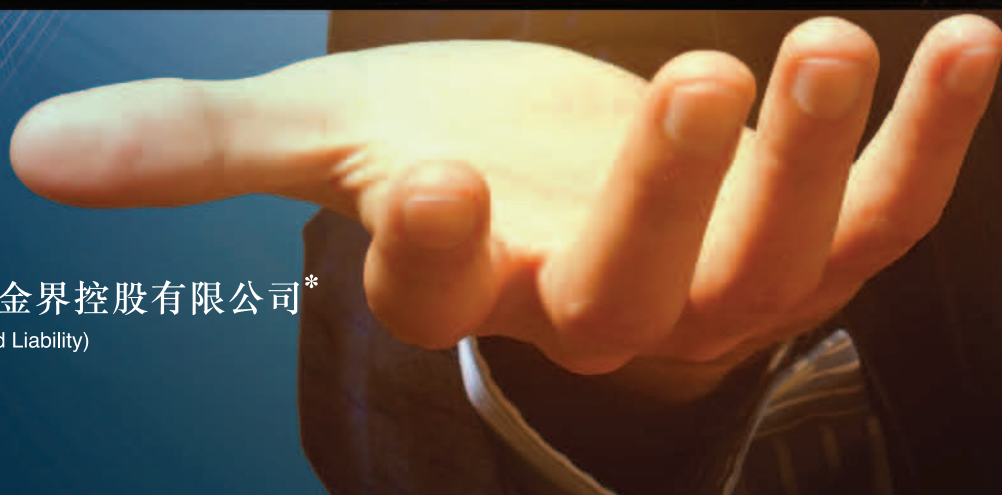


# EXPANDING BEYOND...

THE ENTERTAINMENT  
DESTINATION OF  
INDOCHINA



**NAGACORP LTD. // 金界控股有限公司\***

(Incorporated in Cayman Islands with Limited Liability)

STOCK CODE: **3918**

\* for identification purpose only

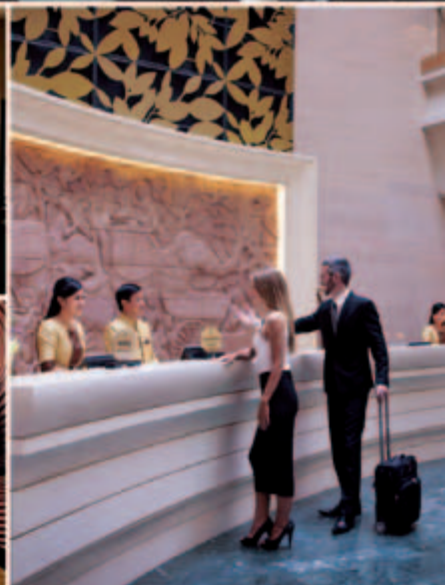
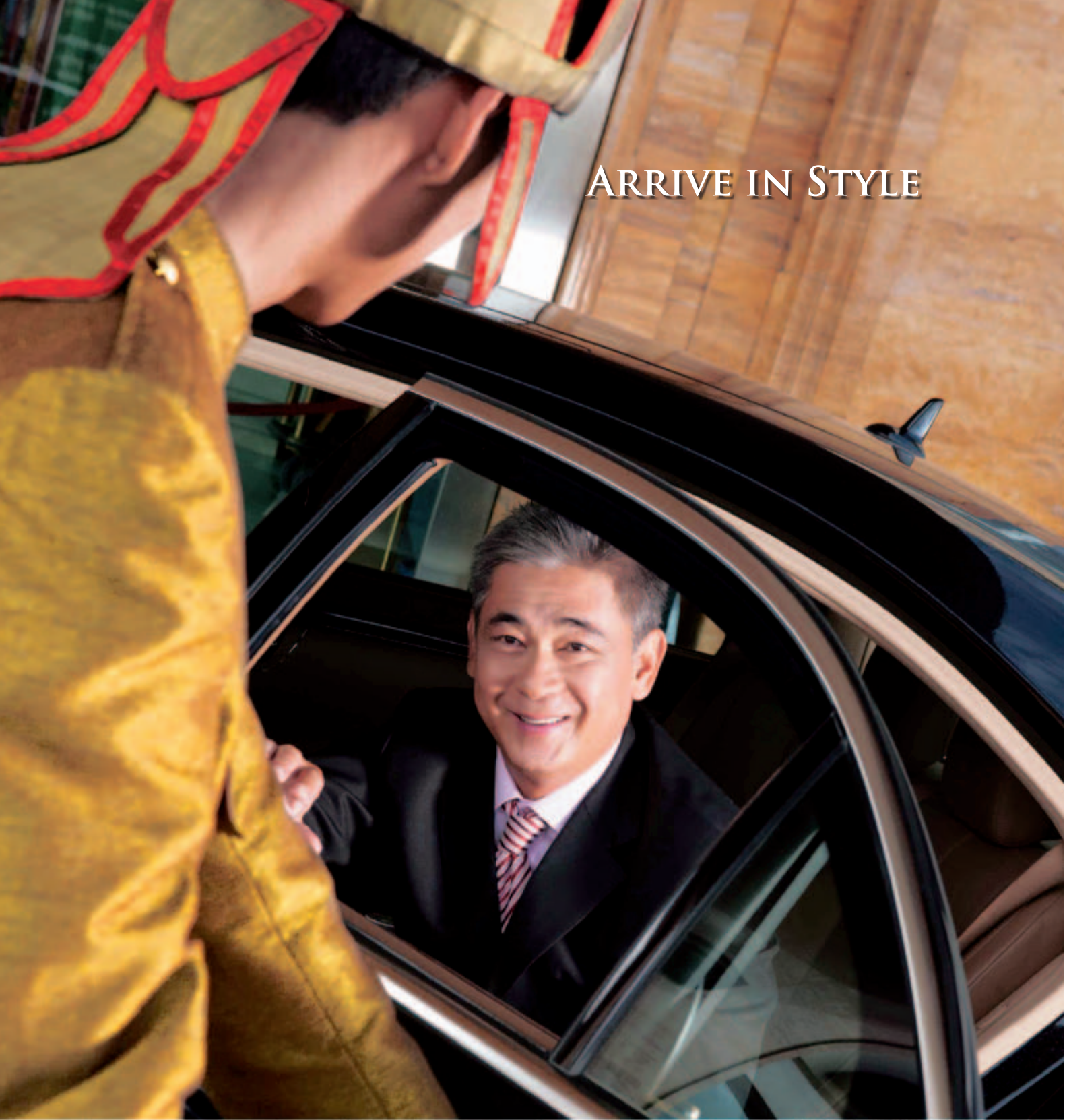
# FORWARD MOTION

