NAGACORP

ANNUAL REPORT 2008

Nagacorp LTD.

金界控股有限公司*

(Incorporated in Cayman Islands with limited liability)

stock code: 3918

* for identification purpose only

MOMENTUM

The political stability and economic development of Cambodia has continued after the national election conducted in July 2008. The gross domestic product of the country expanded by approximately 10.2% in 2007 and 7.0% in 2008, and is expected to continue to grow in 2009.





Cambodia is one of the world's fastest developing nations and an increasingly popular travel and entertainment destinations.

Angkor Wat and NagaWorld are the two powerful tourist attractions in Cambodia.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Tan Sri Dr Chen Lip Keong
(Chief Executive Officer)
Monica Lam Yi Lin
Angus Au-Yeung Wai Kai
(Chief Financial Officer)

Non-executive Director:
Timothy Patrick McNally *(Chairman)*

Independent Non-executive Directors:
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

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 Harbour 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) Limited

100%
NAGAWORLD LIMITED ("NWL")

NWL
(Cambodian branch)
- Hotel & Entertainment Branch

NWL
(Cambodian branch)
- Gaming Branch

100%
Ariston Sdn Bhd ("Ariston")

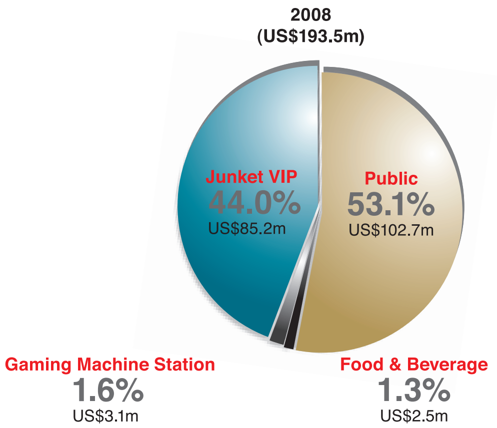
Ariston
(Cambodian Branch)

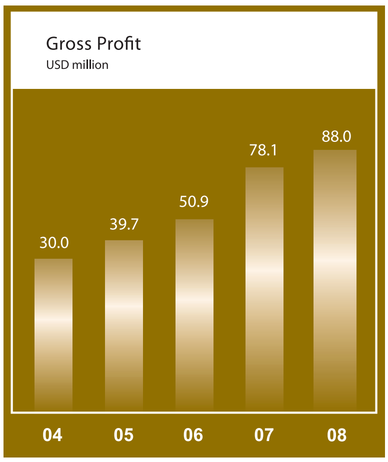
100%
Neptune Orient Sdn Bhd
("Neptune Orient")

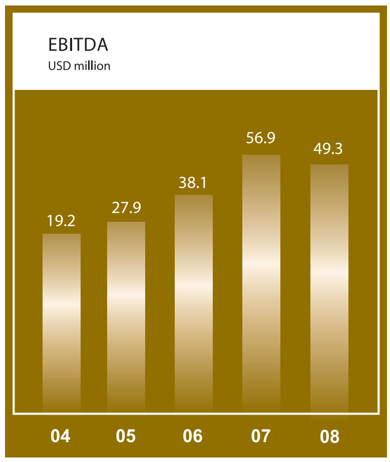
Neptune Orient
(Cambodian Branch)

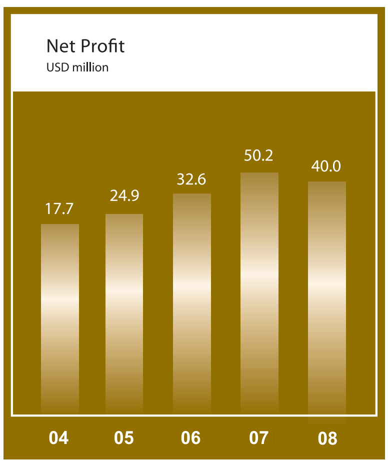
100%
Ariston (Cambodia) Limited

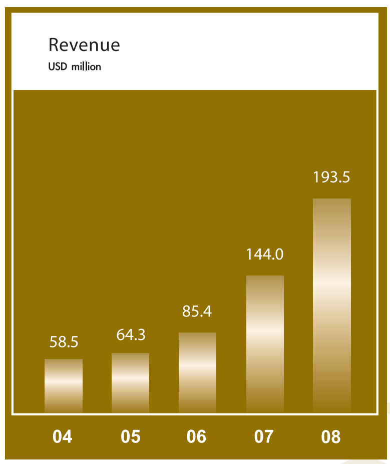
FINANCIAL HIGHLIGHTS









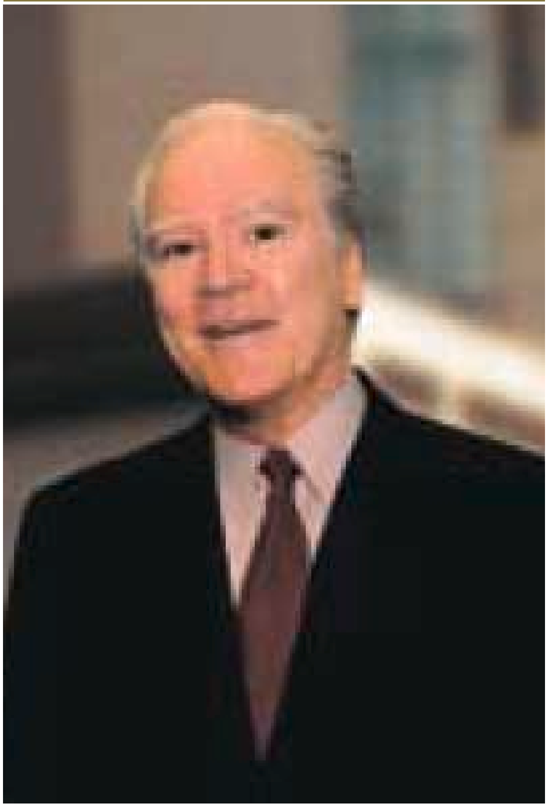


NagaWorld

Explore History & Enjoy Luxury

NagaWorld - the only integrated one-stop hotel-casino entertainment complex in Phnom Penh. Hong Kong listed NagaCorp Ltd. holds a 70-year casino licence up to 2065, and has a 41-year monopoly, until 2035.

CHAIRMAN/CEO'S STATEMENT



To all our shareholders:

We are pleased to announce that NagaCorp Ltd. ("NagaCorp" or the "Company") reported a profit in 2008 despite a worsening global economic environment. Our revenue grew by 34.3%, gross profit increased by 12.6% to US$88.0 million and profit attributable to our shareholders or net profit decreased by 20.3% to US$40.0 million for the financial year ended 31 December 2008. Earnings per share was approximately US cents 1.93 (HK cents 15.05 per share) compared to US cents 2.42 (HK cents 18.88 per share) in 2007.

Stable and political economic developments in the Kingdom of Cambodia ("Cambodia") continued after the national election conducted in July 2008. Our business has benefited from these favorable conditions.

Revenue from public floor tables increased by 36.2% to US$102.7 million and revenue from Junket VIP (previously known as specialised tour group ("STG")) floor tables increased by 30.3% to US$85.2 million. The public floor accounted for 53.1% of the total revenue in 2008. Being the landmark entertainment complex in Phnom Penh, NagaWorld has attracted patronage of both Junket VIP players and Cambodians (foreign passports holders).

Revenue derived from our gaming operations was approximately US$191.0 million in 2008 compared to US$143.9 million in 2007. The increase in revenue from our gaming operations was attributable mainly to the higher contributions of revenue from our public floor tables and Junket VIP floor tables in 2008.

Final dividend

The board of directors (the "Board") of the Company recommends that the final dividend of US cents 0.13 per share (or equivalent to HK cents 1.01 per share) will take the form of a scrip dividend whereby the shareholders of the Company (the "Shareholders") will receive 40% in cash and 60% in scrip shares as their scrip dividend entitlements (the "Scrip Dividend Scheme"). Subject to approval in the annual general meeting, the final dividend will be paid to the Shareholders whose names appear on the Company's register of members as at 18 May 2009.

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be allotted thereunder (the "Scrip Shares"). For the purpose of determining the number of new shares to be allotted, the market value of the Scrip Shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five consecutive trading days up to and including 18 May 2009 (the "Closing Prices"). Accordingly, the number of Scrip Shares which the Shareholders will receive in respect of their shareholdings on 18 May 2009 under the Scrip Dividend Scheme will be calculated as follows:

$$\text{Number of Scrip Shares to be allotted} = \text{Number of existing Shares held on 18 May 2009} \times \frac{\text{The Final Dividend x 60\% in scrip shares}}{\text{The Closing Prices}}$$

The Scrip Shares to be issued will rank pari passu in all respects with the existing shares of the Company, except that they will not rank for the Final Dividend. The number of Scrip Shares to be allotted to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will not be allotted but will be aggregated and sold for the benefit of the Company.

Details of the Scrip Dividend Scheme will be set out in a circular to Shareholders to be despatched on or about 21 May 2009. Dividend warrants or new share certificates for the Scrip Shares will be sent to the Shareholders by post at the risk of those entitled thereto on or about 18 June 2009 and dealings of the Scrip Shares are expected to commence on or about 18 June 2009.

Operational highlights

Public floor tables

- Revenue increased by 36.2% to US$102.7 million
- Revenue accounted for 53.1% of total revenue
- Buy-ins increased by 109.7% to US$555.9 million
- Rollings increased by 147.4% to US$4,073.3 million
- Gross profit margin was 39.0%

CHAIRMAN/CEO'S STATEMENT (CONT'D)

Junket VIP floor tables

- Revenue increased by 30.3% to US$85.2 million
- Revenue accounted for 44.0% of total revenue
- Check-ins increased by 8.3% to US$443.4 million
- Rollings increased by 19.6% to US$2,373.9 million
- Gross profit margin was 50.6%

Average check-ins per Junket VIP player were US$29,180 and US$22,702 in 2008 and 2007 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. Despite the uncertain global business outlook, we operate in an environment which is forecasted to register growth. Cambodia is a basic agricultural economy with 14 million population of largely rural population. Standard & Poor's still affirmed (on 9 October 2008) a stable outlook for Cambodia, praised the country's economic strategies, pragmatic market friendly directions, fiscal policy as credit strength and ability to maintain a real GDP growth of 7% (MOEF forecast of 5%) in 2009, despite today's financial storms spread.

NagaCorp's conservative gaming policy may well suit in today uncertainty: no gearing, maximum table limit of US$50,000, catering for regional mid-size players and top competitive services continue to guide the strategic policies and directions of the Company. Cambodians reversed flow to home country as a result of political stability and unfavorable conditions in the West also help.

Some of the strategies include catering for the Macau "disappeared" gaming crowd. Part of the 2009 strategy of enticing operators and gaming patrons from Macau has recorded some interest from operators and players who would like to patronize NagaWorld.

