007 also sees a stable gaming revenue source of at least US$25m per year for the next 10 years. On 13 December 2007 the Group has entered into a management agreement with POIBOS Co., Ltd., whose shares are listed and traded on KOSDAQ. The Group has agreed to provide gaming management services to POIBOS in the prescribed gaming hall, a designated area in NagaWorld, for a period of 10 years. In return, the Group will receive from POIBOS fixed overriding gaming management fees over two periods namely, the first period of 5 years for US$2.1 million per month (equivalent to US$25.2 million per year) and the second period of 5 years for US$2.6 million per month (equivalent to US$31.2 million per year). The overriding gaming management fees are payable to the Group by POIBOS irrespective of the business performance of the prescribed gaming hall provided to POIBOS. It is intended that the prescribed gaming hall will be ready for POIBOS around March or April 2008. Going forward, if the management agreement with POIBOS is carried out satisfactorily, the Group may diversify beyond its traditional gaming markets of Malaysia, Singapore and Southern China into new areas such as Korea, Japan, Taiwan and North Eastern China.

Revisions made to the internal design and layout and the decision to expand capacity for gaming, entertainment and hotel service and facilities called for revision of the construction schedule of NagaWorld which ultimately will have about 700 rooms and about 300 tables by the end of 2009. We have instructed the contractor, architect, engineers and other professional parties with the intention to expedite and fully complete the whole process. Upon completion, NagaWorld will offer a combined gross built up area of approximately 110,768 sq. m. Property price in Phnom Penh has surged notably over the past few years. It is intended, under the expansion plan, that the motor court located between the hotel wing and casino wing of NagaWorld will be converted into a grand hotel lobby. Subject to the approval of City Hall, restoration works of hotel levels 14, 15 & roof of north & south wings as per original building plans will result in 2 additional floors to each of the North and South Tower of the hotel wing respectively and part of the carpark block will be developed to house about 100 rooms (mainly for our staff), a discotheque and a rooftop swimming pool. In view of the coming general elections in mid 2008, the beautification of Hun Sen Garden located in front of NagaWorld will be postponed.

We aim to turn NagaWorld and nearby proximity to a high energy zone attracting international travellers, tourists and players and Cambodians who hold foreign passports who are interested to explore gaming and entertainment experiences.

For search of excellence we have added a few key management positions. We have recruited a senior Vice President of operations who has 20 years of our gaming operations experience in Burswood Perth, Australia. We have strengthened the marketing department, now under the leadership of a chief marketing officer leading a full strategic and operation team. At present, the Company has a total staff force of about 1,900 employees.

Barring unforeseen circumstances, despite a lesser optimistic world financial outlook, we are optimistic of a favorable year ahead by virtue of the Company's monopolistic position, the surrounding strategic markets, changing customers profile, favorable tax advantage, sound management and a more stable political environment in Cambodia.

Corporate Governance

The Company has engaged an independent professional party to review the internal controls of the Group with a focus on anti-money laundering. The independent professional has performed reviews of the internal controls of the Group and its findings are set out in this report.

The Company has also engaged another independent professional party to assess the investment risks in Cambodia and its findings are set out in this report.

Our Appreciation

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

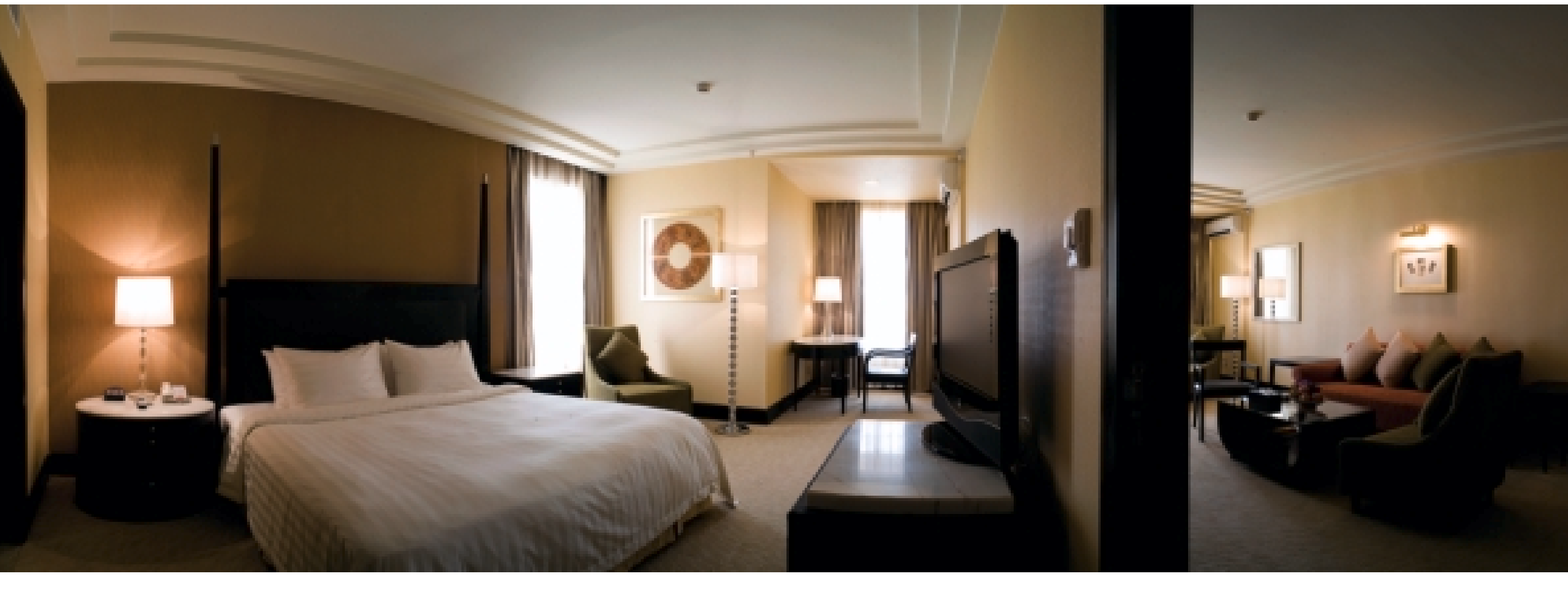
Timothy Patrick McNally
Chairman

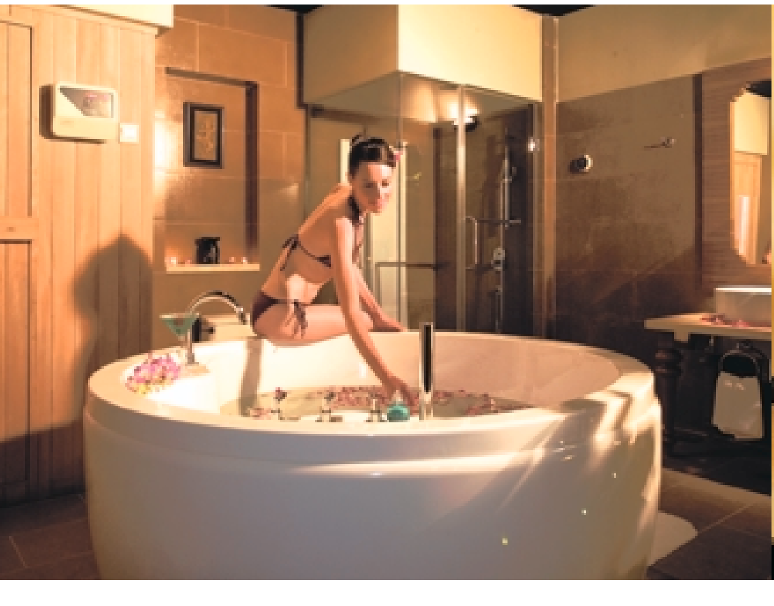
Tan Sri Dr Chen Lip Keong
Chief Executive Officer

Hong Kong

24 February 2008

enjoy **luxury**





MANAGEMENT DISCUSSION & ANALYSIS

Our principal business involves the management and operation of a hotel and casino complex known as NagaWorld in Phnom Penh, the capital city of the Kingdom of Cambodia ("Cambodia"). We hold a casino licence (the "Casino Licence") granted to us by the Royal Government of Cambodia (the "Cambodian Government") with the right to operate casino activities in Cambodia for a period of 70 years commencing from 2 January 1995 for around 41 years on an exclusive basis within 200 km radius of Phnom Penh, Cambodia (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The exclusivity period of the Casino Licence was extended by 20 years to around 41 years up to the end of 2035 pursuant to an agreement entered into between the Cambodian Government and the Group on 12 August 2005. The Company completed an initial public offering of its shares ("IPO") and became a public company listed on the Main Board of the Stock Exchange on 19 October 2006.

Results

Financial year 2007 was another profitable year for our shareholders. We continued to see strong growth in our gaming operations.

Revenue increased by 68.6% to approximately US$144.0 million in 2007 from approximately US$85.4 million in 2006. Profit before taxation increased by 52.1% to approximately US$51.9 million in 2007 from approximately US$34.1 million in 2006. Net profit increased by 53.9% to approximately US$50.2 million in 2007 from approximately US$32.6 million in 2006.

Business review

The stable political environment and buoyant economy of Cambodia continued for the financial year under review. Our business benefited from these favourable conditions. The number of visitor arrivals to Cambodia increased to around 2.0 million visitors in 2007 from around 1.7 million in 2006. *(Source: Ministry of Tourism, Cambodia)*

In 2007, our gaming operations continued to be the principal revenue source and represented over 99% of the total revenue of the Group. The remaining revenue was derived largely from food & beverages. The majority of the revenue from the hotel wing was inter-divisional and was eliminated on consolidation. Revenue derived from our gaming operations was approximately US$143.9 million in 2007 compared to US$85.1 million in 2006. The increase in revenue from our gaming operations was attributable mainly to the higher contributions of revenues from our public floor tables and STG floor tables in 2007.

Revenue

Public Floor Tables

Revenue from public floor tables increased notably by 156.5% to approximately US$75.4 million in 2007 from approximately US$29.4 million in 2006. Revenue derived from public floor tables accounted for 52.3% of our total revenue in 2007 compared to 34.4% in 2006. The level of gaming activities conducted in public floor tables increased. The increase in revenue from our public floor tables was attributable mainly to the success of the various programmes launched by the Group including the Vietnam Ground Junket Programme and Travel Agent Junket Program, and the Premium Players Programme targeting Cambodians who hold foreign passports in 2007. The buy-in amounts made by players increased by 122.8% to US$265.1 million in 2007 from approximately US$119.0 million in 2006. It was estimated that 81.0% of the revenue from public floor tables was attributed to the Premium Players Programme. The gross profit margins for public floor tables were 63.6% in 2007 and 95.6% in 2006, and the decrease in gross profit margin reflected the increase in acceptance and related costs of our various programmes. Expenses included commission, food and beverages and transportation paid to operators and players which increased in tandem with the popularity of our various programmes. The win rates for public floor tables, being the ratio of revenue to buy-in amounts, were 27.7% in 2007 compared to 24.7% in 2006.

STG Floor Tables

Revenue from our STG floor tables increased by 24.3% to approximately US$65.4 million in 2007 from approximately US$52.6 million in 2006. Revenue from our STG floor tables accounted for 45.4% of our total revenue in 2007 compared to 61.6% in 2006.

We saw higher level of gaming activity conducted in our various STG floor tables, as measured by rollings, which increased by 13.0% to approximately US$1,984 million in 2007 from approximately US$1,756 million in 2006. There were around 18,032 STG players who visited NagaWorld in 2007, representing an increase of 37.5% compared to 13,115 STG players in 2006.

The STG players had deposited more check-in amounts in 2007. The check-in amounts deposited by our STG players increased by 36.1% to approximately US$409.4 million in 2007 from approximately US$300.7 million in 2006. The average check-in amounts per STG player was approximately US$22,704 per STG player in 2007 and approximately US$22,900 per STG player in 2006.

The gross profit margins for STG floor tables were 41.3% and 37.1% in 2007 and 2006 respectively.

The win rates for STG floor tables, being the ratio of revenue to rollings, were 3.3% in 2007 compared to 3.0% in 2006.

Gaming Machine Stations

We have continued to receive fixed income payments from an independent party for the provision of the gaming machine stations in NagaWorld. Under the existing arrangement, we are not required to pay rental costs for the gaming machine stations. For the financial year under review, we derived revenue of US$3.1 million from the gaming machine stations which is the same as the level of revenue derived in 2006. As at the end of 2007, there were a total of 211 gaming machine stations offered for patronage in our casino (2006: 211 gaming machine stations).

Gross Profit

We recorded cost of sales of approximately US$65.9 million in 2007, representing an increase of 90.9% compared to US$34.5 million in 2006. The increase in cost of sales reflected the success of our various programmes and the higher level of gaming activities conducted in our casino for the financial year under review. The cost of sales comprised mainly commissions paid to STG operators and local operators, and benefits to players such as complimentary accommodation, food and beverages and rebates on air tickets and other forms of transportation. Gross profit increased 53.5% to approximately US$78.1 million in 2007 from approximately US$50.9 million in 2006.

The gross profit margins were 54.3% and 59.6% in 2007 and 2006 respectively. The gross profit margin declined as a result of the higher rate of increase in cost of sales, as explained above.

Administrative and other operating expenses

Administrative and other operating expenses, in aggregate, increased by 74.9% to approximately US$25.4 million in 2007 from approximately US$14.5 million in 2006. We have continued to recruit new staff to manage our expanding gaming and hotel operations and other entertainment facilities. The average number of our employees increased to 1,709 employee in 2007 from 978 in 2006. In tandem with the expansion in workforce, staff costs increased by 79.5% to approximately US$13.4 million in 2007 from approximately US$7.5 million in 2006.

For the purpose of hedging country risks in Cambodia after completion of the IPO on 19 October 2006, the Group had made an insurance premium payment of approximately US$0.6 million for 2006 compared to US$2.5 million for the whole year of 2007.

The Company became a public company listed on the Main Board of the Stock Exchange on 19 October 2006. A large part of the cost structure in 2006 therefore reflected the then private nature of the Group while in 2007 reflected that of a public listed group of companies. In 2007, additional administrative and other operating expenses were incurred in connection with engagements of professional parties for compliance and corporate governance related matters including the review of internal controls with a focus on anti-money laundering ("AML") and the review of the investment risks in Cambodia on an annual basis. Details of the reviews on internal controls with a focus on AML and the investment risks in Cambodia are disclosed in this report.

Finance Cost

We did not incur any significant finance costs as there were no significant financing arrangements in place in 2007.

Net Profit

Net profit increased to approximately US$50.2 million in 2007 from approximately US$32.6 million in 2006, representing an increase of 53.9%. The net profit margins were 34.9% and 38.2% respectively in 2007 and 2006.