THE FINEST INTEGRATED BUSINESS, LEISURE AND ENTERTAINMENT DESTINATION IN INDOCHINA!





ARRIVE IN STYLE





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## CORPORATE INFORMATION

NagaCorp Ltd. (“NagaCorp” or the “Company”) is the largest hotel, gaming and leisure operator in Cambodia, and the Company has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2006. In fact, NagaCorp became the first company with operations in Cambodia to become a public listed entity,

as well as the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh’s only integrated hotel-casino entertainment complex and we enjoy a 70-year casino licence that will run till 2065, as well as a 41-year monopoly within a 200km radius of Phnom Penh that expires in 2035.



## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*)

Philip Lee Wai Tuck (*Chief Financial Officer*)

Chen Yepern

### NON-EXECUTIVE DIRECTOR

Timothy Patrick McNally (*Chairman*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Lim Mun Kee

Michael Lai Kai Jin

### AUDIT COMMITTEE

Lim Mun Kee (*Chairman*)

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Michael Lai Kai Jin

### REMUNERATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

## NOMINATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

## AML OVERSIGHT COMMITTEE

Timothy Patrick McNally (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Michael Lai Kai Jin

## COMPANY SECRETARY

Lam Yi Lin

## AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck

Lam Yi Lin

## AUDITOR

BDO Limited

## SOLICITORS

P. C. Woo & Co.

Troutman Sanders

Reed Smith Richards Butler

## PRINCIPAL BANKER

Malayan Banking Berhad

(Phnom Penh Branch)



# INVESTOR RELATIONS

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

## LISTINGS

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

## ANNUAL REPORT 2012

This annual report, in both English and Chinese, is available in printed form and on the Company's website - [www.nagacorp.com](http://www.nagacorp.com).