To increase marketing pressure on the Indo-China catchment areas which include strategies attracting more home-coming Cambodians, VGP (Vietnam Ground Programme) are seen to be effective. NagaWorld would also promote proactive programmes e.g. CRP (Complimentary Rated Programme) with regional airlines like AirAsia and Shenzhen Airlines by bringing in suitably qualified players from China, Malaysia and Thailand. With little capex expenses and almost fully completed NagaWorld with low investments costs, NagaWorld can offer competitive complementary hotel accommodation, food and beverage and entertainment facilities for regional players. The low tax rate also helps a lot to allow NagaWorld to continue to devise strategic competitive Junket VIP programmes.

NagaCorp has experience and sailed through difficult years before like the 1997 Asian Financial Crisis and the Severe Acute Respiratory Syndrome (SARS) in 2003 and has laid down strategies in place accordingly.

CHAIRMAN/CEO'S STATEMENT (CONT'D)

NagaWorld is a competitive product that offers attractive gaming and entertainment facilities.

NagaCorp remains profitable in 2008.

However, in a very uncertain world market, with the rapid deterioration of the world situations and the unpredictable external factors, NagaCorp is cautiously monitoring its business and hopefully in 2009 external factors will not badly affect the financial results in 2009.

Social responsibilities

In order to maintain the strategic position of the Company and the monopoly and favourable tax status, NagaWorld continues to devise private public sectors participation programmes.

Naga World initiated many social community activities in 2008, noticeably the organization of the Red Cross Charity Dinner attended by the First Lady of Cambodia as the guest of honor, Cabinet Ministers, senior government servants, diplomats, financial community and members of the press from Hong Kong.

NagaWorld will continue this journey of being a good corporate citizen and strive for excellence to uphold its position in the country, irrespective of the vicissitudes of the changing political economic social circumstances.

Corporate governance

The Company has engaged an independent professional party to review the internal controls of the Company and its subsidiaries (collectively the "Group") with a focus on anti-money laundering. The independent professional party has 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

Finally, we would like to express our gratitude to our Shareholders, suppliers and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

Hong Kong
26 February 2009

MANAGEMENT DISCUSSION & ANALYSIS

NagaWorld is the largest and only one-stop Hotel Casino entertainment complex sited in the heart of the capital city of Cambodia, Phnom Penh. Its casino license granted by the Royal Government of Cambodia is the longest in Asia, with the right to operate casino gaming activities in Cambodia for 70 years (from 2 January 1995) and for around 41 years on an exclusive basis. 2009 sees a completed NagaWorld and no major Capex and continue to enjoy low tax advantage until 2018. Relatively low investment costs, nil gearing, conservative gaming policy catering regional mid-size players are some of the major competitive advantages.

Business review

Revenue increased by 34.3% to approximately US$193.5 million for the financial year ended 31 December 2008 from US$144.0 million for the same period in 2007. Gross profit increased by 12.6% to approximately US$88.0 million in 2008 from US$78.1 million in 2007. Earnings before interest, tax, depreciation and amortisation were approximately US$49.3 million in 2008 and approximately US$56.9 million in 2007. Profit attributable to Shareholders of the Company or net profit decreased by 20.3% to approximately US$40.0 million in 2008 from US$50.2 million in 2007.

The stable political regime and economic developments in Cambodia has continued after the national election in July 2008 and that provided a good domestic backdrop for the hospitality industry. The number of visitor arrivals at Cambodia increased to around 2.1 million in 2008 from around 2.0 million in 2007 *(Source: Ministry of Tourism, Cambodia).*

The external environment has become increasingly challenging for the hospitality sector after the onset of the global financial tsunami. Although the location of our principal operations is distant from the epicenter of the tsunami, business activities were, to a certain extent, affected and slowed down in the second half compared to the first half of the year under review.

Gaming operations continued to be the principal revenue source and represented around 99% of the total revenue of the Company. The remaining revenue was derived largely from food and beverages and hotel and entertainment. Revenue derived from gaming operations was approximately US$191.0 million in 2008 compared to US$143.9 million in 2007. The majority of the revenue from the hotel wing was generated from the provision of complimentary services to the casino players. The increase in revenue from gaming operations was attributable mainly to the higher contributions of revenues from our public floor tables and Junket VIP floor tables in 2008.

Revenue

Public Floor Tables

Revenue from public floor tables increased by 36.2% to approximately US$102.7 million in 2008 from US$75.4 million in 2007. Revenue derived from public floor tables accounted for 53.1% of our total revenue in 2008 compared to 52.3% in 2007. The increase in revenue from our public floor tables was attributable mainly to our various programmes targeting public floor customers namely, Vietnam Ground Junket Programme, Travel Agent Junket Programme, and the Premium Players Programme targeting Cambodians who hold foreign passports. It was estimated that 89.7% of the revenue from public floor tables was attributed to the Premium Players Programme.

The buy-in amounts made by players increased by 109.7% to US$555.9 million in 2008 from US$265.1 million in 2007. The level of gaming activities as measured by rollings increased by 147.4% to US$4,073.3 million in 2008 from US$1,646.4 million in 2007.

The costs related to our various programmes namely, commission, food and beverages and transportation paid to operators and players increased by 128.6% to approximately US$62.7 million in 2008 from US$27.4 million in 2007 on the back of an increased level of rollings.

Win rates for the Premium Player Programme, being revenue to rollings of the programme, were 2.3% and 3.7% for 2008 and 2007 respectively.

The gross profit margins for public floor tables were 39.0% and 63.6% in 2008 and 2007 respectively.

Junket VIP Floor Tables

Revenue from our Junket VIP floor tables increased by 30.3% to approximately US$85.2 million in 2008 from US$65.4 million in 2007. Revenue from our Junket VIP floor tables accounted for 44.0% of our total revenue in 2008 compared to 45.4% in 2007. For the year under review, the Company recorded revenue of approximately US$12.6 million from Poibos Co Ltd. ("Poibos"), in accordance with the terms of the management agreement dated 13 December 2007. Please refer to the announcement dated 13 December 2007 for further details.

Rollings, a measure of the level of gaming activity, in our various Junket VIP floor tables increased by 19.6% to approximately US$2,373.9 million in 2008 from US$1,984.1 million in 2007.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The Junket VIP players had deposited more check-in amounts in 2008. The check-in amounts deposited by our Junket VIP players increased by 8.3% to approximately US$443.4 million in 2008 from US$409.4 million in 2007. There were around 15,196 Junket VIP players who visited our casino in 2008 compared to 18,032 Junket VIP players in 2007. The average check-in amounts per Junket VIP player increased to approximately US$29,180 in 2008 from US$22,702 per Junket VIP player in 2007.

On 26 November 2008, the Company by way of an announcement announced that legal actions against Poibos have been initiated with a view to terminating the management agreement. Poibos has failed to fulfil its obligations in respect of, among others, prompt payments of the management fees and provision of sufficient working capital for its gaming operations in the prescribed gaming hall. In particular, of the first installment of US$12.6 million of management fees already paid by Poibos to NWL pursuant to the management agreement, US$2 million was dishonoured. The working capital of approximately US$1.9 million maintained with NWL by Poibos in exchange of unsettled gaming chips amounting to approximately US$2.6 million was not adequate.

The Company is aware that there is a claim for settlement of gaming chips of US$1.63 million reported in a local newspaper on 18 February 2009. The claim of US$1.63 million is for the settlement of the unsettled gaming chips issued in the Poibos gaming hall in NagaWorld and relates to one of the two competing claims as disclosed in our announcement dated 26 November 2008. The Company has received two more claims for the settlement of the unsettled gaming chips issued for use in the Poibos gaming hall since the announcement in the amounts of US$33,600 and US$425,000 respectively. The claims on unsettled gaming chips above fall within the amount of US$2.6 million of the unsettled gaming chips referred to in the announcement.

The management of the Company considered that Poibos was in breach of the management agreement and the Group terminated the management agreement as a result of such breach. The Group is seeking legal advice from the Company's legal counsel with a view to taking further legal actions against Poibos and its associates.

In connection with Poibos, the Company has set aside a provision of US$2.0 million for the unsettled amount of the first installment of the Poibos management fees and a provision of US$940,000 for the claims against the unredeemed gaming chips.

Junket VIP floor win rates, being revenue to rollings, were 3.1% and 3.3% for 2008 and 2007 respectively. The revenue from the Poibos arrangement is excluded in the calculation of the win rate in 2008.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The costs related to our various programmes namely, commission, accommodation, food and beverages and transportation paid to operators and players increased modestly by 9.5% to approximately US$42.1 million in 2008 from US$38.4 million in 2007 compared to a higher growth rate in rollings. The growth in costs was contained as accommodation and related costs and, to a lesser extent, food and beverage were reduced as the players and customers have utilised more of our own hotel rooms and amenities in 2008 than in 2007.

The gross profit margins for Junket VIP floor tables were 50.6% in 2008 compared to 41.3% in 2007.

Overall Win Rate

Overall win rates based on revenue and rollings from public floors (save for revenue from the walk-ins) and Junket VIP floors, were 2.6% and 3.5% for 2008 and 2007 respectively.

The revenue from the Poibos arrangement is excluded in the calculation of win rate in 2008.

Gaming Machine Stations

We have been receiving fixed income payments from an independent party for the provision of the gaming machine stations in our casino. 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 2007.

As at the end of 2008, there were a total of 211 gaming machine stations offered for patronage in our casino (2007: 211 gaming machine stations).

Gross Profit

Cost of sales comprised mainly commissions paid to Junket VIP 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. Cost of sales was approximately US$105.5 million in 2008, representing an increase of 60.1% compared to US$65.9 million in 2007. The increase in cost of sales reflected patronage of our various programmes and the higher level of gaming activities conducted in our casino for the financial year under review. The level of gaming activities, as measured by rollings, increased in total by 77.6% to approximately US$6,447.2 million in 2008 from US$3,630.5 million in 2007. Gross profit increased by 12.6% to approximately US$88.0 million in 2008 from US$78.1 million in 2007.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Given the drop in win rates for both public floor and Junket VIP floor tables, revenue did not increase as fast as that of cost of sales. The gross profit margins were 45.5% and 54.3% in 2008 and 2007 respectively.

Administrative and Other Operating Expenses

Administrative expenses increased by 94.6% to approximately US$24.3 million in 2008 from US$12.5 million in 2007. Fuel expenses increased to approximately US$4.7 million in 2008 from US$1.4 million in 2007. The increase in fuel expense reflected, among other things, the increase in fuel consumption for the operation and usage of various gaming and hotel spaces, facilities and amenities in NagaWorld and the increase in fuel prices in 2008.

In 2008, in order to maintain a win-win situation with the operating environment and the strategic position of the Company, the Group has made contributions in an aggregate amount of approximately US$3.6 million to the Cambodia Red Cross, other charitable organisations and bodies for the betterment of Cambodia and its people.

For the purpose of the IPO, the Company purchased a political insurance hedging country risks in Cambodia. The Company considered, among others, the continued political stability and economic development in Cambodia and decided the political insurance was no longer necessary. As such, the political insurance was discontinued.

Other operating expenses increased by 36.2% to approximately US$24.3 million in 2008 from approximately US$17.8 million in 2007. We have been recruiting new staff to manage our gaming and hotel operations and other entertainment facilities. The expansion of our gaming and hotel operations and other entertainment facilities will require additional manpower. The number of our employees increased to 2,753 employees in 2008 from 1,709 employees in 2007.