Earnings per share was approximately US cents 2.42 (approximately HK cents 18.9 per share) based on the weighted average number of 2,075,000,000 shares in issue in 2007 compared to US cents 2.12 per share (approximately HK cents 16.5 per share) based on the weighted average number of 1,541,048,745 shares in issue in 2006.

Financial Review

Pledge of Assets

As at 31 December 2007 the Group had not pledged any assets for borrowings (2006: US$ Nil).

Contingent Liabilities

As at 31 December 2007, the Group had no significant contingent liabilities. In relation to the litigation of a STG as disclosed in the annual report 2006, the Group has provided US$2.1 million in full for the case.

Exchange Rate Risk

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

Issue of New Shares

There was no issue of new shares for the financial year ended 31 December 2007.

Liquidity, Financial Resources and Gearing

As at 31 December 2007, the Group had total cash and bank balances of approximately US$56.2 million (2006: approximately US$78.3 million). The Company had continued to invest in property, plant and equipment in connection with the development and expansion of NagaWorld and provision of gaming, entertainment and hotel services and facilities. We expect our working capital and investments will be financed by cash generated by our operations and proceeds from the IPO and, if necessary, other forms of financing.

As at 31 December 2007, the Group had net current assets of approximately US$72.2 million (2006: approximately US$86.7 million). The Group had net assets of approximately US$262.6 million (2006: approximately US$235.9 million).

As at 31 December 2007, the Group had no significant outstanding borrowings.

Capital and Reserves

As at 31 December 2007, the capital and reserves attributable to equity shareholders of our Company was approximately US$262.6 million (2006: approximately US$235.9 million). The changes in the capital and reserves reflected mainly the profit retained and dividend paid in 2007.

Staff

At 31 December 2007, the Group employed a work force of 1,709 (2006: 978) stationed in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year under review were approximately US$13.4 million (2006: approximately US$7.5 million).

Application of IPO Proceeds

The net proceeds from the Company's IPO were approximately US$94.9 million after deduction of related expenses. In line with the description in the prospectus dated 6 October 2006 and the announcement issued in connection with the IPO, the net proceeds were utilised as follows:

Descriptions	**Approximate net IPO proceeds** (US$ million)	**Proceeds utilized as at 31 December 2007** (US$ million)	**Remaining net IPO Proceeds** (US$ million)
Development of NagaWorld	69.5	54.4	15.1
Development of gaming activities such as installation of gaming equipment and tables and other ancillary equipment for public gaming floor in the hotel lobby	21.4	3.8	17.6
General working capital	4.0	3.7	0.3
Total	94.9	61.9	33.0

Levels 6, 7 and 8 of the South Tower of the entertainment wing of NagaWorld together with the installation of leisure, entertainment and recreational facilities on such levels were completed in 2007. The karaoke on level 3 of the entertainment wing, which comprises a total of 20 rooms and features a blend of contemporary and oriental decor was completed in 2007.

Out of the total of 508 hotel rooms, the contractor completed 219 hotel rooms in the central core of the hotel wing of NagaWorld. The remaining 289 hotel rooms located at the North and South Towers of NagaWorld shall be delayed and completed by the middle of 2008 based on advice from engineers and consultants. The delay is necessary as the remaining 289 hotel rooms share the same mechanical and electrical services of the additional two floors to be constructed (under the expansion plan of NagaWorld) in order to provide for more gaming space and hotel rooms. The contractor targets to complete the additional two floors by the end of 2009.

Prospects

Our corporate vision is to become a world class corporation "with excellence in our products, people and profits" for the benefit of the host nation and all our shareholders. We have continued to make progress in achieving our corporate vision. For the financial year ended 31 December 2007, the Group reported a significant increase in revenue. The performance was based mainly on the utilisation of about 101 tables and 211 gaming machine stations, representing only part of our full gaming capacity of about 300 tables and over 600 gaming machine stations to be offered in the combined gaming space of approximately 15,217 sq. m. in NagaWorld on its completion.

A significant development in 2007 is the lesser dependence on the STG programmes which are more prone to economic downturns. We have seen a robust growth in gaming activities conducted in our public floor tables, which became the largest revenue contributor and accounted for 52.3% of our total revenue in 2007. Being the landmark entertainment complex in Phnom Penh, Cambodia, NagaWorld has attracted patronage of Cambodians who hold foreign passports. The continued economic expansion of Cambodia helps the country's gaming and hospitality industry.

We expect to see a stable gaming revenue source of at least US$25 million/year for the next 10 years. On 13 December 2007 the Group entered into a management agreement with POIBOS Co., Ltd. ("POIBOS"), whose shares are listed and traded on Korea Securities Dealers Association Automated Quotations. The Group has agreed to provide gaming management services to POIBOS in the prescribed gaming hall, a designated area in NagaWorld, for a period of 10 years. In return, the Group will receive from POIBOS fixed overriding gaming management fees over two periods namely, the first period of 5 years for US$2.1 million per month (equivalent to US$25.2 million per year) and the second period of 5 years for US$2.6 million per month (equivalent to US$31.2 million per year). The overriding gaming management fees are payable to the Group by POIBOS irrespective of the business performance of POIBOS. It is intended that the prescribed gaming area will be ready for POIBOS around March or April 2008.

Going forward, the arrangement above, if carried out satisfactorily, will allow the Group to diversify beyond its traditional gaming markets of Malaysia , Singapore and Southern China into new areas such as Korea, Japan, Taiwan and North Eastern China.

Revisions are made to the internal design and layout of NagaWorld to expand the capacity for gaming, entertainment and hotel service and facilities. The expansion plan necessitated the revision of the construction schedule of NagaWorld, which upon full completion targeted by the end of 2009, will house about 700 hotel rooms, about 300 gaming tables and over 600 gaming machine stations, offering a combined gross built up area of approximately 110,768 sq. m. Under the expansion plan, the motor court located between the hotel wing and casino wing of NagaWorld shall be converted into a grand hotel lobby and shall be completed by April 2008. Subject to approval of City Hall of Phnom Penh, additional floors will also be added to each of the North and South Tower of the hotel wing and part of the carpark block will be developed to house about 100 rooms (mainly for our staff), a discotheque and a rooftop swimming pool. In view of the upcoming general elections in Cambodia in mid 2008, the beautification of Hun Sen Garden located in front of NagaWorld will be postponed.

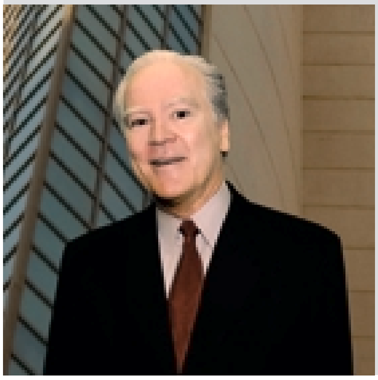
We aim to turn NagaWorld and nearby proximity to a high energy zone attracting both international travellers and Cambodians holding foreign passports.

For search of excellence we have added a few key management positions. We have recruited a senior Vice President of operations who has 20 years of our gaming operations experience in Burswood Perth, Australia. The Company has also strengthened the marketing department, which is now under the leadership of a chief marketing officer. Together, NagaWorld now has about 1,900 employees as at the date of this announcement.

Despite a less optimistic world financial outlook, and barring unforeseen circumstances, the directors of the Company are optimistic of a favorable year ahead by virtue of the Company's monopolistic position, location amongst strategic markets, changing customers' profile, favorable tax advantage, sound management, and stable economical and political environment in Cambodia.

experience **excitement**

BOARD OF DIRECTORS' PROFILE



Timothy Patrick McNally
Chairman, Non-executive Director

Mr. Timothy Patrick McNally, aged 60, joined the Company as the Chairman of the Board in February 2005. From April 1999 until October 2005, Mr. McNally was the Executive Director of Security and Corporate Legal Services for the Hong Kong Jockey Club ("Club"). In this capacity, Mr. McNally has been a member of the executive Board of Management of the Club. Mr. McNally's responsibilities include physical security matters; information security; internal investigations; racing licensing matters; membership vetting; corporate governance matters; liaison with law enforcement and legal services for the Club.

He is currently an international security consultant. Prior to his involvement with the Club, Mr. McNally was a special agent of the Federal Bureau of Investigation ("FBI") for 24 years (1975-99). Mr. McNally's career focused on the investigation and prosecution of serious crime, particularly organized crime, drug trafficking, corruption and fraud matters. He also was assigned for two years as a legislative counsel by the FBI to handle issues arising with the US Congress on budgetary and oversight matters. He subsequently held several senior positions within the FBI including heading the organized crime and drug investigative programs in the Miami, Florida office from 1984 to 1991. He served as Deputy Director of the National Drug Intelligence Center 1992-93; subsequently headed up the Criminal Division of the Washington DC field office; served as the Agent in charge of the Baltimore, Maryland office (1994-96); and concluded his career with the FBI as the head of the FBI's second largest field division in Los Angeles, California. Mr. McNally is a member of the International Security Management Association (ISMA); the National Executive Institute (NEI); and the Society of Former Special Agents of the FBI. He also participates as a member of the American Chamber of Commerce in Hong Kong. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He was also granted a Juris Doctorate degree from Marquette University Law School in 1973. Mr. McNally was admitted to the State Bar of Wisconsin in June 1973.

Mr. McNally currently runs a security consultancy and investigation business in California. He was a senior adviser to Hill & Associates Ltd. from October 2005 until September 2006. In this role, he developed clients in the United States and attended conferences there.

Tan Sri Dr Chen Lip Keong

CEO, Executive Director

Tan Sri Dr Chen Lip Keong, aged 60, is the Chief Executive Officer as well as the founder and the controlling shareholder of the Company with at least 31 years of managerial, corporate and business experience. Tan Sri Dr Chen is also a director of NagaCorp (HK) Limited, Nagaworld Limited and Ariston Sdn. Bhd. Tan Sri Dr Chen is the controlling shareholder and president of Karambunai Corp Bhd, a tourism company in Sabah, East Malaysia. Tan Sri Dr Chen is also the controlling shareholder and president and Chairman of FACB Industries Incorporated Berhad, a stainless steel pipes and fittings manufacturing company and Petaling Tin Berhad, a property development company. The securities of these three companies are listed on the main board of the Bursa Malaysia Securities Berhad. Tan Sri Dr Chen was also the Chief Executive Officer of Composite Technology Research Malaysia Sdn Bhd (1995-2002), a company owned by the Malaysian Government and responsible for the development of the Malaysian aerospace industry from design, certification to manufacturing. Tan Sri Dr Chen's company, Resourceful Petroleum Ltd, has teamed up with PTTEP International Ltd of Thailand, to carry out business of E&P (Exploration & Production) in Cambodia and Thailand.

Tan Sri Dr Chen graduated from the University of Malaya with an MBBS in 1973. In recognition of his various economic services to Malaysia, Tan Sri Dr Chen has been conferred with various titles and awards including Darjah Indera Mahkota Pahang (which carries the title "Dato"), Darjah Sultan Salahuddin Aziz (which carries the title "Datuk") and Panglima Setia Mahkota (which carries the title "Tan Sri".) Tan Sri Dr Chen has been appointed from June 2001 as an economic advisor to Samdech Hun Sen, Prime Minister of the Cambodian Government.

Mr. David Martin Hodson, a British citizen, aged 66, joined the Company as an Executive Director and the Chairman of the AML Oversight Committee in February 2005. His responsibilities include enhancing the Company's AML Strategy, Development and Compliance program and he is the Chairman of the AML Oversight Committee. Mr. Hodson has been a member of the Hong Kong Police for 37 years, spending most of his career in criminal investigation. During this period he was posted to the Narcotics Bureau from 1972-1977 and was then appointed as the Director of Studies at the Detective Training School. From 1978-1979 he commanded the Special Crimes Bureau which was responsible for investigating the most serious criminal cases occurring in Hong Kong. He was appointed as the Head of Interpol Hong Kong from 1979-1983. In this capacity he developed relationships with overseas Law Enforcement Agencies which liaised with Hong Kong and developed arrangements for mutual assistance. He commanded the Criminal Intelligence Bureau from 1987-1988. From 1989-1992 he was Head of the Narcotics Bureau, responsible for enforcing the Drug Trafficking (Recovery of Proceeds) Ordinance (DT(ROP) Ord.) in 1989 which was Hong Kong's first legislation creating the offence of "money laundering" in relation to drug trafficking. During this initial period he had oversight of the Bureau's investigations which resulted in over $400 million being seized and over $200 million actually being confiscated. Subsequently he was responsible for representing the Commissioner at the Law Reform Commission and representing the Police at various meetings of both the Executive and Legislative Council. He had oversight of police proposals for law revision of the DT(ROP) Ord. and the Organised and Serious Crimes Ordinance which dealt, inter alia, with money laundering. He held the post of Assistant Commissioner — Crime from 1994 to 1997 being responsible for all aspects of criminal investigation in Hong Kong. On his retirement he was appointed as Consultant to the Hong Kong Police from 1997 to 1999 to advise on crime and security during the transition of Hong Kong to Chinese Sovereignty.

Mr. Hodson was a founding member of OXFAM HONG KONG in 1988 and remains a member of the Council of Management. He was appointed as the first Honoraria. Director of the Centre for Criminology, University of Hong Kong from May 1999 to March 2004. In recognition of his distinguished service to the University he was appointed as an Honorary Fellow for life in the Centre for Criminology. He was appointed as a Visiting Professor at the Chinese People's Public Security University, Beijing in March 2001.

In 1976 he received a "Special Award of Honour" for his outstanding contribution to narcotic enforcement by the International Narcotic Enforcement Officer's Association. He was honoured by HM The Queen in 1985 for Meritorious Service and in 1995 for Distinguished Service.

David Martin Hodson
Executive Director

Monica Lam Yi Lin
Executive Director

Ms. Monica Lam Yi Lin, aged 48, joined the Group in October 1995 and is responsible for supervising the Company's secretarial and other administrative matters of our operations in Hong Kong. Prior to joining the Group, Ms. Lam was a company secretary in a Canadian solicitors firm from July 1994 to October 1995, and prior to that was a company secretarial assistant in an architectural firm for nearly three years. Ms. Lam is an Associate of The Hong Kong Institute of Chartered Secretaries and an Associate of The Institute of Chartered Secretaries and Administrators.

Angus Au-Yeung Wai Kai
Executive Director

Mr. Angus Au-Yeung Wai Kai, aged 35, joined the Company as the Director — Corporate Finance on 5 February 2007 and was appointed as a Director on 17 September 2007. Mr. Au-Yeung's responsibilities include overseeing the finance operation, the investment and capital and the investor relationship aspects of the Company. Prior to joining the Company, Mr. Au-Yeung has worked in financial institutions focusing on commercial and investment banking since 1998. Mr. Au-Yeung possesses experience and knowledge of commercial and investment banking products and services, and he has conducted various transactions encompassing syndicated lending, initial public offerings, merger and acquisitions, corporate restructuring, valuation and financial analysis and regulation compliance.