## STOCK CODE

3918

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN CAMBODIA

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## CHIEF EXECUTIVE OFFICER

Tan Sri Dr Chen Lip Keong

## CHIEF FINANCIAL OFFICER

Philip Lee Wai Tuck

## INVESTOR RELATIONS (NORTH AMERICA)

Kevin Nyland, Vice President

## INVESTOR RELATIONS (EUROPE)

David Ellis

## CORPORATE FINANCE / INVESTOR RELATIONS (ASIA PACIFIC)

Gerard Chai, Director

## COMPANY WEBSITE

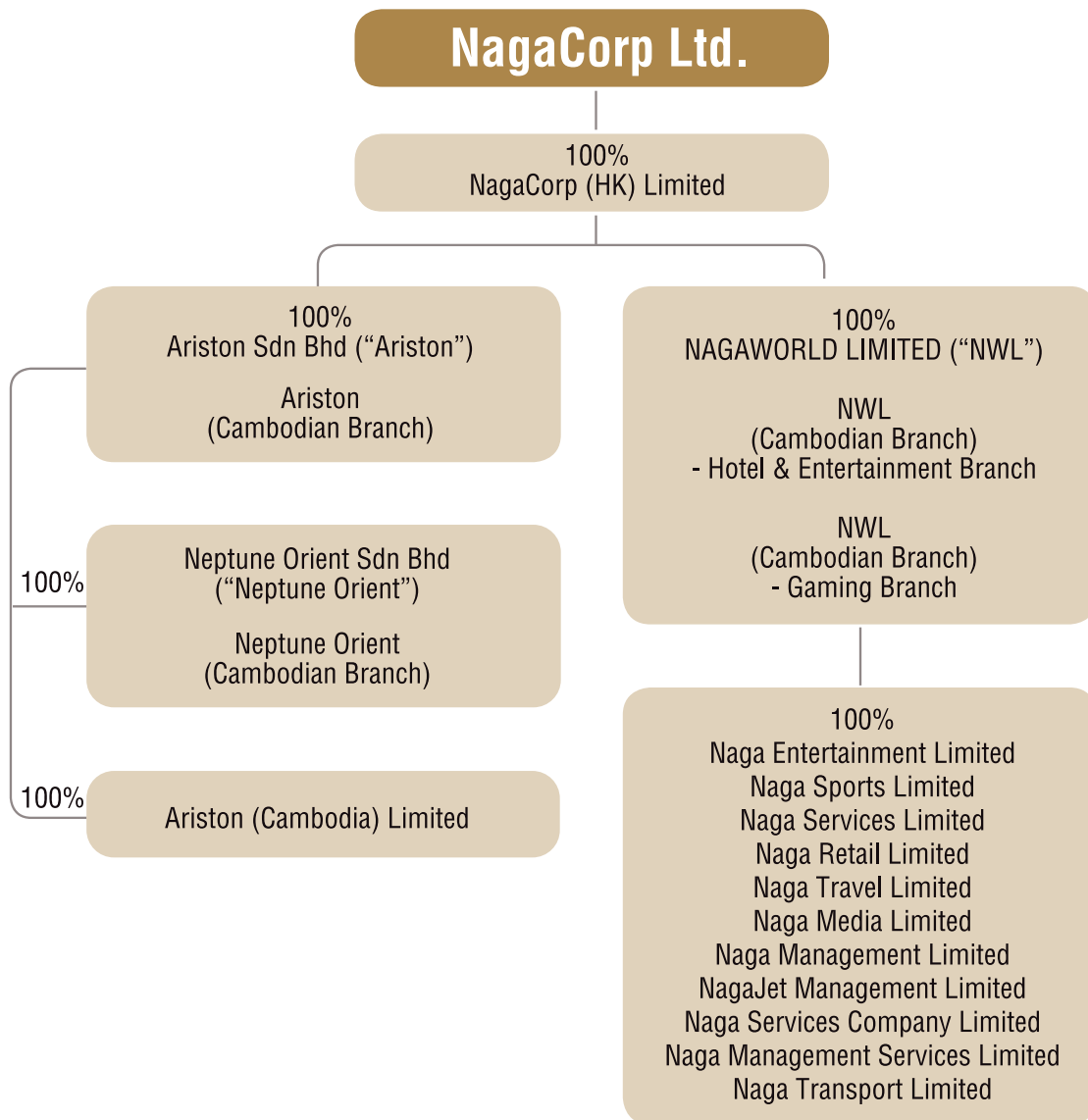
[www.nagacorp.com](http://www.nagacorp.com)