Finance Costs

We did not incur any significant finance costs as there were no significant financing arrangements in 2008.

Net Profit

Profit attributable to equity Shareholders of the Company or net profit decreased by 20.3% to approximately US$40.0 million in 2008 from US$50.2 million in 2007. The net profit margins were 20.7% and 34.9% in 2008 and 2007 respectively.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Earnings per shares were approximately US cents 1.93 (HK cents 15.1 per share) and US cents 2.42 (HK cents 18.9 per share) in 2008 and 2007 respectively.

Financial Review

Pledge of Assets

As at 31 December 2008, the Group had not pledged any assets for bank borrowings (2007: US$ Nil).

Contingent Liabilities

As at 31 December 2008, the Group had no contingent liabilities. In relation to the litigation of a Junket VIP group as disclosed in the annual report 2007, the Group has provided an adequate allowance of US$2.1 million 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 ("KHR"). The Group therefore does not have any significant exposure to foreign currency risk. The Group does not enter into any currency hedging transactions since it considers that the cost of such instruments would outweigh the potential cost resulting from exchange rate fluctuation.

Issue of New Shares

There was no issue of new shares for the financial year ended 31 December 2008.

Liquidity, Financial Resources and Gearing

As at 31 December 2008, the Group had total cash and cash equivalents of approximately US$ 9.6 million (2007: approximately US$56.2 million). The Group had been making investments in property, plant and equipment in connection with the development and expansion of NagaWorld and the provision of gaming, entertainment and hotel services and facilities. We expect that our working capital and investments will be financed by cash generated from our operations and proceeds from the IPO and, if necessary, other forms of financing.

As at 31 December 2008, the Group had net current assets of approximately US$52.4 million (2007: approximately US$72.2 million). The Group had net assets of approximately US$270.2 million (2007: approximately US$262.6 million).

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

As at 31 December 2008, the Group had no significant outstanding borrowings.

Capital and Reserves

As at 31 December 2008, the capital and reserves attributable to equity shareholders of our Company were approximately US$270.2 million (2007: approximately US$262.6 million). The changes in the capital and reserves reflected mainly the profit retained and dividend paid in 2008.

Staff

As at 31 December 2008, the Group employed a work force of 2,753 (2007: 1,709) stationed in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year under review were approximately US$17.1 million (2007: approximately US$13.4 million).

Development of NagaWorld

The net proceeds from the Company's IPO were approximately US$94.9 million, after deduction of related expenses. The net proceeds were utilised for the development and construction of NagaWorld, the development of gaming activities such as installation of gaming equipment and tables and other ancillary equipment for public gaming floor in the hotel lobby and general working capital. As at 31 December 2008, remaining net proceeds from the IPO were approximately US$5.8 million and would be utilised for general working capital.

With the completion of levels 6, 7 and 8 of the North Tower and the spa in the Entertainment Wing, the construction of all gaming levels of the entertainment wing of NagaWorld was largely completed.

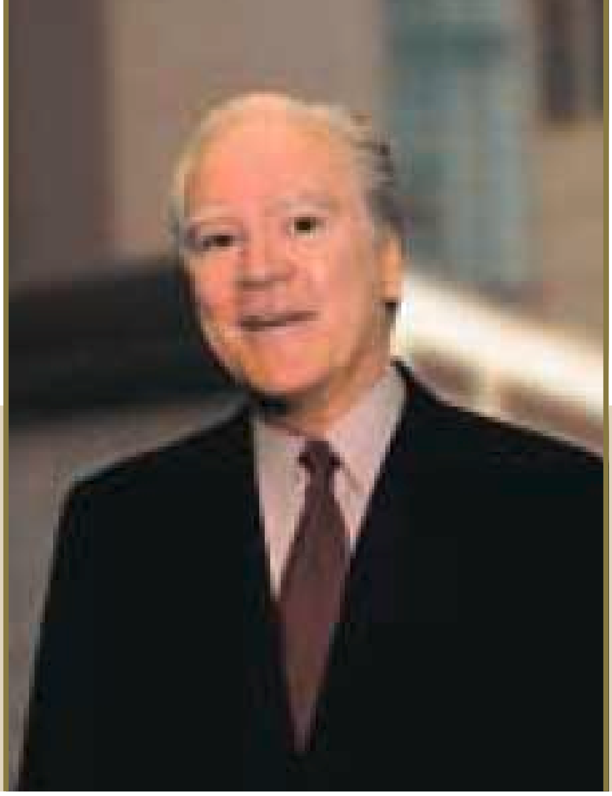
In the hotel wing, the grand hotel lobby and the construction of 508 hotel rooms were completed. The grand ballroom, which is capable of housing around 2,000 guests, was also completed. We added a collection of restaurants in NagaWorld that serve Italian, Korean, Chinese and, French cuisine. There are other food and beverage outlets in NagaWorld such as a wine and cigar bar, lobby lounge, club lounge, food court and noodle bar. The hotel wing of NagaWorld was largely completed.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The global financial tsunami had cast an impact on both advanced and emerging economies. Business activities across the region slowed down as a result. In view of the uncertain business outlook, the management of the Company decided, at this juncture, to postpone the expansion plan to expand the gaming and hotel space and increase the number of hotel rooms. With a capacity of 508 hotel rooms, 176 gaming tables, a collection of food and beverage outlets, and various entertainment amenities, NagaWorld is a competitive destination for our target customers.

In December 2008, the Company entered into an agreement with Elixir Gaming Technologies, Inc. ("Elixir") under which Elixir agreed to provide around 140 electronic gaming machines on a participation basis in the hotel wing of NagaWorld. The Company will be entitled to 75% of the revenue generated by the electronic gaming machines placed by Elixir group in NagaWorld while Elixir group will be entitled to 25% of such revenue. Further, the Company has newly placed around 36 sporting machines in the grand hotel lobby for patronage. The sporting machines offer gaming opportunities for players who are interested in sporting events including, among other things, electronic soccer and football. The sporting machines together with the electronic gaming machines are expected to contribute to our revenue base.

On 8 November 2008, Caesars Palace and NagaWorld jointly sponsored a Cambodian Red Cross charity dinner attended by the guest of honour, the first lady Lok Chumteav Bun Rany Hun Sen. The charity dinner was attended by local officials, celebrities and international investors. The charity dinner was the first event organised in our newly completed grand ball room. As one of the largest MICE (meetings, incentives, conventions and exhibitions) facilities in Phnom Penh, the demand for MICE facilities in NagaWorld is expected to be good as there are requests for reservation of our grand ball room since its completion.



Timothy Patrick McNally
Chairman, Non-executive Director

BOARD OF DIRECTORS' PROFILE

Mr. Timothy Patrick McNally, aged 61, 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 (the "Club"). In this capacity, Mr. McNally was a member of the executive Board of Management of the Club. Mr. McNally's responsibilities included 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 operating under the name of Tim McNally and Associates. Prior to his involvement with the Club, Mr. McNally was a Special Agent of the Federal Bureau of Investigation (the "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 was also 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 the 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 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 is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He was granted a Juris Doctorate degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin in June 1973.

Tan Sri Dato' Dr Chen Lip Keong
CEO, Executive Director

BOARD OF DIRECTORS' PROFILE (CONT'D)

Tan Sri Dato' Dr Chen Lip Keong, aged 61, is the Chief Executive Officer as well as the founder and the controlling shareholder of the Company with over 30 years of managerial, corporate and business experiences. Tan Sri Dato' Dr Chen is also a director of NagaCorp (HK) Limited, NWL and Ariston. Tan Sri Dato' Dr Chen graduated from the University of Malaya with an MBBS and 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").

BOARD OF DIRECTORS' PROFILE (CONT'D)

Monica Lam Yi Lin
Executive Director

Ms. Monica Lam Yi Lin, aged 49, 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 36, 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.

Wong Choi Kay
Independent Non-executive Director

Ms. Wong Choi Kay, aged 41, joined the Company as the Chairperson of the Audit Committee and an Independent Non-executive 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. Ms. Wong is also the Chairperson of the Audit Committee and an Independent Non-executive Director of CVM Minerals Limited (Stock Code: 705).

BOARD OF DIRECTORS' PROFILE (CONT'D)

Zhou Lian Ji
Independent Non-executive Director

Mr. Zhou Lian Ji, aged 76, 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 the People's Republic of China (the "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 the 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 59, 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 and Karambunai Corporation Berhad in which Tan Sri Dr. Chen Lip Keong is 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 69, 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 Non-executive 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 42, is a Malaysian and a qualified accountant registered with Malaysian Institute of Accountants and Malaysian Association 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.

CORPORATE GOVERNANCE REPORT

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 opinion of the Company's directors (the "Directors"), having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as explained below), the Company has applied the principles and complied with all the applicable code provisions as set out in the 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 2008.

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.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board

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

The Board currently consists of three executive Directors namely, Tan Sri Dr Chen Lip Keong (Chief Executive Officer), Ms. Monica Lam Yi Lin, Mr. Angus Au-Yeung Wai Kai (Chief Financial Officer), a non-executive Director namely, Mr. Timothy Patrick McNally (Chairman) and five independent non-executive Directors namely, 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 details 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

For the financial year ended 31 December 2008, 4 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)	4/4
Ms. Monica Lam Yi Lin	4/4
Mr. Angus Au-Yeung Wai Kai	4/4
Non-Executive Directors	
Mr. Timothy Patrick McNally (Chairman)	4/4
Independent Non-executive Directors	
Ms. Wong Choi Kay	3/4
Mr. Zhou Lian Ji	4/4
Mr. Leow Ming Fong	4/4
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	3/4
Mr. Lim Mun Kee	4/4

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 and requirements for them to report to the Board regularly on their decisions and recommendations. The day-to-day management of the operations of the Company is delegated to the divisional heads.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 2008, 6 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)	6/6
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	5/6
Mr. Lim Mun Kee	6/6

Mr. Leow Ming Fong acts as the Chairman of the Audit Committee. For the financial year ended 31 December 2008, 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 reports 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 Shareholders at the forthcoming annual general meeting, Messrs. BDO McCabe Lo Limited be re-appointed as the external auditors of the Company.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 2008, 2 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)	2/2
Mr. Angus Au-Yeung Wai Kai	2/2
Independent Non-executive Directors	
Mr. Leow Ming Fong	2/2
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	1/2
Mr. Lim Mun Kee	2/2

CORPORATE GOVERNANCE REPORT (CONT'D)

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 2008, 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	2/2
Independent Non-executive Directors	
Mr. Leow Ming Fong	2/2
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	1/2
Mr. Lim Mun Kee	2/2

CORPORATE GOVERNANCE REPORT (CONT'D)

The Nomination Committee reviewed the composition of the Board during the year under review. The Board passed a resolution to recommend and propose the appointment of Mr. Chen Yiy Fon, a son of Tan Sri Dr Chen Lip Keong, as a Non-executive Director of the Company by the Shareholders in the forthcoming annual general meeting. The retiring Directors, Mr. Angus Au-Yeung Wai Kai, Ms. Wong Choi Kay and Mr. Zhou Lian Ji will not offer themselves for re-election in the forthcoming annual general meeting. Upon conclusion of the forthcoming annual general meeting, Ms. Wong Choi Kay and Mr. Zhou Lian Ji will cease to be a Director and a member of the Group while, Mr. Angus Au-Yeung Wai Kai will cease to be a Director but remains as the Chief Financial Officer of the Group.