Mr. Au-Yeung was an integral member of the professional team, which assisted the Company in its IPO completed in October 2006. Mr. Au-Yeung graduated with a bachelor's degree in Electronic Engineering from the University College London and a master's degree in Investment Analysis from Stirling University. Mr. Au-Yeung is a holder of the Chartered Financial Analyst designation awarded by the CFA Institute. He is also a member of the Hong Kong Securities Institute.

Tun Dato' Seri Abdul Hamid Bin Haji Omar
Independent Non-executive Director

Tun Dato' Seri Abdul Hamid Bin Haji Omar, aged 78, joined the Company as an Independent Non-executive Director on 18 August, 2003. Tun Hamid has been a member of the Malaysian judiciary for more than 30 years. He held the office of Lord President of the Supreme Court and was the head of the judiciary branch of Malaysia from 1988 to September 1994. Prior to his appointment as Lord President of the Supreme Court, he held the appointments of Chief Justice of the Federal Court of Malaysia from 1984 to 1988 and Justice of the Federal Court from 1980 to 1984 and was a judge of the High Court of Malaysia from 1968 to 1980. Before his appointment as a High Court judge, Tun Hamid also served in the Judicial and Legal service of The Government of Malaysia as Magistrate, Sessions Court President, Deputy Public Prosecutor, State Legal Advisor, Chief Registrar and Parliamentary Draftsman from 1956 to 1968. Tun Hamid graduated as a Barrister-at-Law in England and was called to the English Bar in November 1955. In April 1997, he was conferred the Honorary Degree of Doctor of Laws by the Oklahoma City University, United State of America. In recognition of his services to Malaysia, Tun Hamid has been conferred with various titles and awards, including Dato Paduka Mahkota Perak (which carries the title "Dato"), Panglima Setia Mahkota (which carries the title "Tan Sri"), Panglima Mangku Negara (which carries the title "Tan Sri") and Seri Setia Mahkota (which carries the title "Tun"). Tun Hamid is currently the Chairman of Olympia Industries Berhad and Lien Hoe Corporation Berhad, both of which are companies listed on the Malaysian Exchange. Tun Hamid has been involved in various professional and charitable organizations. He is currently the appointed Chancellor of Darjah Yang Mulia Setia Mahkota Malaysia, Honorary President of the Spastic Children's Association of Selangor and the Federal Territory, President of the Malaysian Leprosy Association and Special Advisor to the Malaysian Red Crescent Society.

Wong Choi Kay

Independent Non-executive Director

Ms. Wong Choi Kay, aged 40, joined the Company as the Chairperson of the Audit Committee and an Independent Nonexecutive Director in February 2005. Ms. Wong has been a consultant of the Great Canadian Gaming Corporation functioning in the lead role as chief audit executive in the business risk management and internal audit department. She was the airport improvement fee internal control and revenue administrator and project specialist of the Vancouver International Airport Authority from 2001 to June 2004. She also provided external consultancy services to KPMG Financial Advisory Services and KPMG Investigation and Security Inc., both of which are part of the Canadian member firm of KPMG International, from 1998 to 2004. She has also worked for the Workers Compensation Board of British Columbia and the Integrated Proceeds of Crime Section of the Royal Canadian Mounted Police in Vancouver, British Columbia as a forensic analyst and accountant. Ms. Wong is currently a consultant overseeing corporate governance work with casinos and other intensive cash-related enterprises functioning in the lead role as chief audit executive in the business risk management and internal audit department. Ms. Wong is a qualified expert witness in financial crimes and money laundering in the Supreme Court of British Columbia, a Certified Fraud Examiner and a Gaming Auditor. She is also a Certified Instructor in financial and internal control profiling, financial crimes and methodologies, and culture profiling for undercover or source handling. She has consulted with the Office of the Solicitor General of Canada to amend the Proceeds of Crime (Money Laundering) Act as well as assisted with the creation of a suspicious transaction reporting and cross-border currency reporting regime. Ms. Wong completed her graduate admission programme in advanced accounting in the University of British Columbia and British Columbia Institute of Technology in 1992. She graduated from the Queen's University in 1988 with a degree in political science and information technology and completed an associate programme certificate from Kent University in law studies in 1990. She is a Chartered Accountant of the Institute of Chartered Accountants of British Columbia.

Zhou Lian Ji

Independent Non-executive Director

Mr. Zhou Lian Ji, aged 75, joined the Company as an Independent Non-executive Director on 18 August 2003. Mr. Zhou has been active in the Chinese tourism industry since the 1980s and has previously served as the Director of Reception Office of Guangzhou Municipal Government of PRC, Deputy Director of Guangzhou Municipal Tourism Bureau, General Manager of Guangzhou Tour Company, General Manager and President of Guangdong (HK) Tours Co Ltd. Prior to 1997, Mr. Zhou was the Deputy General Manager of Guangdong Enterprises Holdings Ltd and a Director of Guangdong Investment Limited, which is listed on the Main Board of the Stock Exchange. Mr. Zhou also served as the Chief Secretary of the Preparatory Committee of the Hong Kong tourist industry to celebrate the return of Hong Kong to PRC in 1997. He was the Director of Travel Industry Council and Convenor of its Fellowship Committee. Currently Mr. Zhou is the Vice President of the Hong Kong Association of China Travel Organisers Ltd, President and Director of GZTC International Tours Co Ltd, Honourable President of Association Guangzhou CPPCC (Chinese People's Political Consultative Conference) Liaison Committee, President of the Association of Membership of HK Tours and Vice President of Ling Nan Culture Research Institute. Mr. Zhou graduated with a bachelor of economics degree from Hubei University in the PRC.

Leow Ming Fong

Independent Non-executive Director

Mr. Leow Ming Fong, aged 58, obtained his professional qualification as a member of the Institute of Chartered Accountants in England and Wales in London in 1972. He is a fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Chartered Accountants. Mr. Leow joined KPMG Malaysia in 1973 and in 1980 he became a partner of the firm until his retirement in December 2005. He has had over 32 years of audit experience in various industries including several public listed companies in Malaysia and multinational companies. While at KPMG Malaysia, he had overseas working assignments in Cambodia, Vietnam and Singapore. Since his retirement from KPMG, he has been appointed as an independent non-executive director to Malaysian public listed companies Kurnia Asia Berhad, Karambunai Corporation Berhad, FACB Industries Berhad and Petaling Tin Berhad in which Tan Sri Dr. Chen Lip Keong is the chief executive officer and the controlling shareholder. He is also an independent non-executive director to Canadia Bank PLC Limited, a commercial bank operating in Cambodia.

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

Independent Non-executive Director

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, aged 68, is a Malaysian Barrister-At-Law, Lincoln's Inn, London . Tan Sri Kadir had been holding full-time positions with the Federal Government of Malaysia since 1970, serving as Political Secretary, Parliamentary Secretary, Deputy Minister and Minister in various ministries almost continuously until his resignation as the Minister of Information of Malaysia on 14 February 2006. He was the Minister of Culture, Arts and Tourism of Malaysia for 5 years before his appointment as the Minister of Information of Malaysia in 2004. During his tenure as the Minister of Culture, Arts and Tourism of Malaysia, Tan Sri Kadir was also the Chairman of Tourism Promotion Board Malaysia. He is a lawyer by profession, having practiced as a partner at Hisham, Sobri & Kadir and Kadir, Khoo & Aminah from 1974 to 1982 and 1987 to 1990 respectively. Tan Sri Kadir is currently the Chairman and an independent nonexecutive director of Karambunai Corp Berhad, a company controlled by Tan Sri Dr Chen, the controlling shareholder of the Company.

Lim Mun Kee

Independent Non-executive Director

Mr. Lim Mun Kee, aged 40, is a Malaysian and a qualified accountant registered with Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants since 1995. Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has over 15 years of experience in auditing, finance and accountancy through working in several listed companies in Malaysia holding the position as the Accountant, Group Financial Controller and Head of Internal Audit. Currently, Mr. Lim is an independent director on the boards of Petaling Tin Berhad and FACB Industries Incorporated Berhad, companies controlled by Tan Sri Dr Chen, the controlling shareholder of the Company.

The board of Directors (the "Board") of the Company is committed to maintaining a high standard of corporate governance and ensuring integrity, transparency and adequate level of disclosure.

CORPORATE GOVERNANCE PRACTICES

In the Directors' opinion, having considered, amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as explained below), the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the financial year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

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

The Board currently consists of four executive Directors namely, Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*), Mr. David Martin Hodson, Ms. Monica Lam Yi Lin, Mr. Angus Au-Yeung Wai Kai, a non-executive Director namely, Mr. Timothy Patrick McNally (Chairman) and six independent non-executive Directors namely, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay, Mr. Zhou Lian Ji, Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee.

Each of the Directors' biographical information is set out under the heading "Board of Directors' Profile" in this report.

To the best knowledge of the Directors, there is no financial, business and family or other material/relevant relationship among members of the Board and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. All of the independent non-executive Directors have accepted a letter of appointment by the Company and none of them has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Board meets regularly throughout the year as and when necessary. Board minutes with appropriate detail are circulated to the Directors for comments within reasonable time after each meeting and are finalized and kept by the company secretary of the Company. Such Board minutes are open for Directors' inspection.

For the financial year ended 31 December 2007, 5 board meetings were held. Details of the attendances of the Board meetings are set out below:

Directors	No of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong *(Chief Executive Officer)*	4/5
Mr. David Martin Hodson	4/5
Ms. Monica Lam Yi Lin	5/5
Mr. Angus Au-Yeung Wai Kai (became an Executive Director on 17 September 2007)	2/5
Non-Executive Directors	
Mr. Timothy Patrick McNally *(Chairman)*	3/5
Independent non-executive Directors	
Tun Dato' Seri Abdul Hamid Bin Haji Omar	1/5
Ms. Wong Choi Kay	3/5
Mr. Zhou Lian Ji	4/5
Mr. Leow Ming Fong (became an independent non-executive Director on 15 May 2007)	2/5
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (became an independent non-executive Director on 17 September 2007)	2/5
Mr. Lim Mun Kee (became an independent non-executive Director on 17 September 2007)	2/5

Tun Dato' Seri Abdul Hamid Bin Haji Omar did not attend all board meetings by reasons of, among other things, poor health condition. Mr. Angus Au-Yeung Wai Kai, Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee did not, in the capacity as Directors, attend all board meetings by reasons of among other things, their respective appointments as Directors after commencement of various board meetings.

The Directors may seek independent professional advice as necessary, at the Company's expense, to assist them to discharge their duties. Appropriate and sufficient information is provided to the Directors in a timely fashion to keep them abreast of the Group's latest development.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

DELEGATION BY THE BOARD

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

AUDIT COMMITTEE

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

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

For the financial year ended 31 December 2007, 4 Audit Committee meetings were held and details of the attendances of the Audit Committee members are set out below:

Directors	No. of meetings attended/held
Independent non-executive Directors	
Mr. Leow Ming Fong (Chairman, who became an independent non-executive Director on 15 May 2007)	2/4
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (became an independent non-executive Director on 17 September 2007)	2/4
Mr. Lim Mun Kee (became an independent non-executive Director on 17 September 2007)	2/4

Mr. Leow Ming Fong acts as the Chairman of the Audit Committee. Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee did not, in the capacity as Directors, attend all Audit Committee meetings by reasons of among other things, their respective appointments as Directors after commencement of various Audit Committee meetings.

For the financial year ended 31 December 2007, the Audit Committee had considered, reviewed and/or discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditors including the terms of engagement; (3) the annual and interim financial results; and (4) the report on the Group's internal control with a focus on anti-money laundering ("AML") issued by an independent professional party. Each member of the Audit Committee has unrestricted access to the external auditors and all senior staff of the Group.

The Audit Committee recommended to the Board that, subject to the approval of the Company's shareholders ("Shareholders") at the forthcoming annual general meeting, Messrs. BDO McCabe Lo Limited be re-appointed as the external auditors of the Company.

REMUNERATION COMMITTEE

The Company has established written terms of reference for the Remuneration Committee in accordance with the requirements under the Listing Rules. The Remuneration Committee currently consists of Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, Tan Sri Dr Chen Lip Keong and Mr. Angus Au-Yeung Wai Kai. Tan Sri Dr Chen Lip Keong acts as the Chairman of the Remuneration Committee.

The principle responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company and to determine specific remuneration packages of all executive Directors and senior management of the Company and to make recommendations to the Board of the remuneration of non-executive Directors. Such remuneration policy is determined based on the expertise, capability, performance and responsibility of our Directors and senior management. The Remuneration Committee also takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In addition to salaries, we provide staff benefits such as medical insurance and contributions to staff's mandatory provident scheme.

For the financial year ended 31 December 2007, 3 Remuneration Committee meetings were held and details of the attendances of the Remuneration Committee members are set out below:

Directors	No. of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong *(Chairman)*	3/3
Mr. Angus Au-Yeung Wai Kai (became an Executive Director on 17 September 2007)	1/3
Independent non-executive Directors	
Mr. Leow Ming Fong (became an independent non-executive Director on 15 May 2007)	1/3
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (became an independent non-executive Director on 17 September 2007)	1/3
Mr. Lim Mun Kee (became an independent non-executive Director on 17 September 2007)	1/3

Tan Sri Dr Chen Lip Keong acts as the Chairman of the Remuneration Committee. Mr. Angus Au-Yeung Wai Kai, Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee did not, in the capacity as Directors, attend all Remuneration Committee meetings by reasons of, among other things, their respective appointments as Directors after commencement of various Remuneration Committee meetings.

NOMINATION COMMITTEE

The Company has established written terms of reference for the Nomination Committee in accordance with the requirements under the Listing Rules. The Nomination Committee currently consists of Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, Tan Sri Dr Chen Lip Keong and Mr. Angus Au-Yeung Wai Kai. Tan Sri Dr Chen Lip Keong acts as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review from time to time and as appropriate the structure, size and capability (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes to the composition of the Board. The Nomination Committee also undertakes to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of such individuals for directorships. The Nomination Committee will take into consideration factors such as qualification, work experiences, and time commitment for recommending suitable candidates to the Board. The Nomination Committee also assesses the independence of independent non-executive Directors and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of and succession planning for Directors.

For the financial year ended 31 December 2007, 2 Nomination Committee meetings were held and details of the attendances of the Nomination Committee members are set out below:

Directors	No. of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong *(Chairman)*	2/2
Mr. Angus Au-Yeung Wai Kai (became an Executive Director on 17 September 2007)	1/2
Independent non-executive Directors	
Mr. Leow Ming Fong (became an independent non-executive Director on 15 May 2007)	1/2
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (became an independent non-executive Director on 17 September 2007)	1/2
Mr. Lim Mun Kee (became an independent non-executive Director on 17 September 2007)	1/2

Tan Sri Dr Chen Lip Keong acts as the Chairman of the Nomination Committee. Mr. Angus Au-Yeung Wai Kai, Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee did not, in the capacity as Directors, attend all Nomination Committee meetings by reasons of, among other things, their respective appointments as Directors after commencement of various Nomination Committee meetings.