MEMBERSHIP PROGRAM:  
GOLDEN EDGE REWARDS CLUB



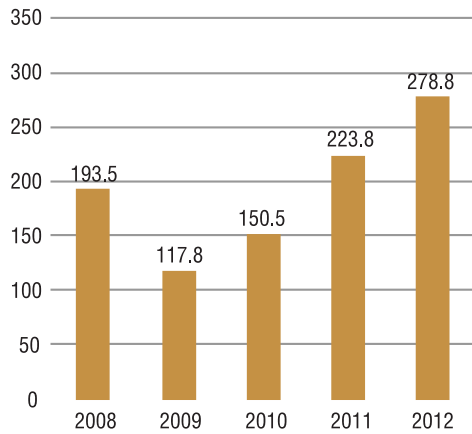
# CORPORATE STRUCTURE



# FINANCIAL HIGHLIGHTS

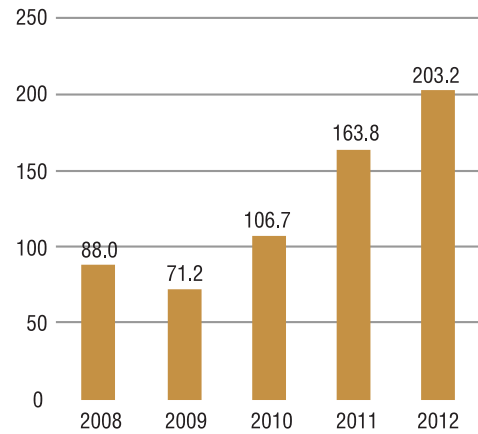
## Revenue

(Millions of US Dollar)



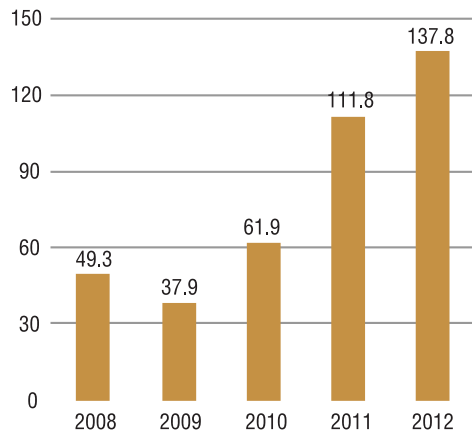
## Gross Profit

(Millions of US Dollar)



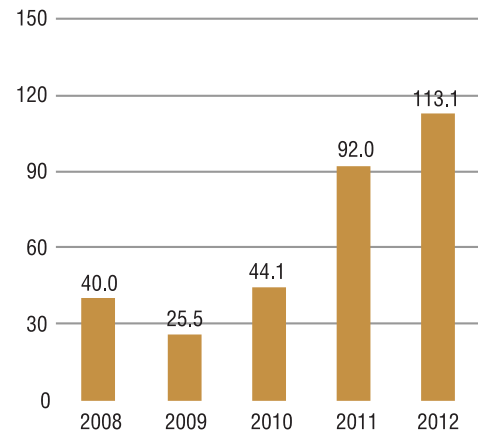
## EBITDA

(Millions of US Dollar)

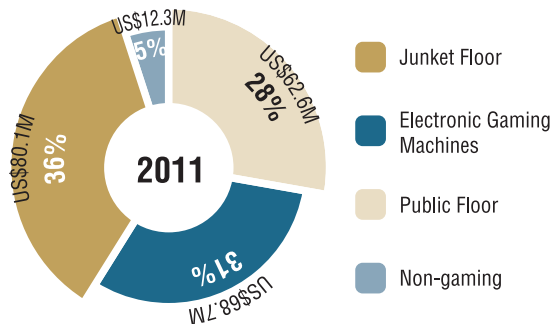


## Net Profit

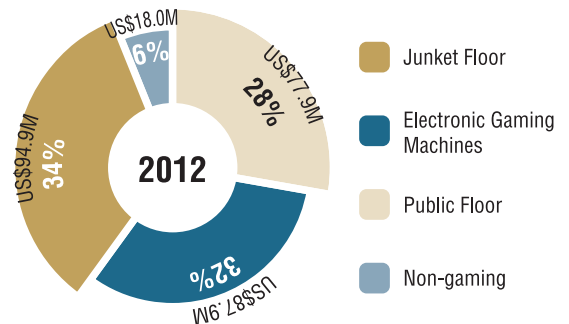
(Millions of US Dollar)



Revenue (US\$223.8 million)



Revenue (US\$278.8 million)



# THE ULTIMATE ENTERTAINMENT EXPERIENCE









# CHAIRMAN & CEO'S STATEMENT

## DEAR SHAREHOLDERS,

We are pleased to announce that NagaCorp reported a Net Profit of US\$113.1 million for the year ended 31 December 2012. We achieved these results in the midst of a sluggish global economic recovery as gaming throughout the Asia Pacific region maintained its dominance on the global stage. Despite volatile economic conditions in much of the developed world, NagaWorld continued to benefit from the region's robust atmosphere.

We achieved healthy growth in all of our business segments by implementing a prudent business strategy and operational efficiency. Throughout last year, NagaCorp remained steadfast in maximizing growth for the near and long term, and above all else, building continued value for you, our shareholders.