Pursuant to the articles of association of the Company, 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, Mr. Angus Au-Yeung Wai Kai, Ms. Wong Choi Kay and Mr. Zhou Lian Ji shall retire from office by rotation at the forthcoming annual general meeting and will not offer themselves for re-election and accordingly will cease to be Directors on conclusion of the forthcoming annual general meeting. The retirements by rotation of Mr. Angus Au-Yeung Wai Kai and Mr. Zhou Lian Ji are on a voluntary basis.

Internal controls

The AML Oversight Committee currently consists of Mr. 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. Timothy Patrick McNally 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 2008. 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 2008. 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.

CORPORATE GOVERNANCE REPORT (CONT'D)

Directors' and auditors' responsibilities for the consolidated financial statements

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

The statement of the external auditors of the Company, Messrs. BDO McCabe Lo Limited, about their reporting responsibilities on the consolidated 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 2008, the amounts paid to the external auditors of the Group in respect of the following services provided to the Group are set out below:

	2008 US$
Audit services	226,000

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 releases and announcements.

At the annual general meeting of the Company held on 15 May 2008, 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 2008, all the resolutions were dealt with by a show of hands and were duly passed by the Shareholders.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

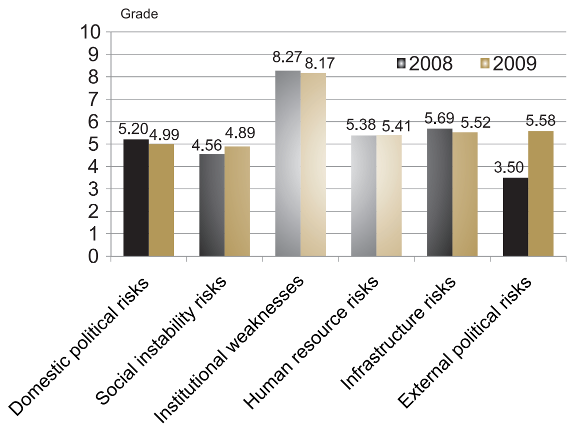
Political and Economic Risk Consultancy, Ltd. ("PERC")
20/F, Central Tower
28 Queen's Road
Central
Hong Kong

TO THE BOARD OF NAGACORP LTD.

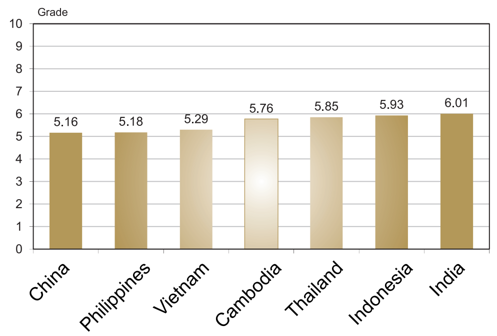
We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia particularly as they relate to NagaCorp's casino, hotel and entertainment business operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks,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

Based on the assessments and reviews carried out in December 2008 and January 2009, we summarised our findings below:

Perceptions of Cambodia's Business Environment Risks



How Perception of Cambodian Risks Compare



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

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA (CONT'D)

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

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

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables 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 5.76, which is in our view moderate.

The Positive Developments

- It will be easier to recognize the important role NagaCorp is playing in promoting growth for the economy. The global recession and the negative fallout from the border dispute with Thailand will hurt overall tourism numbers, but NagaCorp's own growth will still be steady due to continuing growth in tourism inflows from Mainland China and other sources that are relatively immune to disruptions caused by the Thai border dispute. Moreover, because NagaCorp's gaming facilities are precisely what are drawing these visitors to the country, NagaCorp's value as an agent for development will be easier to recognize.

- The slowdown in manufacturing and new foreign direct investment inflows in 2009 will make it easier for NagaCorp to hire quality staff at the very time when it is expanding rapidly and needs such staff. As one of the biggest single sources of new employment in Cambodia, NagaCorp will also be seen in an even more favorable light by the Cambodian Government and local population.

- International donors, including China, are remaining very committed to Cambodia. This will ensure the Cambodian Government does not face a fiscal crisis and help it with both the financing and expertise needed to improve physical infrastructure and governance capabilities.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA (CONT'D)

- Cambodia's relations with both China and Vietnam are good and stable. Beijing's restrictive stance on Mainland Chinese visiting Macao has benefitted Cambodia and NagaCorp., since there are no such restrictions on Mainlanders visiting Phnom Penh, nor are any likely to be imposed. Beijing places a high priority on cultivating good relations with Cambodia. There has also been a liberalization in travel between Vietnam and Cambodia. Vietnamese can now travel to Cambodia without visas.

The Challenges

- Corruption and weak national institutions will remain a major challenge. The quality of different government ministries and departments is very uneven.

- Unemployment in Phnom Penh could increase in 2009 due to layoffs in the garment manufacturing and construction industries. Petty crime could rise in this kind of environment.

- The regional economic slowdown, particularly in Vietnam, China and Korea, will adversely affect the flow of visitors from these countries. The global liquidity squeeze could also hurt the ability of junket operators and gamblers to obtain credit that has helped to fuel the growth of the industry.

- NagaCorp enjoys a monopoly in Phnom Penh, but competition is still increasing in the form of machine gaming halls that exist in the capital and new casinos that are being built in places like Sihanoukville that are outside NagaCorp's monopoly area. Unlike the casinos that exist along the border with Thailand and do not really cater to the same foreign groups of gamblers that NagaCorp's Phnom Penh facility services, the new casinos in Sihanoukville could cater to Russians, Koreans and other foreign groups that NagaCorp would also like to attract. This competition will not be a threat for several more years. It will take at least that long to build the facilities and the physical infrastructure to support them. They also lack the direct air links to key foreign markets that Phnom Penh has. However, they are a sign that increased competition within Cambodia is coming.

- Cambodia will also get more competition for gaming from other countries in Asia that are trying to develop industries of their own. They include Vietnam, Singapore, Taiwan and the Philippines. This will not be much of an issue in 2009 since facilities are still being built in the countries, but as they come on stream in following years, the greater number of gambling operators and possible destinations will affect the competitive environment.

Robert Broadfoot
Managing Director
PERC
Hong Kong, 26 February 2009

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA (CONT'D)

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 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 August 2008 and April 2009 for the past year to 31 December 2008.

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

Our review team noted the continued expansion of the gaming operations of NagaCorp and the opening of more gaming space in NagaWorld. The review team has highlighted high staff turnover in senior management positions but notes continuity is still maintained at the operational and compliance level.

The review team is satisfied that NagaCorp maintains full control of the 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
Executive Vice President
Hill & Associates Ltd

John Bruce
Senior Consultant (Gaming)

Hong Kong, 9 April 2009

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 consolidated financial statements for the year ended 31 December 2008.

Principal place of business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 February 2003 and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at NagaWorld 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 Group is the operation of a hotel and entertainment complex, NagaWorld, in Cambodia. Other particulars of its subsidiaries are set out in note 17 to the consolidated financial statements. An analysis of the Group's performance for the year by business segment is set out in note 14 to the consolidated financial statements. As the Group's operations are in Phnom Penh, Cambodia, no geographical segment information is presented.

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 2008, the net proceeds were being used for the construction of NagaWorld and general working capital.

DIRECTORS' REPORT (CONT'D)

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	6%	5%
Five largest junket operators in aggregate	17%	23%

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 2008.

Results

The profit of the Group for the year ended 31 December 2008 are set out in the consolidated financial statements on page 47.

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 pages 97 to 98.

Transfer to reserves

The profit attributable to equity Shareholders of the Company, before dividends, of US$40,010,000 (2007: US$50,200,000) have been transferred to the reserves. Other movements in reserves are set out in note 25 to the consolidated financial statements.

An interim dividend of US cents 0.74 per share (2007: US cents 0.67 per share) was declared and paid on 30 September 2008. The Directors proposed the payment of a final dividend of US cents 0.13 per share (2007: US cents 0.77 per share) for the financial year ended 31 December 2008. The proposed final dividend together with the interim dividend represented a dividend payout ratio of approximately 45%.

DIRECTORS' REPORT (CONT'D)

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$3,641,000 (2007: US$143,000) and all of which were donated in Cambodia.

Fixed assets

During the year, the Group acquired fixed assets for approximately US$34.8 million (2007: US$46.1 million). Details of these purchases and other movements in fixed assets are set out in note 15 to the consolidated 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 25 to the consolidated financial statements.

Remuneration

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

Remuneration of the Directors and senior management

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

DIRECTORS' REPORT (CONT'D)

Directors

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

Chairman and non-executive Director:

Timothy Patrick McNally [M]

Executive Directors:

Tan Sri Dr Chen Lip Keong [R/M/N]

Monica Lam Yi Lin

Angus Au-Yeung Wai Kai [R/N]

Independent non-executive Directors:

Wong Choi Kay [M]

Zhou Lian Ji

Leow Ming Fong [A/R/M/N]

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir [A/R/N]

Lim Mun Kee [A/R/N]

A: Members of Audit Committee

R: Members of Remuneration Committee

N: Members of Nomination Committee

M: Members of Anti-Money Laundering Oversight Committee

Pursuant to article 87 of the Articles, Mr. Angus Au-Yeung Wai Kai, Ms. Wong Choi Kay and Mr. Zhou Lian Ji shall retire from office by rotation at the forthcoming annual general meeting and will not offer themselves for re-election and accordingly will cease to be Directors on conclusion of the forthcoming annual general meeting. The retirements by rotation of Mr. Angus Au-Yeung Wai Kai and Mr. Zhou Lian Ji are on a voluntary basis.

Upon conclusion of the forthcoming annual general meeting, Ms. Wong Choi Kay and Mr. Zhou Lian Ji will cease to be a member of the Group while Mr. Angus Au-Yeung Wai Kai will remain as the Chief Financial Officer of the Group.

DIRECTORS' REPORT (CONT'D)

Directors' interests and short positions in shares and underlying shares

The Directors who held office at 31 December 2008 had the following interests and short positions 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 Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company pursuant to the Model Code:

Interests in issued shares

Name of Directors	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Tan Sri Dr Chen Lip Keong	Interest in controlled corporation - Cambodian Development Corporation Limited ("CDC") (Note 1)	161,197,228(L)	7.79(L)
Tan Sri Dr Chen Lip Keong	Beneficiary of a trust in Fourth Star Finance Corp. (Note 2)	719,505,474(L)	34.79(L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	419,082,402(L) 49,263,993(S) (Note 3)	20.26(L) 2.38(S)

The Letter "L" denotes the entity's long position in the shares
The Letter "S" denotes the entity's short position in the shares

Notes

(1) Details of interest in the Company held by CDC are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.

(2) Details of interest in the Company held by Fourth Star Finance Corp. are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.