The Nomination Committee reviewed the composition of the Board during the year under review. The Board passed resolutions to appoint Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee as Independent non-executive Directors of the Company; to re-designate Mr. Timothy Patrick McNally as a non-executive Director; and to appoint Mr. Angus Au-Yeung Wai Kai as an Executive Director of the Company. Tun Dato' Seri Abdul Hamid Bin Haji Omar will not offer himself for re-election in the forthcoming annual general meeting. Mr. David Martin Hodson will not offer himself for re-election in the forthcoming annual general meeting. Upon conclusion of the forthcoming meeting, Tun Dato' Seri Abdul Hamid Bin Haji Omar will cease to be a Director and a member of the Group while, Mr. David Martin Hodson will cease to be a Director but remains with the Group and will focus on among others, charitable and social activities of the Group.

Pursuant to the articles of association of the Company, all Directors appointed to fill a casual vacancy should be subject to election by the Shareholders at the forthcoming general meeting of the Company after their appointment. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation such that all Directors should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, Mr. Angus Au-Yeung Wai Kai and Mr. Zhou Lian Ji being eligible to be re-elected as Directors, have offered themselves for re-election at the forthcoming annual general meeting. Mr. David Martin Hodson and Tun Dato' Seri Abdul Hamid Bin Haji Omar have not offered themselves for re-election and accordingly will cease to be Directors on conclusion of the said meeting.

INTERNAL CONTROLS

The AML Oversight Committee currently consists of Mr. David Martin Hodson, Timothy Patrick McNally, Ms. Wong Choi Kay, Mr. Leow Ming Fong and Tan Sri Dr Chen Lip Keong. The principal responsibility of the AML Oversight Committee is to formulate policies and strategies on AML development and implementation programmes as well as to help ensure quality control and to act as an oversight committee on AML matters. Mr. David Martin Hodson acts as the Chairman of the AML Oversight Committee.

The Company has engaged an independent professional party to review internal controls of the Group with a focus on AML for the financial year ended 31 December 2007. The independent professional party performed reviews of the internal controls of the Group and was of the view that, in general, the internal controls of the Group complied with the relevant recommendations of the Financial Action Task Force. For more details, please refer to the heading "Independent Internal Controls Review Report" in this report.

The Company has also engaged another independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2007. The independent professional party was of the view that, in general, the investment risks in Cambodia were manageable. For more details, please refer to the heading "Independent Review of Investment Risks in Cambodia" in this report.

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

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Messrs. BDO McCabe Lo Limited, about their reporting responsibilities on the financial statements of the Group is set out under the heading "Independent Auditor's Report" in this report.

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

AUDITORS' REMUNERATION

For the financial year ended 31 December 2007, the amounts paid to the external auditors of the Group in respect of the following services provided to the Group are set out below:

	2007 US$
Audit services	295,000

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to maintaining a continuing open dialogue with its shareholders through a number of formal communication channels. These include the Annual Report and Accounts, Interim Report and Accounts, and press release and announcements.

At the annual general meeting of the Company held on 15 May 2007, the Chairman and Chief Executive Officer of the Board as well as the chairman of the Audit Committee were present to answer the Shareholders' questions. Separate resolutions were proposed at such general meetings for each substantial issue. Details of the poll voting procedures and the rights of the Shareholders to demand a poll together with details of the proposed resolutions were included in the circular despatched to Shareholders. At the annual general meeting held on 15 May 2007, all the resolutions were dealt with on a show of hands and were duly passed by the Shareholders.

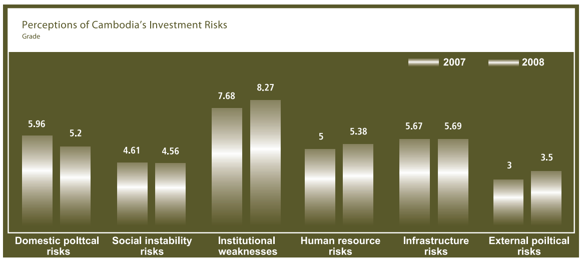
Political and Economic Risk Consultancy, Ltd. ("PERC")
20/F, Central Tower
28 Queen's Road
Central
Hong Kong

TO THE BOARD OF NAGACORP LTD.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia particularly as they relate to NagaCorp's casino, hotel and entertainment business operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks, social instability risks, institutional quality, human resource risks, infrastructure risks and external political risks.

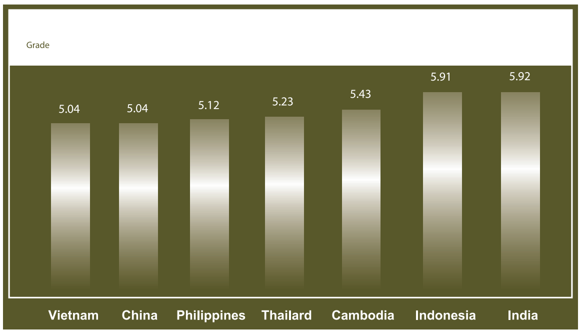
Based on the assessments and reviews carried out in December 2007 and January 2008, we summarised our findings below:

Perceptions of Cambodia's Investment Risks



Grades range from 0 to 10, with 0 being the best grade possible and 10 the worst.

How Perceptions of Cambodian Investment Risks Compare



Grades range from 0 to 10, with 0 being the best grade possible and 10 the worst.

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

- Domestic political risks
- Social instability risks
- Institutional quality, accountability and standards
- Human resource risks
- Physical factors such as infrastructure and environmental risks
- External political risks

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equal to the score of a broader variable while the weighted sum of the grades of the broader variable defines the overall investment risks in Cambodia. We have treated each variable as having equal importance and weights.

The maximum possible risk rating is 10 while the minimum is 0, being the most favorable grade possible. The overall risk rating for Cambodia is 5.43, which is in our view moderate.

The Positive Developments

- Cambodia's economy is growing at close to 10% in real terms per year, one of the most rapid growths in Asia, and all signs show that the momentum will stay strong in 2008. The driver for the economic expansion is the strengthening of namely, tourism, garment manufacturing and agriculture.
- The tourism industry, one of the main pillars of the economy, is growing rapidly, with increasing number of visitors from countries like China, Korea and Vietnam, i.e., nationalities who are or are likely to be NagaCorp's main client base.

- Cambodia continues to enjoy good relationships with its neighbor countries. Mainland Chinese companies are investing in factories in Cambodia and recognizing it as a competitive base for production. Rapid economic growth in Vietnam, as in China, is raising the number of people from these countries with incomes high enough to afford foreign travel and gaming facilities. Cambodia's relations with other ASEAN countries like Malaysia and Singapore are strong and stable. Both governments of Malaysia and Singapore have extended considerable assistance to Cambodia in its development efforts.

- The Cambodian Government is building roads, improving old ones and strengthening Cambodia's telecommunications capabilities in order to cope with rapid economic growth and the growing numbers of tourists. Private developers are also building condominium and houses suitable for the growing number of middle-class Cambodians as well as for foreigners seeking vacation accommodations in the country. China and Korea are both taking a major role in assisting Cambodia to develop new infrastructure. Korean companies are investing notably in urban development projects that are enhancing the country's attractiveness to foreign tourists, while China through its government is providing aid to improve the power and irrigations systems, roads and port related facilities in the country.

- Cambodia's political system is maturing and stabilizing, reducing the risks of disruptive political change and social unrest that could deter foreign tourists. The next National Elections, which are scheduled for July 2008, are likely to be the most peaceful yet and unlikely to produce any major political surprises.

The Challenges

- Corruption and weak government institutions.

- New competition in the form of machine gaming halls in Phnom Penh that currently cater to local gamblers as opposed to foreign tourists but which would affect the reputation of the gaming industry in general.

- The rapid growth of the economy is straining certain physical infrastructure, especially electric power, and also resulting in shortages of certain kinds of labor. These strains might to add to NagaCorp's costs and create new management challenges.

- The coming National Elections will attract more international journalists and human rights groups to Cambodia and could result in a focus on problem issues rather than successes. The reporting could paint an excessively negative picture of the country to potential investors when the real story is that the country is developing fast.

Robert Broadfoot
Managing Director
PERC
Hong Kong, 24 February 2008

Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of Political & Economic Risk Consultancy, Ltd. (PERC). Established in 1976, PERC is headquartered in Hong Kong and engaged principally in the monitoring and auditing country risks in Asia. From this base PERC manages a team of researchers and analysts in the ASEAN countries, the Greater China region and South Korea. Over 1,200 corporations and financial institutions worldwide currently use PERC's services to assess key trends and critical issues shaping the region, to identify growth opportunities, and to develop effective strategies for capitalizing on these opportunities.

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

INDEPENDENT INTERNAL CONTROLS REVIEW REPORT

Reviews of Internal Controls with a Focus on Anti-Money Laundering

Hill & Associates

Hill & Associates Ltd
2201-5 Shell Tower
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

INDEPENDENT REVIEWS OF INTERNAL CONTROLS WITH A FOCUS ON ANTI-MONEY LAUNDERING

TO THE BOARD OF NAGACORP LTD.

We have conducted independent reviews of the internal controls of NagaCorp Ltd. ("NagaCorp") with a focus on anti-money laundering ("AML") controls. The reviews were conducted in the August 2007 and February 2008.

The reviews focused on internal compliance with Financial Action Task Force recommendations ("FATF").

Our review team noted the expansion of our gaming operations of NagaCorp and the opening of more gaming space in NagaWorld. The review team noted high staff turnover and a vacancy in key internal audit position during the reviews. The review team also noted that NagaCorp has taken active steps to rectify the situation, which is not considered to be long-term in nature. NagaCorp has recruited a professional to fill the key internal audit position. The professional will report to office in March 2008.

The review team also noted changes in the gaming operating environment after the execution of a management agreement dated 13 December 2007 in respect of the provision of gaming management services by NagaCorp to a third party in a prescribed gaming hall in NagaWorld in return for fixed overriding gaming management fees. The review team is satisfied that NagaCorp maintains full control of the our gaming operations and these relationships and their business operations remain compliant with all relevant FATF recommendations.

The review team found NagaCorp is in full compliance with all relevant FATF recommendations.

David Fernyhough	**John Bruce**
Executive Vice President	*Senior Consultant (Gaming)*

Hill & Associates Ltd

Hong Kong, 24 February 2008

Hill & Associates Ltd is an independent security and risk management consultants with working knowledge of AML and risk management.

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activity of the Company and its subsidiaries (the "Group") is the operation of a hotel and entertainment complex, NagaWorld, in the Kingdom of Cambodia. Other particulars of its subsidiaries are set out in note 14 to the financial statements. An analysis of the Group's performance for the year by business segment is set out in note 11 to the financial statements. As the Group's operations are in Phnom Penh, Cambodia, no geographical segment information is presented.

APPLICATION OF IPO PROCEEDS

The net proceeds from the Company's listing on the Main Board of the Stock Exchange were approximately US$94.9 million, after deduction of related expenses. For the year ended 31 December 2007, the net proceeds were being used for the construction of NagaWorld and general working capital.

MAJOR JUNKET OPERATORS

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

	Percentage of the Group's total	
	Revenue	**Cost of sales**
The largest junket operator	13%	9%
Five largest junket operators in aggregate	33%	30%

To the best knowledge of the directors, none of the directors or their associates had any interest in the five largest junket operators for the financial year ended 31 December 2007.

RESULTS

The profit of the Group for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 46 to 95.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96 of the financial statements.

TRANSFER TO RESERVES

The profit attributable to equity shareholders of the Company, before dividends, of US$50,200,000 (2006: US$32,618,000) have been transferred to the reserves. Other movements in reserves are set out in note 22 to the financial statements.

An interim dividend of US cents 0.67 per share (2006: US cents 1.25 per share) was declared and paid on 2 November 2007. The directors proposed the payment of a final dividend of US cents 0.77 per share (2006: US$Nil) for the financial year ended 31 December 2007. The proposed final dividend together with the interim dividend represented a dividend payout ratio of approximately 60%. No special dividend was proposed or paid for financial year ended 31 December 2007 (2006: US cents 0.48 per share).

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to US$143,000 (2006: US$213,000) and all of which was donated in Cambodia (2006: US$128,000 in Hong Kong and US$85,000 in Cambodia).

FIXED ASSETS

During the year, the Group acquired fixed assets for approximately US$46.1 million (2006: US$13.1 million). Details of these purchases and other movements in fixed assets are set out in note 12 to the financial statements.

SHARE CAPITAL

During the year, there was no share issued by the Company. Details of the share capital of the Company are disclosed under note 22 to the financial statements.

REMUNERATION

In compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the Company has a remuneration committee to formulate compensation policies and determine and manage the compensation of the Company's senior management.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Company's directors and senior management are set out in note 6 to the financial statements.

DIRECTORS

The directors during the year and up to the date of the financial statements were:

Chairman and non-executive director:

Timothy Patrick McNally [M]

Executive directors:

Tan Sri Dr Chen Lip Keong [R/M/N]
David Martin Hodson [M]
Monica Lam Yi Lin
Angus Au-Yeung Wai Kai [R/N] (Appointed on 17 September 2007)

Tian Toh Seng (Ceased to be a director on 15 May 2007)
Lee Wing Fatt (Ceased to be a director on 15 May 2007)
John Pius Shuman Chong (Ceased to be a director on 15 May 2007)
Lew Shiong Loon (Ceased to be a director on 15 May 2007)

Independent non-executive directors:

Tun Dato' Seri Abdul Hamid Bin Haji Omar
Wong Choi Kay [M]
Zhou Lian Ji
Leow Ming Fong [A/R/M/N] (Appointed on 15 May 2007)
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir [A/R/N] (Appointed on 17 September 2007)
Lim Mun Kee [A/R/N] (Appointed on 17 September 2007)

A: Members of Audit Committee
R: Members of Remuneration Committee
N: Members of Nomination Committee
M: Members of Anti-Money Laundering Oversight Committee

In accordance with article 86 of the Articles, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Angus Au-Yeung Wai Kai who have been appointed as directors of the Company during the year hold office until the forthcoming annual general meeting and being eligible offer themselves for re-election.

Pursuant to article 87 of the Articles, Mr. David Martin Hodson, Tun Dato' Seri Abdul Hamid Bin Haji Omar and Mr. Zhou Lian Ji shall retire from office by rotation at the forthcoming annual general meeting and Mr. Zhou Lian Ji being eligible, offer himself for re-election at the annual general meeting. Mr. David Martin Hodson and Tun Dato' Seri Abdul Hamid Bin Haji Omar will not offer themselves for re-election and accordingly will cease to be Directors on conclusion of the forthcoming annual general meeting.

Upon conclusion of the forthcoming annual general meeting, Tun Dato' Seri Abdul Hamid Bin Haji Omar will cease to be a member of the Group while Mr. David Martin Hodson will remain with the Group focusing on among others, charitable and social activities of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The directors who held office at 31 December 2007 had the following interests in the shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by directors of listed companies:

Interests in issued shares

Name of director	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Tan Sri Dr Chen Lip Keong	Beneficial interest in the Company through his interest in Cambodia Development Corporation Limited ("CDC")	161,197,228	7.8
Tan Sri Dr Chen Lip Keong	Beneficial interest in the Company through his interest in Fourth Star Finance Corp.	588,959,599	28.4
Tan Sri Dr Chen Lip Keong	Personal interest in the Company	641,810,277 (Note)	30.9

Note: Of the 641,810,277 shares of the Company in which Tan Sri Dr Chen Lip Keong has an interest, Evolution Master Fund Ltd. SPC, Segregated Portfolio M has security interest over 114,333,659 shares and it has been granted an option by Tan Sri Dr Chen Lip Keong to subscribe for 49,263,993 shares of the Company for the period from 20 October 2007 to 14 June 2009.

On 22 and 23 January 2008, Tan Sri Dr Chen Lip Keong had acquired in aggregate 752,000 shares in the Company. After taking into consideration of the acquisition, Tan Sri Dr Chen Lip Keong interested in approximately 1,392,719,104 shares in the Company, representing approximately 67.1% of its total issued share capital.

Mr. Angus Au-Yeung Wai Kai, in the personal capacity, is interested in 12,000 shares in the Company.

Save as disclosed above, as at 31 December 2007, none of the directors of the Company had any interests or short positions in the shares of the Company, any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by directors of listed companies.

SHARE OPTION SCHEME

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

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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the directors or the chief executives of the Company are aware of, as at 31 December 2007, the shareholders, other than the directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Substantial shareholders	Capacity	Number of ordinary shares held	% of total issued ordinary shares of the Company
Cambodian Development Corporation (Note 1)	Beneficiary	161,197,228(L)	7.77(L)
Fourth Star Finance Corp (Note 1 & 4)	Trustee	588,959,599(L)	28.38(L)
Evolution Capital Management, LLC (Note 2)	Investment manager	166,425,652(L)	8.02(L)
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M (Note 2)	Security interest	187,211,652(L)	9.02(L)
Citigroup Inc. (Note 3)	Beneficiary	127,505,659(L)	6.14(L)
Merrill Lynch & Co Inc (Note 4)	Interests of controlled corporations	336,295,931(L)	16.20(L)
Merrill Lynch Group Inc ("MLG") (Note 4)	Interests of controlled corporations	336,295,931(L)	16.20(L)
Merrill Lynch Diversified Investments, LLC ("MLDI") (Note 4)	Interests of controlled corporations	336,295,931(L)	16.20(L)
Merrill Lynch Credit Products, LLC ("MLCP") (Note 4)	Interests of controlled corporations	336,295,931(L)	16.20(L)
Fortis Intertrust Agency & Escrow Pte. Ltd. (Note 4)	Security interest	588,959,599(L)	28.38(L)
CarVal GVF GP L.P. ("CGGLP") (Note 5)	Interests of controlled corporations	353,375,760(L)	17.00(L)

Substantial shareholders	Capacity	Number of ordinary shares held	% of total issued ordinary shares of the Company
CVI Global Value Fund A ("CVIGVA") (Note 5)	Interests of controlled corporations	353,375,760(L)	17.00(L)
CVI Global Value Fund B ("CVIGVB") (Note 5)	Interests of controlled corporations	353,375,760(L)	17.00(L)
CVI Global Value Fund Cayman L.P. ("CVIGVF") (Note 5)	Interests of controlled corporations	353,375,760(L)	17.00(L)
CVI GVF (Lux) Master Sarl (Note 5)	Beneficiary	353,375,760(L)	17.00(L)
L-R Gobal Partners, L.P. (Note 6)	Investment manager	103,790,000(L)	5.00(L)

Notes:

(1) The beneficial owner of Cambodian Development Corporation and Fourth Star Finance Corp is Tan Sri Dr Chen Lip Keong.

(2) Evolution Capital Management, LLC is the investment manager of Evolution Master Fund, Ltd. SPC, Segregated Portfolio M.

(3) Citigroup Inc. has an interest in 127,505,659 Shares as a beneficiary, and acts through its wholly-owned and non-wholly owned subsidiaries.

(4) Merrill Lynch & Co lnc. had security interest over the 336,295,931 Shares which are held by Fourth Star Finance Corp..

Fortis Intertrust Agency & Escrow Pte. Ltd. is the escrow agent for Merrill Lynch & Co Inc to hold the 588,959,599 shares and thus was deemed to be having security interest in the 588,959,599 Shares.

As at the date of this report, Merrill Lynch & Co. Inc. is a wholly-owned subsidiary of MLG, which in turn is a wholly-owned subsidiary of MLDI, which is a wholly-owned subsidiary of MLCP. Accordingly, MLG, MLDI and MLCP are deemed to be interested in 336,295,931 Shares under the SFO.

(5) The interests of CVI GVF (Lux) Master Sarl in the 353,375,760 shares of the Company include the interests in the Company held by CVIGVF, CGGLP, CVIGVA and CVIGVB by virtue of having direct or indirect control over such companies.

As at the date of this report, CVI GVF (Lux) Master Sarl is a wholly-owned subsidiary of CVIGVF, which is an affiliate of CGGLP, and both CVIGVF and CGGLP are jointly controlled by CVIGVA and CVIGVB. Accordingly, CVIGVF, CGGLP, CVIGVA and CVIGVB are deemed to be interested in 353,375,760 Shares under the SFO.

(6) L-R Gobal Partners, L.P. holds the 103,790,000 shares jointly with L-R Global Fund Ltd.. L-R Gobal Partners, L.P. and L-R Global Fund Ltd. holds 56,901,580 shares and 46,888,420 shares respectively.

(7) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above and so far as the directors and the chief executives of the Company are aware of, as at 31 December 2007, no other party (other than the directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of these financial statements, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

PROPERTIES

Particulars of the major properties and property interests of the Group are shown under note 12 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the listed securities of the Company.

CONNECTED TRANSACTIONS

During 2007, the Company entered into (or continued to be party to) certain transactions with the First Travel & Tours (M) Sdn Bhd ("FTT"), Karambunai Resorts Sdn Bhd ("KRSB") and Karambunai Corp Bhd. FTT has been providing air ticketing and travel booking services to the Group, primarily in relation to travel between Cambodia and other parts of South East Asia. KRSB has provided accommodation and facilities in Malaysia for the use of the Group. Karambunai Corp Bhd and/or its subsidiary have entered into lease agreements with the Group for renting an office space in Malaysia and taking up an office space in Hong Kong. Tan Sri Dr Chen Lip Keong is a controlling shareholder of all three companies and therefore is considered as a connected person.

Although these transactions were "connected transactions" as defined in the Listing Rules, all of them were either sharing of administrative services or de minimis transactions respectively exempted under rule 14A.33(3) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in normal courses of business by the Group are set out in note 28 to the financial statements. Those related party transactions which constituted connected transactions under Chapter 14A of the Listing Rules have complied with disclosure requirements thereon.

AUDITORS

KPMG acted as auditors of the Company for financial years ended 31 December 2005 and 2006. KPMG resigned on 14 September 2007 and the directors of the Company appointed BDO McCabe Lo Limited to fill the casual vacancy. BDO McCabe Lo Limited audited the Company's financial statements for the financial year ended 31 December 2007.

By order of the board

Timothy Patrick McNally
Chairman
Hong Kong,

24 February 2008

Independent Auditor's Report

BDO McCabe Lo Limited
Certified Public Accountants
德豪嘉信會計師事務所有限公司

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
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香港干諾道中 111 號
永安中心 25 樓
電話：(852) 2541 5041
傳真：(852) 2815 2239

Independent auditor's report to the shareholders of NagaCorp Ltd.
(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 46 to 95, which comprise the consolidated and Company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the financial position of the Company and of the Group as of 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and the Cayman Islands Companies Law.

BDO McCabe Lo Limited
Certified Public Accountants
Tony Yuk Tung Chan
Practising Certificate Number P04654

24 February 2008

Consolidated Income Statement

for the year ended 31 December 2007

(Expressed in United States dollars)

	Note	2007	2006
		$'000	$'000
Revenue	3	144,024	85,412
Cost of sales		(65,884)	(34,515)
Gross profit		78,140	50,897
Other revenue	4	4,084	1,671
Administrative expenses		(12,498)	(6,879)
Amortisation of casino licence premium	13	(3,547)	(3,547)
Depreciation and amortisation	12(a)	(1,391)	(374)
Other operating expenses		(12,875)	(7,629)
Profit before taxation	5	51,913	34,139
Income tax	7	(1,713)	(1,521)
Profit attributable to equity shareholders of the Company	8	50,200	32,618
Dividends payable to equity shareholders of the Company attributable to the year:	9		
Interim dividend declared during the year		14,000	18,000
Final dividend proposed after the balance sheet date		16,000	—
Special dividend proposed after the balance sheet date		—	10,000
		30,000	28,000
Earnings per share (US cents)	10	2.42	2.12

The notes on pages 53 to 95 form part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 December 2007

(Expressed in United States dollars)

	Note	2007	2006
		$'000	$'000
Non-current assets			
Property, plant and equipment	12(a)	91,548	46,868
Interest in leasehold land held for own use under operating lease	12(a)	664	674
Intangible assets	13	98,124	101,671
		190,336	149,213
Current assets			
Consumables	15	51	17
Trade and other receivables	16	33,453	12,132
Deposit payments for the purchase of raw materials	17	3,022	8,312
Cash and cash equivalents		56,229	78,301
		92,755	98,762
Current liabilities			
Trade and other payables	19	18,416	9,973
Current tax liabilities		—	11
Obligations under finance leases	21	2	2
Provisions	20	2,096	2,096
		20,514	12,082
Net current assets		72,241	86,680
Total assets less current liabilities		262,577	235,893
Non-current liabilities			
Obligations under finance leases	21	9	11
NET ASSETS		262,568	235,882

Consolidated Balance Sheet

at 31 December 2007

(Expressed in United States dollars)

	Note	2007	2006
		$'000	$'000
CAPITAL AND RESERVES	22		
Share capital		25,938	25,938
Reserves		236,630	209,944
TOTAL EQUITY		262,568	235,882

Approved and authorised for issue by the board of directors on 24 February 2008

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 53 to 95 form part of these consolidated financial statements.

Balance Sheet

at 31 December 2007

(Expressed in United States dollars)

	Note	2007	2006
		$'000	$'000
Non-current assets			
Plant and equipment	12(b)	386	—
Investments in subsidiaries	14	15,500	15,500
		15,886	15,500
Current assets			
Trade and other receivables	16	162,833	139,037
Cash and cash equivalents		38,904	73,496
		201,737	212,533
Current liabilities			
Trade and other payables	19	6,620	12,509
Net current assets		195,117	200,024
NET ASSETS		211,003	215,524
CAPITAL AND RESERVES	22		
Share capital		25,938	25,938
Reserves		185,065	189,586
TOTAL EQUITY		211,003	215,524

Approved and authorised for issue by the board of directors on 24 February 2008

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 53 to 95 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

(Expressed in United States dollars)

	Note	$'000
Total equity at 1 January 2006		21,296
Shares issued	22	144,915
Profit for the year	22	32,618
Capital contribution from ultimate controlling shareholder	22	55,000
Dividends declared	9	(18,000)
Exchange differences on translation of the accounts of foreign entities	22	53
Total equity at 31 December 2006		235,882
Total equity at 1 January 2007		235,882
Overprovision of share issued cost in prior year	22	415
Profit for the year	22	50,200
Dividends declared	9	(24,000)
Exchange differences on translation of the accounts of foreign entities	22	71
Total equity at 31 December 2007		262,568

The notes on pages 53 to 95 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

(Expressed in United States dollars)

	2007	2006
	$'000	$'000
Operating activities		
Profit before taxation	51,913	34,139
Adjustments for:		
– Depreciation and amortisation	1,391	374
– Amortisation of casino licence premium	3,547	3,547
– Interest income	(2,451)	(1,589)
– Exchange gain	(523)	(86)
– Impairment loss on trade receivable	152	—
– Loss on disposal of property, plant and equipment	4	—
– Reversal of accruals of other taxes and contingencies	(1,597)	—
Operating profit before changes in working capital	52,436	36,385
Increase in consumables	(34)	—
Increase in trade and other receivables	(21,466)	(4,259)
Increase/(decrease) in trade and other payables	9,631	(7,742)
Cash generated from/(used in) operations	40,567	24,384
Tax paid	(1,724)	(4,264)
Net cash generated from operating activities	38,843	20,120
Investing activities		
Interest received	2,451	1,589
Payment for the purchase of plant and equipment and for the construction cost of property	(39,376)	(20,737)
Proceeds from disposal of plant and equipment	12	44
Net cash used in investing activities	(36,913)	(19,104)

Consolidated Cash Flow Statement

for the year ended 31 December 2007

(Expressed in United States dollars)

	2007	2006
	$'000	$'000
Financing activities		
Proceeds from issue of shares, net of costs	—	96,645
Dividend paid	(24,000)	(20,025)
Repayment of finance leases	(2)	(5)
Net cash (used in)/generated from financing activities	(24,002)	76,615
Net (decrease)/increase in cash and cash equivalents	(22,072)	77,631
Cash and cash equivalents at beginning of the year	78,301	670
Cash and cash equivalents at end of the year	56,229	78,301

The notes on pages 53 to 95 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

NagaCorp Ltd. (the "Company") is a public company incorporated in the Cayman Islands and has its principal place of business at NagaWorld, South of Samdech, Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company is engaged in investment holding while the Group is engaged principally in the management and operation of a hotel and casino complex known as NagaWorld in Phnom Penh, the capital city of the Kingdom of Cambodia.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

(a) Adoption of new or revised International Financial Reporting Standards

The International Accounting Standards Board has issued certain new and revised standards, amendments and interpretations ("new IFRSs") that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new IFRSs has no material impact on the financial statements of the Group for the years ended 31 December 2006 and 31 December 2007. As a result, no prior period adjustment has been required.

However, the adoption of "IFRS 7 Financial Instruments: Disclosure" and "Amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures" resulted in a more extensive disclosure in respect of financial instruments and in additional disclosure on capital management policy respectively. Comparative information have been restated to achieve a consistent presentation.

The Group has not applied any new or revised standard or interpretation that is not yet effective for the current accounting period (note 30). However, the directors anticipate that the application will have no material impact on the consolidated financial statements.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost basis.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 32.