(3) Of the 419,082,402 shares of the Company in total in which Tan Sri Dr Chen Lip Keong has personal 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.

DIRECTORS' REPORT (CONT'D)

Save as disclosed above, as at 31 December 2008, none of the Directors 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.

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.

DIRECTORS' REPORT (CONT'D)

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 2008, 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)	Beneficial owner	161,197,228(L)	7.79(L)
Fourth Star Finance Corp (Note 1 and 2)	Trustee	719,505,474(L)	34.79(L)
Evolution Capital Management, LLC (Note 3)	Investment manager	186,789,652(L)	9.03(L)
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M (Note 3)	Beneficial owner Other interest	197,347,652 11,000,000	9.54(L) 0.53(L)
Evo Capital Management Asia Limited	Investment manager	207,895,652(L)	10.05(L)
Structure Investments, Ltd.	Other interest	207,895,652(L)	10.05(L)
Fortis Intertrust Agency & Escrow Pte. Ltd.	Security interest	719,505,474 (L)	34.79(L)
CarVal GVF GP L.P. (Note 4)	Interests of controlled corporations	308,359,490(L)	14.91(L)
L-R Gobal Partners, L.P. (Note 5)	Investment manager	103,790,000(L)	5.02(L)
Bank of America Corporation (Note 6)	Interests of controlled corporations	128,261,400(L)	6.20(L)

Notes:

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

(2) Fourth Star Finance Corp. is the trustee of a trust to which Tan Sri Dr Chen Lip Keong is a beneficiary.

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

(4) CarVal GVF GP L.P., through its wholly-owned and non-wholly owned subsidiaries, is interested in 308,359,490 shares of the Company.

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

(6) Bank of America Corporation, through its wholly-owned and non-wholly owned subsidiaries, is interested in 128,261,400 shares.

(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 2008, no other party (other than the Directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Sufficiency of public float

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

Directors' 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.

DIRECTORS' REPORT (CONT'D)

Properties

Particulars of the major properties and property interests of the Group are shown under note 15 to the consolidated financial statements.

Purchase, sale or redemption of listed securities

The Company made six repurchases of its ordinary shares of US$0.0125 each from the open market traded on the Main Board of the Stock Exchange and made subsequent cancellation of the same for the period ended 31 December 2008. The Company had repurchased (i) on 3 April 2008, 1,880,000 ordinary shares of the Company at prices between Hong Kong dollars ("HK$")1.59 and HK$1.63 per share; (ii) on 21 November 2008, 454,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.97 per share; (iii) on 25 November 2008, 950,000 ordinary shares of the Company at a price of HK$0.95; (iv) on 1 December 2008, 1,350,000 ordinary shares of the Company at prices between HK$0.93 and HK$0.95 per share; (v) on 2 December 2008, 1,450,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.95 per share; (vi) on 3 December 2008, 480,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.96 per share, and made subsequent cancellation of the shares thereof in accordance with the requirements under the Listing Rules. The total number of shares repurchased by the Company represented approximately 0.316% of the total number of its issued and fully paid share capital before the repurchase of such shares.

DIRECTORS' REPORT (CONT'D)

Connected transactions

During 2008, 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 travels between Cambodia and other parts the 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 these 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 31 to the consolidated financial statements. Those related party transactions which constituted connected transactions under Chapter 14A of the Listing Rules have complied with the disclosure requirements thereon.

Auditor

BDO McCabe Lo Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2008.

By order of the Board

Timothy Patrick McNally
Chairman
Hong Kong

26 February 2009

INDEPENDENT AUDITOR'S REPORT

BDO McCabe Lo Limited
Certified Public Accountants
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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 47 to 96, which comprise the consolidated and the Company's balance sheets as at 31 December 2008, 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 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 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 ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2008, and of the Group's financial performance for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 February 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Revenue	6	193,485	144,024
Cost of sales		(105,501)	(65,884)
Gross profit		87,984	78,140
Other income	7	2,558	4,084
Administrative expenses		(24,324)	(12,498)
Other operating expenses		(24,255)	(17,813)
Profit before taxation	8	41,963	51,913
Income tax	10	(1,953)	(1,713)
Profit attributable to equity shareholders of the Company	11	40,010	50,200
Dividends payable to equity shareholders of the Company attributable to the year:	12		
Interim dividend declared during the year		15,341	14,000
Final dividend proposed after balance sheet date		2,689	16,000
Total dividend declared/proposed		18,030	30,000
Earnings per share (US cents)	13	1.93	2.42

The notes on pages 54 to 96 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	15(a)	122,560	91,548
Interest in leasehold land held for own use under operating lease	15(a)	655	664
Intangible assets	16	94,577	98,124
		217,792	190,336
Current assets			
Consumables	18	186	51
Trade and other receivables	19	65,795	33,453
Deposit payments for purchase of raw materials	20	1,239	3,022
Cash and cash equivalents		9,627	56,229
		76,847	92,755
Current liabilities			
Trade and other payables	22	22,334	18,416
Obligations under finance leases	23	2	2
Provisions	24	2,096	2,096
		24,432	20,514
Net current assets		52,415	72,241
Total assets less current liabilities		270,207	262,577
Non-current liabilities			
Obligations under finance leases	23	7	9
NET ASSETS		270,200	262,568

CONSOLIDATED BALANCE SHEET (CONT'D)

at 31 December 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
CAPITAL AND RESERVES	25		
Share capital		25,855	25,938
Reserves		244,345	236,630
TOTAL EQUITY		270,200	262,568

Approved and authorised for issue by the Board on 26 February 2009

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 54 to 96 form part of these consolidated financial statements.

BALANCE SHEET

At 31 December 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	15(b)	343	386
Investment in subsidiaries	17	15,500	15,500
		15,843	15,886
Current assets			
Trade and other receivables	19	194,257	162,833
Cash and cash equivalents		5,842	38,904
		200,099	201,737
Current liabilities			
Trade and other payables	21	11,986	6,620
Net current assets		188,113	195,117
NET ASSETS		203,956	211,003
CAPITAL AND RESERVES	25		
Share capital		25,855	25,938
Reserves		178,101	185,065
TOTAL EQUITY		203,956	211,003

Approved and authorised for issue by the Board on 26 February 2009

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 54 to 96 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008
(Expressed in United States dollars)

	Note	$'000
Total equity at 1 January 2007		235,882
Exchange differences on translation of the financial statements of foreign entities		71
Overprovision of share issue cost in prior year		415
Net income recognised directly in equity		486
Profit for the year		50,200
Dividend paid		(24,000)
Total recognised income for the year		26,686
Total equity at 31 December 2007		262,568
Total equity at 1 January 2008		262,568
Exchange differences on translation of the financial statements of foreign entities	25	(76)
Net expenses recognised directly in equity		(76)
Profit for the year	25	40,010
Dividend paid	25	(31,341)
Total recognsied income for the year		8,593
Repurchase and cancellation of shares	25	(961)
Total equity at 31 December 2008		270,200

The notes on pages 54 to 96 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008
(Expressed in United States dollars)

	2008 $'000	2007 $'000
Operating activities		
Profit before taxation	41,963	51,913
Adjustments for:		
- Depreciation and amortisation	3,748	1,391
- Amortisation of casino licence premium	3,547	3,547
- Interest income	(454)	(2,451)
- Exchange gain, net	(130)	(523)
- Impairment loss on trade receivables	2,210	152
- (Gain)/Loss on disposal of property, plant and equipment	(18)	4
- Write off of property, plant and equipment	4	—
- Reversal of accruals of other taxes and contingencies	—	(1,597)
- Forfeiture of gaming deposits received	(1,908)	—
- Provision for unsettled gaming chips	940	—
Operating profit before changes in working capital	49,902	52,436
Increase in consumables	(135)	(34)
Increase in trade and other receivables	(34,552)	(21,466)
Increase in trade and other payables	2,184	9,631
Cash generated from operations	17,401	40,567
Tax paid	(1,953)	(1,724)
Net cash generated from operating activities	15,448	38,843
Investing activities		
Interest received	454	2,451
Payment for the purchase of property, plant and equipment and for the construction cost of property	(30,290)	(39,376)
Proceeds from disposal of property, plant and equipment	90	12
Net cash used in investing activities	(29,746)	(36,913)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

for the year ended 31 December 2008
(Expressed in United States dollars)

	2008 $'000	2007 $'000
Financing activities		
Repurchase of shares of the Company	(961)	—
Dividend paid	(31,341)	(24,000)
Repayment of finance leases	(2)	(2)
Net cash used in financing activities	(32,304)	(24,002)
Net decrease in cash and cash equivalents	(46,602)	(22,072)
Cash and cash equivalents at beginning of year	56,229	78,301
Cash and cash equivalents at end of year	9,627	56,229

The notes on pages 54 to 96 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

1 General

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

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

2 Adoption of new or revised International Financial Reporting Standards

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

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

Amendments to IAS 39 and IFRS 7	Reclassification of Financial Assets
IFRIC - Int 11	IFRS 2: Group and Treasury Share Transactions
IFRIC - Int 12	Service Concession Arrangements
IFRIC - Int 14	IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and new interpretations had no material effect on the results or financial position of the Group and of the Company for the current or prior accounting periods and no prior period adjustment has been recognised.

The Group has not applied any amendments, new or revised standards or interpretations that are issued but not yet effective for the current accounting period (note 33). However, the Directors anticipate that the application will have no material impact on the consolidated financial statements.

3 Basis of preparation

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

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

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

3 Basis of preparation *(continued)*

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 34.

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

4 Principal accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and of 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.

(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.

In the Company's balance sheet, investment in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

4 Principal accounting policies *(continued)*

(b) Property, plant and equipment

(i) Owned assets

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 4(d)).

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

— other items of property, plant and equipment.

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

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

(ii) Depreciation

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

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

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

(c) Intangible assets

Casino licence premium

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

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

4 Principal accounting policies *(continued)*

(d) 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;

— intangible assets; and

— investment in subsidiaries.

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

— Recognition of impairment losses

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

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

(e) Consumables

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

(f) Trade and other receivables

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

4 Principal accounting policies *(continued)*

(f) Trade and other receivables *(continued)*

(i) Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group which includes the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtors' financial difficulty; or

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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

(ii) Derecognition

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

(g) Trade and other payables

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

4 Principal accounting policies *(continued)*

(h) 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.

(i) 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.

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

(j) Cash and cash equivalents

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

4 Principal accounting policies *(continued)*

(k) Commissions and incentives

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

(l) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. 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).

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

4 Principal accounting policies *(continued)*

(n) Dividends

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

(o) 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.

(p) 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

(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.

4 Principal accounting policies *(continued)*

(q) Leased assets

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

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 4(b)(ii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(d). 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.

(iii) Prepaid land lease

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

4 Principal accounting policies *(continued)*

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in 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) 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.

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

(iv) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

5 Casino licence

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

(a) Duration of licence

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

(b) Exclusivity

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

— authorising, licensing or approving the conduct of casino gaming within the Designated Area;

— entering into any written agreement with any party with respect to casino gaming within the Designated Area; and

— issuing or granting any other casino licence.