The financial statements are presented in United States dollars and rounded to the nearest thousands, which is same as the functional currency of the Company.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities, that another entity is classified as a subsidiary. The consolidated financial statements comprise of the results of the Company and its subsidiaries.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders, if any, is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, including income and expenses, and any unrealised profit or loss arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

(d) Property, plant and equipment

(i) Owned assets

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(f)).

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(s)); and
- other items of property, plant and equipment.

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

(ii) Leased assets

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

Buildings	50 years
Renovations, furniture and fittings	5 – 10 years
Motor vehicles	5 years
Plant and equipment	5 – 10 years

No depreciation is provided for capital work-in-progress.

(e) Intangible assets

Casino licence premium

The premium paid for the licence, and related exclusivity periods, to operate the casino in Phnom Penh is stated at cost less accumulated amortisation and impairment losses (see note 1(f)).

Amortisation is charged to the income statement on a straight-line basis over the period of exclusivity of the licence.

(f) Impairment of assets

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

– property, plant and equipment; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Consumables

Consumables comprising food and beverage, diesel and sundry store items are stated at the lower of cost and net realisable value, which is determined principally on a weighted average basis.

(h) Trade and other receivables

Trade and other receivables (including amounts due from subsidiaries) are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the effect of discounting is immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(i) Trade and other payables

Trade and other payables (including amounts due to subsidiaries and amount due to a related party) are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Provisions

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

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

(k) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The income tax of the gaming branch of the Company's subsidiary, Nagaworld Limited (formerly known as Naga Resorts & Casinos Limited) ("NWL") represents Obligation Payments (refer to note 7(a)).

(l) Cash and cash equivalents

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

(m) Commissions and incentives

Commissions and incentive expenses represent amounts paid and payable to special tour group ("STG") operators and non-STG operators, and are included in cost of sales when incurred by the Group.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the balance sheet date. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign enterprises are translated into United States dollars at the average exchange rates for the year; balance sheet items are translated into United States dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves. All other translation differences are included in the income statement.

The Functional currency of the Group has been determined as United States dollars rather than Cambodian Riel, the domiciled currency, on basis that the gaming and other operations transactions are undertaken in United States dollars.

(p) Dividends

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

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format for the purposes of the financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions that are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment tangible assets that are expected to be used for more than one period.

(r) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediates, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the party is subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent or a close family member of such an individual or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Related parties (continued)

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence or be influenced by, that individual in their dealings with the entity.

(s) Leased assets

Classification of assets leased to the group

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

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d)(iii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Operating lease charges

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Revenue recognition

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

(i) Casino revenue represents net house takings arising from casino operations and is recognised in the income statement when the stakes are received by the casino and the amounts are paid out to the players.

(ii) Gaming machine revenue represents net winnings from the operation of gaming machine stations, and is recognised in the income statement when the stakes are received and the amounts are paid out to players.

(iii) Income from operating lease for the provision and maintenance of gaming machine stations which comprise a minimum profit share and fixed payments from gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in the income statement in equal instalments over the period of the contract, and any additional revenue relating to profit share arrangements are recognised when the right to receive such amounts is ascertained.

(iv) Income from restaurant represents revenue from the provision of food and beverages and is recognised when the service is provided.

(v) Interest income is recognised as it accrues using the effective interest method.

2 CASINO LICENCE

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

(a) Duration of Licence

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

(b) Exclusivity

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

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

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

2 CASINO LICENCE (continued)

(c) Casino Complex

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

3 REVENUE

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

	2007	2006
	$'000	$'000
Casino operations	140,788	82,023
Income from operating lease for the provision and maintenance of gaming machine stations	3,070	3,097
Other operations	166	292
	144,024	85,412

In December 2007, the Group entered into a management agreement with a third party to provide gaming management services in a prescribed gaming hall in NagaWorld for a period of ten years. In return, the Group is entitled to receive from the third party gaming management fees of US$2.1 million per month for the first five years and US$2.6 million per month for the next five years. It is intended that the prescribed gaming hall will be ready for the third party in 2008.

Revenue from other operations comprises income from a food and beverage outlet and restaurant.

4 OTHER REVENUE

	2007	2006
	$'000	$'000
Interest income	2,451	1,589
Rental income	36	82
Other income (note (i))	1,597	—
	4,084	1,671

(i) Current year other income represents reversal of accruals of other taxes and contingencies.

Notes to the Consolidated Financial Statements

5 PROFIT BEFORE TAXATION

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

		2007	2006
		$'000	$'000
(a)	Staff costs (including directors' remuneration):		
	Salaries, wages and other benefits	13,393	7,461
	Contributions to defined retirement scheme	5	4
	Total staff costs	13,398	7,465
	Average number of employees (Full-time equivalent)	1,709	978
(b)	Other items:		
	Auditor's remuneration	295	309
	Fuel expenses	1,490	905
	Loss on disposal of plant and equipment	4	—
	Impairment loss on trade receivable	152	—
	Other taxes (note (a))	33	86
	Depreciation and amortisation	1,391	374
	Amortisation of casino licence premium	3,547	3,547
	Operating lease changes for:		
	– office and carpark rental	220	35
	– land lease rental	192	170
	– hire of equipment	—	43
	Exchange gain	(523)	(86)

Note:

(a) Other taxes relate to salary taxes, fringe benefit taxes and withholding taxes.

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION

(a) Directors' remuneration

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

	Annual performance bonus	Discretionary bonus	Fees	Basic salaries, allowances and benefits in kind	Retirement scheme contributions	Compensation for loss of office	2007 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive Directors							
Tan Sri Dr Chen Lip Keong	1,190	—	—	240	—	—	1,430
David Martin Hodson	—	—	—	131	—	—	131
Monica Lam Yi Lin	—	38	—	57	3	—	98
Angus Au-Yeung Wai Kai (note i)	—	—	—	31	1	—	32
Tian Toh Seng (note iii)	—	245	—	62	—	—	307
Lee Wing Fatt (note iii)	—	230	—	58	—	—	288
Lew Shiong Loon (note iii)	—	194	—	44	—	—	238
Non Executive directors							
Timothy Patrick McNally	—	—	179	—	—	—	179
Independent non-executive directors							
Wong Choi Kay	—	—	26	—	—	—	26
Tun Dato' Seri Abdul Hamid Bin Haji Omar	—	—	—	—	—	100	100
Zhou Lian Ji	—	—	—	—	—	50	50
Leow Ming Fong (note ii)	—	—	16	—	—	—	16
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (note i)	—	—	8	—	—	—	8
Lim Mun Kee (note i)	—	—	8	—	—	—	8
Total	**1,190**	**707**	**237**	**623**	**4**	**150**	**2,911**

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(a) Directors' remuneration (continued)

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

	Annual performance bonus	Discretionary bonus	Basic salaries, allowances and benefits in kind	Retirement scheme contributions	2006 Total
	$'000	$'000	$'000	$'000	$'000
Executive directors					
Tan Sri Dr Chen Lip Keong	697	—	240	—	937
Tian Toh Seng	—	—	134	—	134
Lee Wing Fatt	—	—	127	—	127
David Martin Hodson	—	—	51	—	51
Monica Lam Yi Lin	—	—	43	2	45
Lew Shiong Loon	—	98	96	—	194
Independent non-executive directors					
Timothy Patrick McNally	—	—	51	—	51
Wong Choi Kay	—	—	26	—	26
Total	**697**	**98**	**768**	**2**	**1,565**

Notes:

(i) Appointed on 17 September 2007

(ii) Appointed on 15 May 2007

(iii) Ceased to be a director on 15 May 2007

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior year.

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(a) Directors' remuneration (continued)

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

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

Tan Sri Dr Chen Lip Keong is entitled to PBT of approximately $1.1 million for the financial year ended 31 December 2007 (2006: $0.7 million).

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(b) Senior management remuneration

Of the five individuals with the highest emoluments, four (2006: four) are directors whose emoluments are disclosed in note 6(a). The aggregate of the emoluments in respect of the other one individual for the year ended 31 December 2007 (2006: one) are as follows:

	2007	2006
	$'000	$'000
Basic salaries, housing and other allowances and benefits in kind	181	103

The emoluments of the remaining one individual (2006: one) with the highest emoluments are within the following band:

	2007 Number of individuals	2006 Number of individuals
$50,001 – $100,000	1	1

7 INCOME TAX

Income tax in the income statement represents:

	2007	2006
	$'000	$'000
Current tax expense (note (a))	1,713	1,521

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

	2007	2006
	$'000	$'000
Profit before taxation	51,913	34,139
Profits tax using Cambodian corporation tax rate	10,383	6,828
Tax exempt profits from Cambodian operations (note (a))	(10,379)	(6,826)
Obligation payments (note (a))	1,709	1,519
Income tax	1,713	1,521

Notes:

(a) **Income tax in the income statement**

Income tax represents obligation payments of $142,383 (2006: $126,563) per month payable to the Ministry of Economy and Finance ("MOEF") of Cambodia payable by NWL Gaming Branch as explained below and minimum profits tax of $3,471 (2006: $1,966) for the NWL Hotel and Entertainment Branch.

(i) Casino tax and licence fees

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

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

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

7 INCOME TAX (continued)

Notes: (continued)

(a) Income tax in the income statement (continued)

(i) Casino tax and licence fees (continued)

In May 2000, the MOEF levied an "Obligation Payment" of $60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003, in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. NWL has also obtained a legal opinion confirming that the Obligation Payment is not payable prior to January 2000. In December 2003, the MOEF revised the Obligation Payment from $60,000 per month to $100,000 per month for the year ended 31 December 2004, $112,500 per month for the year ended 31 December 2005, $126,563 per month for the year ended 31 December 2006, and $142,383 per month for the year ended 31 December 2007.

Such payments will be subject to an annual increase of 12.5% thereafter until the full completion of NagaWorld. On 13 November 2006, the MOEF revised the terms of the increase in the Obligation Payments with NWL and agreed a 12.5% annual increase for a period of seven years to 2013.

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

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

During 2004 and 2005, the Group and the Government were in discussions on the settlement of outstanding Gaming and non-Gaming Obligation Payments and their related tax penalties and late payment interest for the period to 31 December 2005.

On 11 May 2006, the Government formally confirmed the settlement terms of outstanding taxes for the period to 31 December 2005 in respect of outstanding Gaming Obligation Payments and non-Gaming Obligation Payments, and their related tax penalties and late payment interest. The Government confirmed that no additional penalties were due to the Government in respect of the year ended 31 December 2005 and that an additional $89,000 of late payment interest is due in respect of outstanding Gaming Obligation Payments and non-Gaming Obligation Payments for the year ended 31 December 2005 and on the previously agreed instalments in accordance with an agreement between the Group and Government dated 12 November 2004 in respect of Gaming Obligation Payments, non-Gaming Obligation Payments and their related penalties and late payment interest for the period ended 31 December 2004.

The outstanding Gaming Obligation Payments and non-Gaming Obligation Payments, and their related tax penalties and late payment interest for 2005, and the outstanding instalments in accordance with the agreement dated 12 November 2004 were settled by the Group in instalments from May to September 2006. The additional late payment interest that the Government formally confirmed on 11 May 2006 has been charged to the income statement during the year ended 31 December 2005.

Subsequently on 3 August 2006, NWL further obtained a letter from the Government acknowledging the payment of May, June and July 2006 instalments of US$250,000, US$1,000,000 and US$1,000,000 respectively totalling US$2,250,000 and further confirmed that the remaining instalments shall be paid accordingly with no additional interest, fine and penalty imposed on NWL. In addition, the Government allowed the Branch to settle its outstanding gaming Obligation Payments and non-gaming Obligation Payments from February 2006 to July 2006 in October 2006 with no interest, fine and penalty imposed.

On 15 September 2006, NWL obtained another letter from the MOEF informing NWL that in view of NWL honouring and performing its obligation in settling its tax instalments promptly up to August 2006, the MOEF decided to extend the due date of the final instalment of US$1,305,759, which was due for payment in September 2006, to October 2006. As for the settlement of other obligation payments, NWL shall continue to conform to existing resolution of the MOEF.

On 16 November 2006, NWL received a letter from the MOEF clarifying the terms of payment of the gaming obligation payment to the Government. In respect of gaming tax, the Branch shall continue to pay its obligation payment, which is subject to an annual increase of 12.5% for a period of seven (7) years until year 2013 which, the MOEF mentions, is a period for NWL to complete the construction of its casino and other associated activities. From year 2014 onwards, the gaming obligation payment shall be reviewed on the basis of the "actual position" of NWL.

7 INCOME TAX (continued)

Notes: (continued)

(a) Income tax in the income statement (continued)

(ii) Corporate and other taxes on gaming activities

Current tax expense represents Obligation Payments for NWL Gaming Branch as explained above and minimum profits tax for the Hotel and Entertainment Branch.

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

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

As explained in note 7(a)(i) above in respect of gaming activities, NWL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NWL dated 15 September 2000, clarifying that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NWL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NWL, however, is obliged to pay taxes on other non-gaming services and activities payable under the law of taxation of Cambodia.

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

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

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

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL Gaming Branch in respect of tax on non-gaming activities of a fixed sum of $30,500 per month for the six months ended 31 December 2002. For the two years ended 31 December 2004, the non-gaming Obligation Payment was revised from $30,500 per month to $31,000 per month. In November 2004, the MOEF revised the non-gaming Obligation Payment from $31,000 per month to $34,875 per month for the year ended 31 December 2005, in December 2005, the MOEF revised the non-gaming. Obligation Payment to $39,235 per month for the year ended 31 December 2006 and in December 2006, the MOEF revised the non-gaming Obligation Payment to $44,140 per month for the year ended 31 December 2007. The monthly rate of non-gaming Obligation Payment will be reviewed annually according to circumstances.

The above non-gaming Obligation Payment is considered as representing various other taxes such as salary tax, fringe benefit tax, withholding tax and value-added tax which are included in operating expenses in the income statement. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties imposed are similar to the Gaming Obligation Payment penalties as stated in note 7(a)(i) above and arrears and related penalties and interest are similar to the Gaming Obligation Payments as stated in note 7(a)(i) above.

7 INCOME TAX (continued)

Notes: (continued)

(b) Taxes on other businesses

NWL Hotel and Entertainment Branch that owns NagaWorld has been granted tax incentives by the Council for the Development of Cambodia ("CDC") and the profits from the Branch will be taxed at 9% up to March 2008. Thereafter the profits from the Branch will be subject to normal profits tax of 20%. The Branch is required to pay a minimum profits tax of 1% of turnover in the event of a loss for the year or when the profits tax levied on the profits is less than the minimum profits tax. The CDC has also approved exemption from import duty on materials and equipment imported for the construction of NagaWorld.

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

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

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

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

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

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

(d) Deferred taxation

No provision for deferred taxation has been recognised as the Group has no significant deferred tax assets or liabilities at the balance sheet date.

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $19,064,000 (2006: $16,317,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

	2007	2006
	$'000	$'000
Interim dividend declared:		
2007: US cents 0.67 per ordinary share	14,000	—
2006: US cents 1.25 per ordinary share	—	18,000
Final tax exempted dividend proposed:		
2007: US cents 0.77 per ordinary share	16,000	—
Special dividend proposed after balance sheet date of US cents 0.48 per ordinary share	—	10,000
	30,000	28,000

The interim dividend of $14,000,000 relating to the year ended 31 December 2007 was declared and paid in November 2007.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $50,200,000 (2006: $32,618,000) and the weighted average number of 2,075,000,000 (2006: 1,541,048,745) ordinary shares in issue during the year.

The weighted average number of ordinary shares are as follows:

	2007	2006
At 1 January	2,075,000,000	1,297,667,589
Effect of shares issued to Tan Sri Dr Chen Lip Keong in settlement of $55 million due to a related party (note 28)	—	126,942,800
Effect of initial public offering (note 22)	—	116,438,356
At 31 December	2,075,000,000	1,541,048,745

11 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

	Casino operations	Hotel and entertainment operations	Unallocated	Inter-segment elimination	Total
	$'000	$'000	$'000	$'000	$'000
Revenue from external customers:					
Year ended 31 December					
2006	85,120	489	3,950	(4,147)	85,412
2007	143,858	1,133	3,950	(4,917)	144,024
Segment profit/(loss) from operations:					
Year ended 31 December					
2006	38,745	(653)	(3,953)	—	34,139
2007	56,680	(1,118)	(3,649)	—	51,913
Segment assets:					
31 December 2006	116,915	54,836	76,224	—	247,975
31 December 2007	150,238	91,032	41,821	—	283,091
Segment liabilities:					
31 December 2006	(8,507)	(1,773)	(1,813)	—	(12,093)
31 December 2007	(16,460)	(2,755)	(1,308)	—	(20,523)
Total net assets:					
31 December 2006	108,408	53,063	74,411	—	235,882
31 December 2007	133,778	88,277	40,513	—	262,568

Revenue and profit from the "hotel and entertainment operations" comprise income from the operation of a food and beverage outlet and restaurant. In addition to assets employed for the operation of the food and beverage outlet and restaurant, the assets of "the hotel and entertainment operations" also include leasehold land and capital work-in-progress for the NagaWorld project in Phnom Penh.

All activities and net assets relate to continuing operations.

11 SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Cashflows from operating and investing activities can be analysed as follows:

	Casino operations	Hotel and entertainment operations	Unallocated	Inter-segment elimination	Total
	$'000	$'000	$'000	$'000	$'000
Cashflow/generated from operating activities:					
31 December 2006	27,112	(8,434)	1,442	—	20,120
31 December 2007	47,375	4,837	(13,369)	—	38,843
Cashflow used in investing activities:					
31 December 2006	(514)	(20,186)	1,596	—	(19,104)
31 December 2007	(3,206)	(35,533)	1,826	—	(36,913)
Other segment Information					
Capital expenditure					
31 December 2006	549	12,572	2	—	13,123
31 December 2007	3,407	42,240	429	—	46,076
Depreciation and amortisation					
31 December 2006	3,756	161	4	—	3,921
31 December 2007	4,086	845	7	—	4,938
Impairment loss on trade receivable					
31 December 2006	—	—	—	—	—
31 December 2007	152	—	—	—	152

(b) Geographical segments

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

12 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

(a) The Group

	Plant and equipment	Buildings	Capital work-in-progress	Renovations furniture and fittings	Motor vehicles	Total property, plant and equipment	Interest in leasehold land held for own use under operating lease
	$'000	$'000	$'000 (note (i))	$'000	$'000	$'000	$'000 (note (ii))
Cost:							
At 1 January 2006	4,718	3,211	29,523	611	367	38,430	751
Additions	587	—	12,534	2	—	13,123	—
Transfer	—	595	(641)	46	—	—	—
Disposals	(45)	—	—	—	—	(45)	—
At 31 December 2006	5,260	3,806	41,416	659	367	51,508	751
At 1 January 2007	5,260	3,806	41,416	659	367	51,508	751
Additions	2,977	—	41,861	72	1,166	46,076	—
Disposal	(25)	—	—	(1)	(58)	(84)	—
Written off	(143)	—	—	—	—	(143)	—
Transfer	—	18,718	(34,020)	15,302	—	—	—
Exchange adjustment	1	—	—	—	1	2	—
At 31 December 2007	8,070	22,524	49,257	16,032	1,476	97,359	751
Accumulated depreciation/amortisation:							
At 1 January 2006	3,606	123	—	306	243	4,278	66
Charge for the year	218	73	—	40	32	363	11
Disposals	(1)	—	—	—	—	(1)	—
At 31 December 2006	3,823	196	—	346	275	4,640	77

12 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (continued)

(a) The Group (continued)

	Plant and equipment	Buildings	Capital work-in-progress	Renovations furniture and fittings	Motor vehicles	Total property, plant and equipment	Interest in leasehold land held for own use under operating lease
	$'000	$'000	$'000 (note (i))	$'000	$'000	$'000	$'000 (note (ii))
Accumulated depreciation/amortisation (continued):							
At 1 January 2007	3,823	196	—	346	275	4,640	77
Charge for the year	428	283	—	486	184	1,381	10
Disposals	(9)	—	—	(1)	(58)	(68)	—
Written off	(143)	—	—	—	—	(143)	—
Exchange adjustment	1	—	—	—	—	1	—
At 31 December 2007	4,100	479	—	831	401	5,811	87
Net book value (note (iii)):							
At 31 December 2007	3,970	22,045	49,257	15,201	1,075	91,548	664
At 31 December 2006	1,437	3,610	41,416	313	92	46,868	674

Notes:

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

	The Group	
	2007	2006
	$'000	$'000
Hotel and casino complex, Cambodia	49,257	41,416

The hotel and casino complex in Cambodia, known as NagaWorld, is being constructed on land held under a lease expiring on 31 July 2066. The premium paid to obtain the lease of $751,000 is included within interest in leasehold land held for own use under operating lease at its amortised cost.

12 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (continued)

(a) The Group (continued)

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

	The Group	
	2007	**2006**
	$'000	$'000
Cambodia	664	674

In addition to the prepaid lease payments to acquire the interest in the leasehold land held for own use under operating lease, the Group was obliged to pay the annual operating lease charge of approximately $192,000 (2006: $170,000), subject to increment for every 10 years, as shown in note 5 and 23 to the financial statements.

The land has a remaining leasehold period expiring on 31 July 2066. The lease is undertaken between NWL and the Municipality of Phnom Penh, Cambodia.

(iii) The net book value of assets held under finance leases of the Group was $11,000 (2006: $14,000), and depreciation of $3,000 (2006: $3,000) was charged during the year.

12 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (continued)

(b) The Company

	Office equipment	Motor vehicles	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2006 and 31 December 2006	3	—	3
At 1 January 2007	3	—	3
Additions	364	60	424
Disposal	(3)	—	(3)
At 31 December 2007	364	60	424
Accumulated depreciation:			
At 1 January 2006	1	—	1
Charge for the year	2	—	2
At 31 December 2006	3	—	3
At 1 January 2007	3	—	3
Charge for the year	28	9	37
Disposal	(2)	—	(2)
At 31 December 2007	29	9	38
Net book value:			
At 31 December 2007	335	51	386
At 31 December 2006	—	—	—

13 INTANGIBLE ASSETS

	The Group	
	2007	2006
	$'000	$'000
Casino licence premium and extended exclusivity premium:		
Cost		
At 1 January and 31 December	108,000	108,000
Accumulated amortisation:		
At 1 January	6,329	2,782
Charge for the year	3,547	3,547
At 31 December	9,876	6,329
Net book value	98,124	101,671

On 12 August 2005, Ariston entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence for the period to the end of 2035 in consideration of $105 million. Refer to note 2 in respect of the Casino Licence and note 28 for the purchase of the extended exclusivity period.

14 INVESTMENTS IN SUBSIDIARIES

	The Group	
	2007	2006
	$'000	$'000
Unlisted shares, at cost	15,500	15,500

14 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCorp (HK) Limited *	Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	—	Investment holding
NagaWorld Limited *@ (previously known as Naga Resorts & Casinos Limited)	Hong Kong	Cambodia	78,000,000 shares of HK$1 each	—	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd. #	Malaysia	Malaysia & Cambodia	56,075,891 shares of RM1 each	—	100%	Holding casino license and investment holding
Neptune Orient Sdn. Bhd. #	Malaysia	Malaysia & Cambodia	250,000 shares of RM1 each	—	100%	Inactive
Ariston (Cambodia) Limited #	Cambodia	Cambodia	1,000 shares of KHR 120,000 (equivalent of US$ 31) each	—	100%	Inactive

The class of shares held is ordinary.

* The financial statements of these subsidiaries were audited by BDO McCabe Lo Limited Hong Kong for the year ended 31 December 2007.

\# The financial statements of these subsidiaries were audited by a member firm of BDO International for the year ended 31 December 2007.

@ The Gaming branch and Hotel and Entertainment branches of NagaWorld Limited were audited by a member firm of BDO International for the year ended 31 December 2007.

15 CONSUMABLES

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

16 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade receivables	28,094	8,351	—	—
Other receivables, deposits and prepayments	5,511	3,940	2,466	2,673
Amounts due from subsidiaries (note 18)	—	—	160,367	136,364
Less: Allowance for doubtful debts	(152)	(159)	—	—
	33,453	12,132	162,833	139,037

For the year ended 31 December 2007, bad debts of $159,000 (2006: $nil) were written off against allowance for doubtful debts.

Trade receivables (net of allowance for doubtful debts) expected to be recovered within twelve months from the balance sheet date are debtors with the following ageing analysis:

	2007	2006
	$'000	$'000
Current to 1 month (note a)	23,044	5,635
1 to 3 months overdue	2,446	1,156
More than 3 months overdue	2,452	1,401
Amount past due at balance sheet date but not impaired (note b)	4,898	2,557
	27,942	8,192

16 TRADE AND OTHER RECEIVABLES (continued)

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

	2007	2006
	$'000	$'000
At 1 January	159	159
Impairment loss recognised	152	—
Bad debts written off	(159)	—
At 31 December (note c)	152	159

Notes:

a) The balances that were neither past due nor impaired relate to a wide range of specialised tour group ("STG") operators.

b) The balances that were past due but not impaired relate to a number of STG operators who have a good track record with the Group, or are active during the year.

c) The Group recognises impairment loss on individual assessment.

The Group's credit policy is set out in note 27(c).

17 DEPOSIT PAYMENTS FOR THE PURCHASE OF RAW MATERIALS

	2007	2006
	$'000	$'000
Deposit payments for the purchase of raw materials	3,022	8,312

The deposit payments for the purchase of raw materials relate to deposits made for the purchase of materials for the construction of NagaWorld.

The materials have not been received by NWL at the year end. It is anticipated that the materials will be used in the construction of NagaWorld within one year.

18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2007	2006
	$'000	$'000
Amounts due from Ariston Sdn. Bhd.	104,986	104,989
Amounts due from NagaCorp (HK) Ltd.	55,381	31,375
	160,367	136,364
Amounts due to NagaWorld Limited	(5,352)	(11,071)

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

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade payables (note (a))	22	1,397	—	531
Unredeemed casino chips	12,062	3,641	—	—
Deposits	500	60	—	—
Construction creditors	2,189	1,365	—	—
Non-gaming obligation payments and other taxes (note (b))	342	804	—	—
Tax penalties and late payment interest	85	939	—	—
Other creditors and accruals	3,216	1,767	1,268	907
Amounts due to subsidiaries (note 18)	—	—	5,352	11,071
	18,416	9,973	6,620	12,509

19 TRADE AND OTHER PAYABLES (continued)

Notes:

(a) Included in trade and other payables are trade creditors with the following aging analysis as of balance sheet date:

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Due within 1 month or on demand	—	118	—	22
Due after 1 month but within 3 months	—	477	—	477
Due after 3 months but within 6 months	—	1	—	1
Due over 6 months	22	801	—	31
Total	22	1,397	—	531

(b) Other taxes relate to salary taxes, fringe benefit taxes and withholding taxes.

20 PROVISIONS

The provisions for litigation relate to the winnings of a Specialised Tour Group ("ST Group"), who had allegedly resorted to cheating. Refer to note 25(b) for further details.

21 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	The Group					
	2007			2006		
	Principal	Interest	Payments	Principal	Interest	Payments
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	2	1	3	2	1	3
Between one and five years	9	2	11	11	2	13
	11	3	14	13	3	16

22 CAPITAL AND RESERVES

(a) The Group

	Share capital	Share premium	Merger reserve	Capital contribution reserve	Exchange reserve	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2006	15,500	—	(12,812)	568	—	18,040	21,296
Issue of shares	9,717	135,198	—	—	—	—	144,915
Capital contribution	—	—	—	55,000	—	—	55,000
Capitalisation issue	721	(721)	—	—	—	—	—
Profit for the year	—	—	—	—	—	32,618	32,618
Interim dividend paid	—	—	—	—	—	(18,000)	(18,000)
Exchange adjustments	—	—	—	—	53	—	53
At 31 December 2006	25,938	134,477	(12,812)	55,568	53	32,658	235,882
At 1 January 2007	25,938	134,477	(12,812)	55,568	53	32,658	235,882
Profit for the year	—	—	—	—	—	50,200	50,200
Dividend paid	—	—	—	—	—	(24,000)	(24,000)
Exchange adjustment	—	—	—	—	71	—	71
Over provision of share issue cost in prior year	—	415	—	—	—	—	415
At 31 December 2007	25,938	134,892	(12,812)	55,568	124	58,858	262,568

22 CAPITAL AND RESERVES (continued)

(b) The Company

	Share capital	Share premium	Capital contribution reserve	Retained profits/ (accumulated loss)	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2006	15,500	—	—	1,792	17,292
Issue of shares	9,717	135,198	—	—	144,915
Capital contribution	—	—	55,000	—	55,000
Capitalisation issue	721	(721)	—	—	—
Profit for the year	—	—	—	16,317	16,317
Interim dividend paid	—	—	—	(18,000)	(18,000)
At 31 December 2006	25,938	134,477	55,000	109	215,524
At 1 January 2007	25,938	134,477	55,000	109	215,524
Profit for the year	—	—	—	19,064	9,064
Dividend paid	—	—	—	(24,000)	(14,000)
Over provision of share issue cost in prior year	—	415	—	—	415
At 31 December 2007	25,938	134,892	55,000	(4,827)	211,003

(c) Share capital

(i) Authorised:

	2007	2006
	$'000	$'000
8,000,000,000 ordinary shares of $0.0125 each	100,000	100,000

(ii) Issued and fully paid:

	2007		2006	
	Number of shares		Number of shares	
		$'000		$'000
At 1 January	2,075,000,000	25,938	1,240,000,080	15,500
Shares issued during the year	—	—	777,332,411	9,717
Capitalisation issue	—	—	57,667,509	721
At 31 December	2,075,000,000	25,938	2,075,000,000	25,938

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

22 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(iii) Shares issued during the year 2006

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

On 19 October 2006 and 2 November 2006, as part of the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 575 million ordinary shares for gross proceeds amounting to $105,416,667 of which $7,187,500 was the par value of the ordinary shares issued, $98,229,167 was the premium on the issue of the ordinary shares and $10,501,799 was the issue costs.