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

(c) Casino complex

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

6 Revenue

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

	2008 $'000	2007 $'000
Casino operations *(note (a))*	187,901	140,788
Income from operating lease for the provision and maintenance of gaming machine stations	3,070	3,070
Other operations *(note (b))*	2,514	166
	193,485	144,024

Notes:

(a) 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 $2.1 million per month for the first five years and $2.6 per month million for the next five years. Revenue of $12.6 million has been recognised by the Group for the year ended 31 December 2008 (2007: $Nil). However, the Group ceased the provision of gaming management services to this third party since late 2008 and by end of 2008, the Group terminated the agreement in accordance with the stipulated terms due to default by the third party.

(b) Revenue from other operations comprises income from food and beverage outlets, hotel complex, spa and others.

7 Other income

	2008 $'000	2007 $'000
Interest income	454	2,451
Rental income	156	36
Forfeiture of gaming deposits received	1,908	—
Reversal of accruals of other taxes and contingencies	—	1,597
Others	40	—
	2,558	4,084

8 Profit before taxation

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

		2008 $'000	2007 $'000
(a)	Staff costs (including Directors' remuneration):		
	Salaries, wages and other benefits	17,085	13,393
	Contributions to defined contribution retirement scheme	5	5
	Total staff costs	17,090	13,398
	Average number of employees (Full-time equivalent)	2,753	1,709
(b)	Other items:		
	Auditor's remuneration		
	– Current year	226	148
	– Under-provision for prior year	41	147
	– Over-provision for prior year	(1)	—
	Fuel expenses	4,844	1,490
	Other taxes *(note)*	(20)	100
	Amortisation of casino licence premium charged to other operating expenses	3,547	3,547
	Depreciation and amortisation	3,748	1,391
	Impairment loss on trade receivables	2,210	152
	Write-off of property, plant and equipment	4	—
	(Gain)/Loss on disposal of property, plant and equipment	(18)	4
	Operating lease charges for land lease rental	187	192
	Operating lease charges for office and car park rental	286	220
	Operating lease charges for hire of equipment	945	—
	Exchange gain, net	(130)	(523)

Note: Other taxes relate to salary taxes, fringe benefit taxes and withholding taxes.

9 Directors' remuneration and senior management remuneration

(a) Directors' remuneration

The remuneration of the Directors is as follows:

	Annual performance bonus $'000	Discretionary bonus $'000	Fees $'000	Basic salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	2008 Total $'000
Executive directors						
Tan Sri Dr Chen Lip Keong	880	—	—	240	—	1,120
David Martin Hodson (Note)	—	—	—	86	—	86
Monica Lam Yi Lin	—	—	—	66	2	68
Angus Au-Yeung Wai Kai	—	—	—	134	2	136
Non-executive director						
Timothy Patrick McNally	—	—	223	—	—	223
Independent non-executive directors						
Wong Choi Kay	—	—	26	—	—	26
Tun Dato' Seri Abdul Hamid Haji Omar (Note)	—	—	—	—	—	—
Zhou Lian Ji	—	—	45	—	—	45
Jimmy Leow Ming Fong	—	—	26	—	—	26
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	—	—	26	—	—	26
Lim Mun Kee	—	—	26	—	—	26
Total	880	—	372	526	4	1,782

9 Directors' remuneration and senior management remuneration *(continued)*

(a) Directors' remuneration *(continued)*

	Annual performance bonus $'000	Discretionary bonus $'000	Fees $'000	Basic salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Compensation for loss of office $'000	2007 Total $'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	—	—	—	31	1	—	32
Tian Toh Seng	—	245	—	62	—	—	307
Lee Wing Fatt	—	230	—	58	—	—	288
Lew Shiong Loon	—	194	—	44	—	—	238
Non-executive director							
Timothy Patrick McNally	—	—	179	—	—	—	179
Independent non-executive directors							
Wong Choi Kay	—	—	26	—	—	—	26
Tun Dato' Seri Abdul Hamid Haji Omar	—	—	—	—	—	100	100
Zhou Lian Ji	—	—	—	—	—	50	50
Jimmy Leow Ming Fong	—	—	16	—	—	—	16
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	—	—	8	—	—	—	8
Lim Mun Kee	—	—	8	—	—	—	8
Total	1,190	707	237	623	4	150	2,911

Note: Ceased to be a director on 15 May 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9 Directors' remuneration and senior management remuneration *(continued)*

(a) Directors' remuneration *(continued)*

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

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

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

Tan Sri Dr Chen Lip Keong is entitled to PBT of approximately $0.9 million for the year ended 31 December 2008 (2007: $1.1 million).

(b) Senior management remuneration

Of the five individuals with highest emoluments, two (2007: four) are Directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the others three individuals for the year ended 31 December 2008 (2007: one) are as follows:

	2008 $'000	2007 $'000
Basic salaries, housing and other allowances and benefits in kind	576	181

The emoluments of the remaining three individuals (2007: one) with the highest emoluments are within the following band:

	2008 Number of individuals	2007 Number of individuals
$50,001 - $100,000 (approximately HK$390,000 - HK$780,000)	—	1
$100,001 - $150,000 (approximately HK$780,001 - HK$1,170,000)	1	—
$150,001 - $200,000 (approximately HK$1,170,001 - HK$1,560,000)	—	—
Over $200,000 (approximately over HK$1,560,000)	2	—
	3	1

10 Income tax

Income tax in the income statement represents:

	2008 $'000	2007 $'000
Current tax expense *(note (a))*	1,953	1,713

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

	2008 $'000	2007 $'000
Profit before taxation	41,963	51,913
Profits tax using Cambodian corporation tax rate of 20% (2007: 20%)	8,393	10,383
Tax exempt profits from Cambodian operations *(note (a))*	(8,362)	(10,379)
Obligation Payments *(note (a))*	1,922	1,709
	1,953	1,713

Notes:

(a) Income tax in the income statement

Income tax represents Obligation Payments of $160,180 (2007: $142,383) per month payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia by NWL Gaming Branch as explained below and minimum profits tax of $30,553 (2007: $3,471) by NWL Hotel and Entertainment Branch. Both branches are registered under the name of NWL in Cambodia.

(i) Casino taxes and licence fees

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

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

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

In May 2000, the MOEF levied an Obligation Payment of $60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003, in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. NWL has also obtained a legal opinion confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF has been revising the Obligation Payment every year, and for the year ended 31 December 2008, the Obligation Payments become $160,180 per month.

10 Income tax *(continued)*

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

(i) Casino taxes and licence fees *(continued)*

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

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

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

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

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

(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 NWL Hotel and Entertainment Branch.

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

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

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

Furthermore, the Senior Minister of the Council of 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.

10 Income tax *(continued)*

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

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

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. Subject to annual revision, the MOEF revised the non-gaming obligation payment has been revised to $49,658 per month for the year ended 31 December 2008. The monthly rate of non-gaming Obligation Payment will be reviewed annually.

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax and value-added tax which are included in administrative expenses in the consolidated income statement. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties and interest imposed are similar to those applicable to the gaming Obligation Payment as stated in note 10(a)(i) above.

(iii) Other jurisdictions

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

(b) Taxes on other businesses

NWL Hotel and Entertainment Branch that owns NagaWorld has been granted tax incentives by the Council for the Development of Cambodia (the "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 NWL Gaming Branch and NWL Hotel and Entertainment Branch, are subject to normal profits tax of 20%. Revenue from other operations of NWL in Cambodia is subject to value-added tax of 10%.

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

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

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

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

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

(d) Deferred taxation

No provision for deferred taxation has been recognised as there is no significant temporary difference at the balance sheet date.

11 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $25,254,000 (2007: $19,064,000) which has been dealt with in the financial statements of the Company.

12 Dividends payable to equity shareholders of the Company attributable to the year

	2008 $'000	2007 $'000
Interim dividend declared during the year:		
2008: US cents 0.74 per ordinary share	15,341	—
2007: US cents 0.67 per ordinary share	—	14,000
Final dividend proposed after balance sheet date:		
2008: US cents 0.13 per ordinary share	2,689	—
2007: US cents 0.77 per ordinary share	—	16,000
	18,030	30,000

The interim dividend of $15,341,000 for the year ended 31 December 2008 was declared and paid in September 2008.

13 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $40,010,000 (2007: $50,200,000) and the weighted average number of 2,073,174,592 (2007: 2,075,000,000) ordinary shares in issue during the year.

The weighted average number of ordinary shares is as follows:

	2008	2007
At 1 January	2,075,000,000	2,075,000,000
Effect of repurchase and cancellation of shares *(Note 25)*	(1,825,408)	—
At 31 December	2,073,174,592	2,075,000,000

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2008 and 31 December 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

14 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 $'000	Hotel and entertainment operations $'000	Corporate $'000	Inter-segment elimination $'000	Total $'000
Segment revenue:					
Year ended 31 December 2007					
Revenue from external customer	143,858	166	—	—	144,024
Inter-segment revenue	—	361	—	(361)	—
	143,858	527	—	(361)	144,024
Year ended 31 December 2008					
Revenue from external customer	190,971	2,514	—	—	193,485
Inter-segment revenue	—	920	—	(920)	—
	190,971	3,434	—	(920)	193,485
Segment profit/(loss)from operations:					
Year ended 31 December					
2007	56,680	(1,118)	(3,649)	—	51,913
2008	59,268	(6,711)	(10,594)	—	41,963
Segment assets:					
Year ended 31 December					
2007	150,238	91,032	41,821	—	283,091
2008	167,431	118,423	8,785	—	294,639

14 Segment information *(continued)*

(a) Business segments *(continued)*

	Casino operations $'000	Hotel and entertainment operations $'000	Corporate $'000	Inter-segment elimination $'000	Total $'000
Segment liabilities:					
Year ended 31 December					
2007	(16,460)	(2,755)	(1,308)	—	(20,523)
2008	(14,933)	(6,032)	(3,474)	—	(24,439)
Net assets:					
Year ended 31 December					
2007	133,778	88,277	40,513	—	262,568
2008	152,498	112,391	5,311	—	270,200
Cash flow generated from/ (used in) operating activities:					
Year ended 31 December					
2007	47,375	4,837	(13,369)	—	38,843
2008	19,647	379	(4,578)	—	15,448
Cash flow (used in)/ generated from investing activities:					
Year ended 31 December					
2007	(3,206)	(35,533)	1,826	—	(36,913)
2008	(2,969)	(27,020)	243	—	(29,746)

14 Segment information *(continued)*

(a) Business segments *(continued)*

	Casino operations $'000	Hotel and entertainment operations $'000	Corporate $'000	Inter-segment elimination $'000	Total $'000
Other segment information					
Capital expenditure:					
Year ended 31 December					
2007	3,407	42,240	429	—	46,076
2008	3,253	31,558	17	—	34,828
Depreciation and amortisation:					
Year ended 31 December					
2007	4,086	845	7	—	4,938
2008	4,452	2,834	9	—	7,295
Impairment loss on trade receivables					
Year ended 31 December					
2007	152	—	—	—	152
2008	2,210	—	—	—	2,210