(iv) Capitalisation issue

On 4 October 2006, an amount of $720,844 standing to be credit of the share premium account was applied in paying up in full 57,667,509 ordinary shares of $0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every 0.04 shares then held.

(v) Capital contribution

On 16 August 2006, the remaining $55 million due to Ariston Holdings Sdn. Bhd. was settled by way of a capital contribution of $55 million by the ultimate controlling shareholder, Tan Sri Dr Chen Lip Keong.

(vi) Capital management

The Group's objectives when managing capital are:

— to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

— to provide a return to shareholders by pricing services commensurately with the level of risk.

The Group sets the amount of capital to reflect the perceived level of risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic and business conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

22 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves

(i) Share premium account

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

(ii) Merger reserve

The merger reserve relates to the pooling of interests under the share swap agreement between, amongst others, Starling Trading Limited, Medallion Asian Fund, the Company and the then sole ultimate controlling shareholder dated 6 June 2003 under which the share capital of the subsidiary companies was classified as a merger reserve.

(iii) Capital contribution reserve

The capital contribution reserve arises from the settlement of an amount of $55 million due to Ariston Holdings Sdn. Bhd. in 2006 by way of capital contribution by the ultimate controlling shareholder.

(iv) Exchange reserve

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

(e) Distributable reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $185,065,000 (2006: $189,586,000) which was related to the share premium account and the capital contribution reserve.

After the balance sheet date, the directors proposed a final dividend of 0.77 cents per ordinary share (2006: Nil) amounting to $16 million (2006: Nil). The dividend has not been recognised as a liability at the balance sheet date.

23 LEASE COMMITMENTS

At the balance sheet date, the Group's and the Company's total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group					
	2007 In respect of:			2006 In respect of:		
	Land lease	Office and carpark rental	Total	Land lease	Office and carpark rental	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	187	360	547	170	302	472
1 to 5 years	748	365	1,113	703	725	1,428
After 5 years	12,572	—	12,572	13,507	—	13,507
	13,507	725	14,232	14,380	1,027	15,407

	The Company	
	2007	2006
	$'000	$'000
In respect of office rental:		
Within 1 year	344	287
1 to 5 years	329	673
	673	960

Significant leasing arrangements in respect of land held under operating leases are described in note 12.

Note: Hotel and entertainment complex, Phnom Penh

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

24 CAPITAL COMMITMENTS

The Group had the following capital commitments as at each balance sheet date:

	The Group	
	2007	2006
	$'000	$'000
Hotel and casino complex, Phnom Penh		
– contracted but not incurred	15,252	8,890
– authorised but not contracted	—	33,035
	15,252	41,925

The capital commitments relating to the NagaWorld project are expected to be incurred over two years in accordance with a phased construction plan.

25 LITIGATION

(a) Use of vessel

NWL operated its casino until 30 September 2003 on a vessel rented from Punca Rahmat Sdn Bhd ("Punca"), a company incorporated in Malaysia. NWL relocated its casino business from the vessel to the land based NagaWorld complex on 1 October 2003.

Punca leased the vessel from the vessel owner, a company incorporated in Singapore. Punca and the owner were in dispute with regard to extension of the charter and new charter fees. The owner on 3 September 2001, through its solicitors, issued a notice to Punca to terminate the lease.

The dispute between Punca and the owner has not disrupted the operations of the casino of NWL and is not expected to do so in the future as NWL's operations have moved from the vessel to the land based NagaWorld Complex on 1 October 2003.

NWL has also received confirmation from Punca that NWL will not be liable for any amount incurred by Punca in the settlement of the dispute with the owner beyond the agreed lease rental payable to Punca.

25 LITIGATION (continued)

(b) ST group cheating case

A Special Tour Group ("ST group") comprising 20 members won approximately $2 million during the period from 23 April 2003 to 25 April 2003. Based on the information provided and review of internal security records, the Group believes the ST group may have resorted to cheating in gambling. Therefore, NWL withheld the money and lodged a report to the Cambodia local court.

NWL has lodged a report to the Cambodia Ministry of Interior's Police Headquarters and an order was issued by police in Cambodia to NWL to withhold payment of monies to the ST group until their investigations were completed. On 11 June 2003, a charge warrant was issued by the Prosecutor of the Phnom Penh Municipal Court against certain ST group members. On 12 June 2003, the Phnom Penh Municipal Court issued an order temporarily restraining NWL from making the $2 million payment to the ST group until completion of the Phnom Penh Municipal Court's investigations.

In July 2003, the ST group members obtained a discharge warrant from the Phnom Penh Municipal Court discharging them from the criminal charges, and obtained a further warrant from the Phnom Penh Municipal Court cancelling their earlier order that restrained NWL from making payment to the ST group. NWL has filed an appeal in the Cambodia Appeal Court against both warrants.

NWL has commenced a civil action in the Phnom Penh Municipal Court against the ST group members in respect of the disputed amount. On 29 August 2003, the Court of Appeal issued a warrant temporarily suspending the requirements of NWL from paying the $2 million to the ST group members, pending the judgement of the Cambodia Appeal Court. NWL has since, on 4 August 2003, received a further demand for the outstanding sum and has been threatened with possible legal action and publicity of the incident.

At this juncture, in the opinion of the Company's directors, NWL has no obligation to pay the withheld money and compensate the ST group for legal costs. However a provision has been made for the ST group's winnings as set out in note 20.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

27 RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

27 RISK MANAGEMENT (continued)

(b) Political and economic risks

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

(c) Credit risk

The Group grants credit facilities, on an unsecured basis, to selected STG operators who have a good financial background or with whom the Group has had extended dealings over the past few years. Credit evaluations are performed on all customers requesting credit facilities. Management has a credit policy in place and credit facilities are monitored on an ongoing basis.

At the balance sheet date, the Group has a certain concentration of credit risk at 80% (2006: 61%) of the total trade and other receivables that was due from the five largest STG operators.

The Group placed fixed deposits with Cambodia Asia Bank Ltd., an independent bank registered with the Cambodian banking and monetary authority. Management remains vigilant of the banking environment in Cambodia and aims to ensure the deposits are secure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

(d) Liquidity risk

The contractual maturities of financial liabilities are shown as below:

	2007	**2006**
	$'000	$'000
Less than one year	18,419	9,976
Between one and five years	11	13
	18,430	9,989

27 RISK MANAGEMENT (continued)

(e) Interest rate risk

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

	2007		2006	
	Effective interest rate	One year or less	Effective interest rate	One year or less
	%	$'000	%	$'000
Bank deposits				
– On demand	4.0 to 5.0	45,058	4.6	2,884
– Fixed term of 7 days or less	2.5 to 4.0	9,503	5.0	73,461
		54,561		76,345

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the Group has significant exposure at the balance sheet date. In determining the effect on profit after tax on the next accounting period, we assume that the change in interest rate had occurred at the balance sheet date and all other variables remain constant. There is no change in the methods and assumptions used in 2006 and 2007.

	2007	2006
	$'000	$'000
Cambodian deposit rate		
Increase by 100 basis points	546	763
Decrease by 100 basis points	(546)	(763)

(f) Foreign currency risk

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

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values at the balance sheet date because of their short term maturity.

28 RELATED PARTY TRANSACTIONS

Significant transactions entered into between the Group, its related companies and controlling shareholder are as follows:

(a) Expenses

	The Group	
	2007	**2006**
	$'000	$'000
Travel expenses (note)	120	113

Note: The Group has used a related party, the controlling beneficiary of which is Tan Sri. Dr Chen Lip Keong, the ultimate controlling shareholder of the Company, for the provision of travel and tour services and hotel accommodation. As at 31 December 2007, an amount due from the related party of $170,000 (2006: $nil) was included in trade and other receivables as disclosed in note 16 to the financial statements, The balance was unsecured, interest-free and repayable on demand. The maximum balance during the year was $170,000 (2006: $nil).

(b) Intangible assets

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

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

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

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

28 RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

	2007	2006
	$'000	$'000
Basis salaries, housing and other allowances and benefits in kind	1,791	1,499
Bonus	1,942	823
Retirement scheme contributions	4	2
Others	150	—
	3,887	2,324

29 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2006, the major non-cash transactions were the issue of 202,332,411 ordinary shares of $0.0125 each to Tan Sri Dr Chen Lip Keong, the ultimate controlling shareholder of the Company, at an aggregate fair value of $50 million and the capital contribution of $55 million by Tan Sri Dr Chen Lip Keong. Both transactions were to settle the $105 million liability in respect of the extension of the exclusivity period of the Casino License, the details of which have been set out in note 13, 22 and 28 to the financial statements. There were no significant non-cash transactions during the year ended 31 December 2007.

30 ULTIMATE CONTROLLING SHAREHOLDER

At 31 December 2007, Tan Sri Dr Chen Lip Keong is interested in 1,391,967,104 ordinary shares of the 2,075,000,000 issued ordinary shares of the Company of which 641,810,277 ordinary shares are registered in his name and the remaining 161,197,228 and 588,959,599 ordinary shares are registered in the name of and beneficially owned by the Cambodian Development Corporation ("CDC") and Fourth Star Finance Corp. ("Fourth Star") respectively. The entire issued share capital of CDC and Fourth Star is beneficially owned by Tan Sri Dr Chen Lip Keong.

31 POSSIBLE IMPACT OF AMENDMENT, NEW OR REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the IASB has issued the following amendment, new or revised standards and interpretations which are not yet effective for the annual accounting year ended 31 December 2007 and which have not been adopted in these financial statements.

		Effective for accounting period beginning on or after
IAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	Borrowing Costs	1 January 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
IFRS 2 Amendment	Share-based Payments – Vesting Conditions and Cancellations	1 January 2009
IFRIC-Interpretation 8	Operating Segments	1 January 2009
IFRIC-Interpretation 12	Service Concession Arrangements	1 January 2008
IFRIC-Interpretation 13	Customer Loyalty Programmes	1 July 2008
IFRIC-Interpretation 14	IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions.

32 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment allowance for bad and doubtful debts

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

Five-year Financial Summary

(Expressed in United States dollars)

	2003 (note (a))	2004	2005	2006	2007
	$'000	$'000	$'000	$'000	$'000
Consolidated income statement					
Revenue	55,175	58,534	64,282	85,412	144,024
Profit attributable to equity shareholders of the Company	16,069	17,654	24,941	32,618	50,200
Interim dividends	—	32,000	20,737	18,000	14,000
Final dividend proposed	—	—	—	—	16,000
Special dividend	—	—	—	10,000	—
Total dividend attributable to the year	—	32,000	20,737	28,000	30,000
Earnings per share (US cents) (note (b))	1.24	1.36	1.92	2.12	2.42
Dividend per share (US cents) (note (b))	—	2.58	1.67	1.25	1.45
Consolidated balance sheet					
Property, plant and equipment and interest in leasehold land held for own use under operating leases	23,519	31,491	34,837	47,542	92,212
Intangible assets	1,650	1,500	105,218	101,671	98,124
Advance to the Royal Government of Cambodia	4,250	4,250	—	—	—
Net current assets/(liabilities)	2,026	(20,149)	(118,744)	86,680	72,241
Employment of capital	31,445	17,092	21,311	235,893	262,577
Represented by:					
Share capital	15,500	15,500	15,500	25,938	25,938
Reserves	15,938	1,592	5,796	209,944	236,630
Shareholders' funds	31,438	17,092	21,296	235,882	262,568
Other non-current liabilities	7	—	15	11	9
Capital employed	31,445	17,092	21,311	235,893	262,577
Net assets per share (US cents) (note (b))	2.42	1.32	1.64	11.37	12.65

Notes:

(a) The consolidated financial information has been prepared using the historical cost method in accordance with the "pooling of interests" method, as if the Group had been in existence throughout the period 1 January 2003 to 31 December 2007.

(b) Earnings per share and net assets per share includes the capitalised 57,667,509 ordinary shares of $0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every 0.04 shares then held on 4 October 2006.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of NagaCorp Ltd. (the "Company") will be held at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 15 May 2008 at 2:00 p.m. for the following purposes:–

Ordinary business

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31 December 2007.

2. To declare a final dividend in respect of the year ended 31 December 2007.

3. To re-elect directors.

4. To approve the directors' remuneration for the year ended 31 December 2007 and to authorize the board of directors to fix directors' remuneration for the year ending 31 December 2008.

5. To re-appoint BDO McCabe Lo Limited as auditors and authorise the board of directors to fix their remuneration.

6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:—

(A) **"That:–**

(i) subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly;

(iv) for the purpose of this resolution:–

(a) "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(b) "Rights Issue" means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company)."

(B) **"That:–**

(i) subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on the Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited under the Code on Share Repurchases and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of the shares of the Company, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;

(iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors and which are still in effect be and are hereby revoked; and

(iv) for the purpose of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting."

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

By Order of the Board of Directors
NAGACORP LTD.
Timothy Patrick McNally
Chairman

Hong Kong, 22 April 2008

Notice of Annual General Meeting

Registered office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:	Suite 2806, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Notes:

(i) Resolution numbered 6(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 6(A) and 6(B) are passed by the shareholders.

(ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.

(iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

(iv) In order to be valid, a form of proxy must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(v) The transfer books and register of members will be closed from 9 May 2008 to 15 May 2008, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 May 2008.

(vi) In respect of ordinary resolution numbered 3 above, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, Mr. Angus Au-Yueng Wai Kai and Mr. Zhou Lian Ji being eligible, have offered themselves for re-election at the above meeting. Details of the above directors are set out in Appendix I to the accompanied circular dated 22 April 2008. Mr. David Martin Hodson and Tun Dato' Seri Abdul Hamid Bin Haji Omar do not offer themselves for re-election and accordingly will cease to be directors on conclusion of the above meeting.

Notice of Annual General Meeting

(vii) In respect of the ordinary resolution numbered 6(A) above, the directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the members as a general mandate for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(viii) In respect of ordinary resolution numbered 6(B) above, the directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The Explanatory Statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 22 April 2008.

As at the date this notice, the Directors are:

Executive Directors
Tan Sri Dr Chen Lip Keong, Mr. David Martin Hodson, Ms. Monica Lam Yi Lin and Mr. Angus Au-Yueng Wai Kai

Non-executive Director
Mr. Timothy Patrick McNally

Independent Non-executive Directors
Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay, Mr. Zhou Lian Ji, Mr. Leow Ming Fong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee

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