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

(b) Geographical segments

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

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

(a) The Group

	Plant and equipment $'000	Buildings $'000	Capital work-in–progress $'000 (note (i))	Renovations, furniture and fittings $'000	Motor vehicles $'000	Total property, plant and equipment $'000	Interest in leasehold land held for own use under operating lease $'000 (note (ii))
Cost:							
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
At 1 January 2008	8,070	22,524	49,257	16,032	1,476	97,359	751
Additions	4,593	—	29,093	764	378	34,828	—
Disposal	(5)	—	—	—	(164)	(169)	—
Written off	(113)	—	—	—	—	(113)	—
Transfer	2,498	18,465	(25,662)	4,699	—	—	—
Exchange adjustment	(1)	—	—	—	(2)	(3)	—
At 31 December 2008	15,042	40,989	52,688	21,495	1,688	131,902	751

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

(a) The Group *(continued)*

	Plant and equipment $'000	Buildings $'000	Capital work-in–progress $'000 (note (i))	Renovations, furniture and fittings $'000	Motor vehicles $'000	Total property, plant and equipment $'000	Interest in leasehold land held for own use under operating lease $'000 (note (ii))
Accumulated depreciation /amortisation:							
At 1 January 2007	3,823	196	—	346	275	4,640	76
Depreciation for the year	427	283	—	486	184	1,380	11
Disposal	(5)	—	—	—	(58)	(63)	—
Written off	(146)	—	—	(1)	—	(147)	—
Exchange adjustment	1	—	—	—	—	1	—
At 31 December 2007	4,100	479	—	831	401	5,811	87
At 1 January 2008	4,100	479	—	831	401	5,811	87
Depreciation for the year	841	592	—	2,025	281	3,739	9
Disposal	(5)	—	—	—	(92)	(97)	—
Written off	(109)	—	—	—	—	(109)	—
Exchange adjustment	(1)	—	—	—	(1)	(2)	—
At 31 December 2008	4,826	1,071	—	2,856	589	9,342	96
Net book value (note(iii)):							
At 31 December 2008	10,216	39,918	52,688	18,639	1,099	122,560	655
At 31 December 2007	3,970	22,045	49,257	15,201	1,075	91,548	664

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

(a) The Group *(continued)*

Note:

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

	2008 $'000	2007 $'000
Hotel and casino complex, Cambodia	52,688	49,257

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.

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

	2008 $'000	2007 $'000
Cambodia	655	664

In addition to the prepaid lease payments to acquire the interest in the leasehold land held for own use under operating lease, the Group was obliged to pay the annual operating lease charge of approximately $187,000 (2007: $192,000), subject to increment for every 10 years, as shown in notes 5 and 23 to the consolidated 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 $8,000 (2007: $11,000), and depreciation of $3,000 (2007: $3,000) was charged during the year.

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

(b) The Company

	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost:			
At 1 January 2007	3	—	3
Additions	364	60	424
Disposal	(3)	—	(3)
At 31 December 2007	364	60	424
At 1 January 2008	364	60	424
Additions	10	—	10
At 31 December 2008	374	60	434
Accumulated depreciation/amortisation:			
At 1 January 2007	3	—	3
Depreciation for the year	28	9	37
Disposal	(2)	—	(2)
At 31 December 2007	29	9	38
At 1 January 2008	29	9	38
Depreciation for the year	41	12	53
At 31 December 2008	70	21	91
Net book value:			
At 31 December 2008	304	39	343
At 31 December 2007	335	51	386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

16 Intangible assets

	The Group	
	2008	2007
Casino licence premium and extended exclusivity premium:	$'000	$'000
Cost:		
At 1 January and 31 December	108,000	108,000
Accumulated amortisation:		
At 1 January	9,876	6,329
Charge for year	3,547	3,547
At 31 December	13,423	9,876
Net book value	94,577	98,124

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

17 Investment in subsidiaries

	The Company	
	2008	2007
	$'000	$'000
Unlisted shares, at cost	15,500	15,500

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
NWL *@	Hong Kong	Cambodia	78,000,000 shares of HK$1 each	—	100%	Gaming, hotel and entertainment operations
Ariston #	Malaysia	Malaysia and Cambodia	56,075,891 shares of Ringgit Malaysia ("RM") each	—	100%	Holding casino licence and investment holding
Neptune Orient Sdn. Bhd. #	Malaysia	Malaysia and Cambodia	250,000 shares of RM1 each	—	100%	Inactive
Ariston (Cambodia) Limited #	Cambodia	Cambodia	1,000 shares of KHR120,000 each	—	100%	Inactive

The class of shares held is ordinary.

* The financial statements of these subsidiaries were audited by BDO McCabe Lo Limited for the year ended 31 December 2008.

\# The financial statements of these subsidiaries were audited by a member firm of BDO International for the year ended 31 December 2008.

@ The Gaming Branch and Hotel and Entertainment Branch of NWL were audited by a member firm of BDO International for the year ended 31 December 2008.

18 Consumables

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

19 Trade and other receivables

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade receivables	60,195	28,094	—	—
Deposits, prepayments and other receivables	7,638	5,341	2,224	2,296
Amounts due from subsidiaries *(note 21)*	—	—	191,709	160,367
Amount due from related company	324	170	324	170
Less: Allowance for impairment loss included in trade receivables	(2,362)	(152)	—	—
	65,795	33,453	194,257	162,833

Included in trade and other receivables are trade debts (net of impairment losses) with the following ageing analysis as at the balance sheet date:

	The Group	
	2008	2007
	$'000	$'000
Current to within 1 month	19,393	23,044
1 to 3 months	16,655	2,446
3 to 6 months	15,381	881
6 to 12 months	4,050	580
More than 1 year	2,354	991
	57,833	27,942

The average credit period on gaming revenue is 7 days from the end of tour.

19 Trade and other receivables *(continued)*

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

	The Group	
	2008	2007
	$'000	$'000
Less than 1 month overdue	8,823	8,996
1 to 3 months overdue	16,655	2,446
3 to 6 months overdue	15,381	881
6 to 12 months overdue	4,050	580
More than 1 year overdue	2,354	991
	47,263	13,894

The balances which are past due but not impaired relate to a number of Junket VIP operators and local operators who have a good track record with the Group, or are active during the year.

The balances of other classes within trade and other receivables of the Group and of the Company are neither past due nor impaired.

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

	The Group	
	2008	2007
	$'000	$'000
At 1 January	152	159
Impairment loss recognised	2,210	152
Bad debts written off	—	(159)
At 31 December	2,362	152

The Group recognises impairment loss on individual assessments. The Group's credit policy is set out in note 30(c). As at the balance sheet date, no impairment loss has been provided for the Company's trade and other receivables.

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

20 Deposit payments for purchase of raw materials

As at the balance sheet date, the deposit payments for 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 the Group at the year end. It is anticipated that the materials will be used in the construction of NagaWorld within one year from the balance sheet date.

21 Amounts due from/(to) subsidiaries

	The Company	
	2008	2007
	$'000	$'000
Amount due from Ariston	104,986	104,986
Amount due from NagaCorp (HK) Limited	86,723	55,381
Amounts due from subsidiaries *(note 19)*	191,709	160,367
Amount due to subsidiary - NWL *(note 22)*	(8,537)	(5,352)

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

22 Trade and other payables

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade payables *(note (a))*	344	22	—	22
Unredeemed casino chips	7,016	12,062	—	—
Unredeemed chips – Poibos	940	—		
Deposits	3,008	500	—	—
Construction creditors	4,944	2,189	—	—
Non-gaming Obligation Payments and other taxes (note (b))	319	342	—	—
Tax penalties and late payment interest	109	85	—	—
Accruals and other creditors	5,654	3,216	3,449	1,246
Amount due to subsidiary (note 18)	—	—	8,537	5,352
	22,334	18,416	11,986	6,620

22 Trade and other payables *(continued)*

Notes:

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

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Due within 1 month or on demand	7	—	—	—
Due after 1 month but within 3 months	19	—	—	—
Due after 3 months but within 6 months	318	—	—	—
Due over 6 months	—	22	—	22
Total	344	22	—	22

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

23 Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	The Group					
	2008			2007		
	Minimum lease payments $'000	Interest $'000	Present value $'000	Minimum lease payments $'000	Interest $'000	Present value $'000
Less than one year	3	(1)	2	3	(1)	2
Between one and five years	9	(2)	7	11	(2)	9
	12	(3)	9	14	(3)	11

24 Provisions

The provision for litigation relates to the winnings of a Junket VIP group who had allegedly resorted to cheating. Please refer to note 28 for further details.

25 Capital and reserves

(a) The Group

	Share capital $'000	Share premium $'000	Merger reserve $'000	Capital contribution reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
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 differences on translation of the financial statements of foreign entities	—	—	—	—	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
At 1 January 2008	25,938	134,892	(12,812)	55,568	124	58,858	262,568
Profit for the year	—	—	—	—	—	40,010	40,010
Dividend paid	—	—	—	—	—	(31,341)	(31,341)
Exchange differences on translation of the financial statements of foreign entities	—	—	—	—	(76)	—	(76)
Repurchase and cancellation of shares	(83)	(878)	—	—	—	—	(961)
At 31 December 2008	25,855	134,014	(12,812)	55,568	48	67,527	270,200

(b) The Company

	Share capital $'000	Share premium $'000	Capital contribution reserve $'000	Retained profits $'000	Total $'000
At 1 January 2007	25,938	134,477	55,000	109	215,524
Profit for the year	—	—	—	19,064	19,064
Dividend paid	—	—	—	(24,000)	(24,000)
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
At 1 January 2008	25,938	134,892	55,000	(4,827)	211,003
Profit for the year	—	—	—	25,255	25,255
Dividend paid	—	—	—	(31,341)	(31,341)
Repurchase and cancellation of shares	(83)	(878)	—	—	(961)
At 31 December 2008	25,855	134,014	55,000	(10,913)	203,956

25 Capital and reserves *(continued)*

(c) Share capital

(i) *Authorised:*

	2008 $'000	2007 $'000
8,000,000,000 ordinary shares of $0.0125 each	100,000	100,000

(ii) *Issued and fully paid:*

	2008 Number of shares	2008 $'000	2007 Number of shares	2007 $'000
Ordinary shares of $0.0125 each				
At 1 January	2,075,000,000	25,938	2,075,000,000	25,938
Repurchase and cancellation of share during the year	(6,564,000)	(83)	—	—
At 31 December	2,068,436,000	25,855	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.

(iii) *Repurchase and cancellation of shares during the year*

The Company made six repurchases of its ordinary shares of $0.0125 each from the open market traded on the Main Board of the Stock Exchange and made subsequent cancellation of the same during the year ended 31 December 2008. The Company repurchased (i) on 3 April 2008, 1,880,000 ordinary shares of the Company at prices between HK$1.59 and HK$1.63 per share; (ii) on 21 November 2008, 454,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.97 per share; (iii) on 25 November 2008, 950,000 ordinary shares of the Company at a price of HK$0.95; (iv) on 1 December 2008, 1,350,000 ordinary shares of the Company at prices between HK$0.93 and HK$0.95 per share; (v) on 2 December 2008, 1,450,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.95 per share; and (vi) on 3 December 2008, 480,000 ordinary shares of the Company at prices between HK$0.91 and HK$0.96 per share, and made subsequent cancellation of the shares thereof in accordance with the requirements under the Listing Rules. The total number of shares repurchased by the Company represented approximately 0.316% of the total number of its issued and fully paid share capital before the repurchase of such shares.

25 Capital and reserves *(continued)*

(c) Share capital *(continued)*

(iv) *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.

(d) Nature and purposes of reserves

(i) Share premium

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

(ii) Merger reserve

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

(iii) Capital contribution reserve

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

(iv) Exchange reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

25 Capital and reserves *(continued)*

(e) Distributable reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $178,101,000 (2007: $185,065,000) within which $55,000,000 (2007: $55,000,000) related to the capital contribution reserve whereas the Directors have no current intention of distribution.

After the balance sheet date, the Directors proposed a final dividend of US 0.13 cents per ordinary share (2007: US cents 0.77 per ordinary share) amounting to $2.7 million (2007: $16 million). The dividend has not been recognised as a liability at the balance sheet date.

26 Lease commitments

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

	The Group						
	2008				2007		
		In respect of:				In respect of:	
	Land lease $'000	Office, staff quarter and car park rental $'000	Equipment rental $'000	Total $'000	Land lease $'000	Office and car park rental $'000	Total $'000
Within 1 year	187	1,201	1,536	2,924	187	360	547
1 to 5 years	748	470	5,670	6,888	748	365	1,113
After 5 years	21,239	—	—	21,239	12,572	—	12,572
	22,174	1,671	7,206	31,051	13,507	725	14,232

	The Company	
	2008 $'000	2007 $'000
In respect of office rental:		
Within 1 year	329	344
1 to 5 years	—	329
	329	673

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. Please refer to note 15(a) for further details in respect of the land.

27 Capital commitments

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

	The Group	
	2008	2007
	$'000	$'000
Hotel and casino complex, Phnom Penh		
– contracted but not incurred	610	15,252
– authorised but not contracted	2,453	—
	3,063	15,252

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

28 Litigation

Junket VIP group cheating case

A Junket VIP 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 Junket VIP 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 the police in Cambodia to NWL to withhold payment of monies to the Junket VIP 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 Junket VIP 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 Junket VIP group until completion of the Phnom Penh Municipal Court's investigations.

In July 2003, the Junket VIP 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 Junket VIP 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 Junket VIP 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 Junket VIP group members, pending the judgement of the Cambodia Appeal Court. NWL, on 4 August 2003, has received a further demand for the outstanding sum and has been threatened with possible legal action and publicity of the incident.

At this juncture, NWL has no obligation to pay the withheld money and compensate the Junket VIP group for legal costs. However, a provision has been made for the Junket VIP group's winnings as set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

29 Equity settled share-based transactions

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

The Company did not grant any share options during the year (2007: Nil) and there are no outstanding share options at the balance sheet date (2007: Nil).

30 Risk management

(a) Financial risk management objectives and policies

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

(b) Political and economic risks

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

(c) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, the Group has a certain concentration of credit risk at 71% (2007: 79%) of the total trade and other receivables that was due from the five largest operators.

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.

30 Risk management *(continued)*

(d) Liquidity risk

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

	2008 $'000	2007 $'000
Less than on year	22,337	18,419
Between one and five years	9	11
	22,346	18,430

(e) Interest rate risk

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

	2008		2007	
	Effective interest rate %	One year or less $'000	Effective interest rate %	One year or less $'000
Bank deposits				
– On demand	0.4 to 4.0	5,535	4.0 to 5.0	45,058
– Fixed term of 7 days or less	0.01 to 2.5	1,399	2.5 to 4.0	9,503
		6,934		54,561

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 2007 and 2008.

	Increase/(decrease) in profit after tax	
	2008 $'000	2007 $'000
Applicable deposit rate		
Increase by 100 basis points	554	451
Decrease by 100 basis points	(554)	(451)

30 Risk management *(continued)*

(f) Foreign currency risk

The Group's income is principally earned in United States dollars. The Group's expenditure is principally paid in United States dollars and to a lesser extent in Cambodian Riels. 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.

31 Related party transactions

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

(a) Expenses

	2008 $'000	2007 $'000
Travel expenses (note)	65	120

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

As at 31 December 2008, an amount due from a related company of $324,000 (2007: $170,000) is included in trade and other receivables as disclosed in note 19 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum balance during the year is $324,000 (2007: $170,000).

(b) Compensation of key management personnel

	2008 $'000	2007 $'000
Basic salaries, housing and other allowances and benefits in kind	2,720	1,791
Bonus	907	1,942
Retirement contribution scheme	3	4
Others	45	150
	3,675	3,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States dollars)

32 Ultimate controlling shareholder

At 31 December 2008, Tan Sri Dr Chen Lip Keong is interested in 1,299,785,104 ordinary shares of the 2,068,436,000 issued ordinary shares of the Company of which 419,082,402 ordinary shares are registered in his name and the remaining 161,197,228 and 719,505,474 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.

33 Possible impact of amendments, new or revised standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2008

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments, new or revised standards and interpretations which are not yet effective for the annual accounting year ended 31 December 2008 and which have not been early adopted in these consolidated financial statements.

IFRSs (Amendments)	Improvements to IFRSs [1]
IFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
Amendments to IAS 32 and IAS1	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
Amendment to IAS 39	Eligible Hedged Items [3]
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
IAS 1 (Revised)	Presentation of Financial Statements [2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
IFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [2]
IFRS 3 (Revised)	Business Combinations [3]
IFRS 8	Operating Segments [2]
IFRIC - Interpretation 13	Customer Loyalty Programmes[4]
IFRIC - Interpretation 15	Agreements for the Construction of Real Estate [2]
IFRIC - Interpretation 16	Hedges of a Net Investment in a Foreign Operation [5]
IFRIC - Interpretation 17	Distributions of Non-cash Assets to Owners [3]

33 Possible impact of amendments, new or revised standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2008 *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

The Group is in the process of making an assessment of what the impact of these amendments, new or revised standards and interpretations is expected to be in the period of initial application. Among these amendments, new or revised standards and interpretations, IFRIC - Int 13 "Customer Loyalties Programmes" particularly states that when customer loyalty award credits are granted to its customers as part of a sales transaction whereby the customers are entitled to redeem in the future for free or discounted goods or services subject to meeting any further conditions, the entity shall account for the award credits as separately identifiable component of the sales transactions. The consideration allocated to the award credits shall be measured by reference to their fair value. The Group's current accounting policies are already in compliance with this new interpretation.

34 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 Junket VIP operators and local 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)

	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000
Consolidated income statement					
Revenue	58,534	64,282	85,412	144,024	193,485
Profit attributable to equity shareholders of the Company	17,654	24,941	32,618	50,200	40,010
Interim dividends paid	32,000	20,737	18,000	14,000	15,341
Final dividend proposed after balance sheet date	—	—	—	16,000	2,689
Special dividend proposed after balance sheet date	—	—	10,000	—	—
Total dividend attributable to the year	32,000	20,737	28,000	30,000	18,030
Earnings per share (US cents) *(note)*	1.36	1.92	2.12	2.42	1.93
Dividend per share (US cents) *(note)*	2.58	1.67	1.25	1.45	0.87

FIVE-YEAR FINANCIAL SUMMARY (CONT'D)

(Expressed in United States dollars)

	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000
Consolidated balance sheet					
Property, plant and equipment and interest in leasehold land held for own use under operating lease	31,491	34,837	47,542	92,212	123,215
Intangible assets	1,500	105,218	101,671	98,124	94,577
Advance to the Cambodian Government	4,250	—	—	—	—
Net current (liabilities)/assets	(20,149)	(118,744)	86,680	72,241	52,415
Employment of capital	17,092	21,311	235,893	262,577	270,207
Represented by:					
Share capital	15,500	15,500	25,938	25,938	25,855
Reserves	1,592	5,796	209,944	236,630	244,345
Shareholders' funds	17,092	21,296	235,882	262,568	270,200
Other non-current liabilities	—	15	11	9	7
Capital employed	17,092	21,311	235,893	262,577	270,207
Net assets per share (US cents) *(note)*	1.32	1.64	11.37	12.65	13.06

Notes:

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, 28th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 18 May 2009 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 2008.

2. To declare a final dividend in respect of the year ended 31 December 2008.

3. To note the retirements of the directors by rotation.

4. To elect Mr. Chen Yiy Fon as a non-executive director of the Company with immediate effect.

5. To approve the directors' remuneration for the year ended 31 December 2008 and to authorize the board of directors of the Company to fix the directors' remuneration for the year ending 31 December 2009.

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

7. 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 new shares in the capital of the Company or securities convertible into shares of the Company, or options, warrants or similar rights to subscribe for shares of the Company or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers, be and is hereby generally and unconditionally approved;

   (ii) the approval in paragraph (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 to make or grant offers, agreements and/or options which may require the exercise of such powers 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 an option or otherwise) and issued 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 of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of share capital of the Company in issue 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 laws 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)."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(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 the issued 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 of Hong Kong and The Stock Exchange of Hong Kong Limited and, subject to and in accordance with all applicable laws, the Code on Share Repurchases 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 the Company is authorised to repurchase 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; and

(iii) for the purpose of this resolution:

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

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; 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 7(A) and 7(B) as set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which may require the exercise of such powers pursuant to the ordinary resolution numbered 7(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 of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 7(B) as 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 this resolution."

By Order of the Board of Directors

Timothy Patrick McNally
Chairman

Hong Kong, 16 April 2009

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 7(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 7(A) and 7(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, Rooms 1806-7, 18th 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 12 May 2009 to 18 May 2009, 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 11 May 2009.

(vi) In respect of ordinary resolution numbered 3 above, Mr. Angus Au-Yeung Wai Kai, Ms. Wong Choi Kay and Mr. Zhou Lian Ji shall retire from office by rotation at the forthcoming annual general meeting and will not offer themselves for re-election and accordingly will cease to be directors of the Company on conclusion of the forthcoming annual general meeting. The retirements by rotation of Mr. Angus Au-Yeung Wai Kai and Mr. Zhou Lian Ji are on a voluntary basis. Ms. Wong Choi Kay and Mr. Zhou Lian Ji will also cease to be a member of the Group while, Mr. Angus Au-Yeung Wai Kai remains as the chief financial officer of the Group.

(vii) In respect of the ordinary resolution numbered 7(A) above, the directors of the Company wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the shareholders as a general mandate for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(viii) In respect of ordinary resolution numbered 7(B) above, the directors of the Company 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 16 April 2009.

As at the date this notice, the Directors are:

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

Non-executive Director
Mr. Timothy Patrick McNally

Independent Non-executive Directors
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

This Annual Report, in both English and Chinese versions, is available on the Company's website at www.nagacorp.com.

Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") in either the English version or the Chinese version may request for a copy in the other language. The Annual Report in the requested language will be sent free of charge by the Company upon request.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) and means of receipt (either download from the Company's website or receiving printed copies) of the Corporate Communications.

Shareholders may send their request to change their choice of language(s) and means of receipt of the Corporate Communications by notice in writing to the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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