## MARKET POSITIONING FOR REGIONAL LEADERSHIP

### Tourism

NagaWorld's strategic geographic location in Indochina is key to our competitive strength in the mass gaming market. During 2012, tourist arrivals in Cambodia continued to significantly outpace worldwide tourism growth and our operations benefited from this tourism activity. During the year, tourism arrivals in Cambodia increased by 24% to 3.5 million visitors, compared to the same period in 2011. Solid visitation numbers from the gaming-centric countries of Vietnam, Korea and China was a prime driver for the Company's continued business growth.

On the back of strong tourism growth in 2012, the Ministry of Tourism, Cambodia ("MOTC") estimates that tourist arrivals into Cambodia will reach 7 million by 2020. The Association of Southeast Asian Nations ("ASEAN") Summit hosted by Cambodia in November 2012 certainly raised Cambodia's international profile in attracting future investments as well as tourist visitation.

### Marketing

We believe that our integrated marketing strategy for Vietnam, Thailand and other markets in the region will generate solid, sustainable results. The Indochina region has been somewhat insulated from the economic slowdown in the developed world, as a result of vibrant organic growth within the region. With a combined population of more than 240 million (Source: International Monetary Fund), the Indochina region represents a significant market for the Company and we believe that our growth in the coming years will be in line with the continued prosperity of the region.

At the beginning of 2012, we set aggressive goals to meet our business objectives. Not only did we meet our goals, we exceeded them. Our business strategy to optimize our products and services, and strengthen our brand awareness in target markets helped increase our revenue and profitability.

Our strategic marketing efforts continue to carve NagaWorld a unique niche in an increasingly competitive landscape. For instance, our Golden Edge Rewards Club, which we launched in January 2012, has now captured more than 22,000 members. This loyalty program enables us to understand members' profiles, create targeted gaming and promotional marketing efforts, and drive incremental business volume.





**Timothy Patrick McNally**

*Chairman*

In May 2012, the Company opened its first office in the business district of Ho Chi Minh City to facilitate our sales and marketing efforts in Vietnam. Along with the Vietnam office opening, we also launched a luxury bus service from Ho Chi Minh City to Phnom Penh, as part of our joint effort with the MOTC to promote tourism to Cambodia.

The Company's Bangkok marketing office began operations in September 2012 and is making key inroads into promoting NagaWorld to the Thai gaming market. Given the 7 daily direct flights from Bangkok to Phnom Penh and the higher spending power of Thais, Thailand offers a unique opportunity for premium mass gaming.

### **GAMING OPERATIONS**

The Company's strategy of segmentising the mass market based on player profiles and playing habits led to incremental business volume in this segment. For example, NagaRock, a premium mass gaming area which opened in February 2012, targets higher-end public floor players looking for a more relaxed and entertaining gaming environment, with higher table limits. NagaRock proved to be a successful casino cell concept and laid a strong foundation for the Company's premium mass gaming business in 2012.

In December 2012, the Company launched another premium mass gaming area called Saigon Palace with 9 gaming tables and approximately 120 electronic gaming machines, to cater to the needs of our Vietnamese clientele.

The proven success of the Rapid1 gaming area in 2011 led to the launch of the Rapid2 gaming area in June 2012. The launch of our rapid gaming areas is one of our strategies to further segmentize the mass gaming players by moving lower end players from gaming tables to rapid gaming machines with lower limits, driving incremental business volume in the overall mass gaming segment.

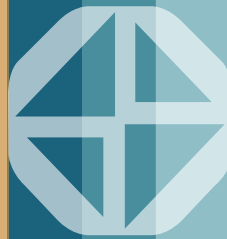
On our Junkets and VIP business segment, we continued our strategy of positioning NagaWorld as a low-end VIP destination, offering relatively high rolling commission rates while providing quality VIP player experience. However, to further develop this segment, the Company will begin a strategy that will turn junket operators into casino partners in order to drive rollings and broaden its customer base. This will enable the Company to increase its table limits, while limiting its exposure and managing volatility.

In February 2012, the Company opened 100 hotel rooms and in November 2012, added another 100 rooms, bringing our total room inventory to approximately 660 rooms. Despite the increase in room inventory, the average occupancy rate increased to 83%, compared to 78% in 2011, a reflection of the Company's strong growth trajectory.

As part of the Company's long term strategy to continue growing the mass market and VIP segments, the independent shareholders' approval in January 2012 to acquire the entire interests in TanSriChen Inc. ("TSC Inc.") and TanSriChen (CityWalk) Inc. ("City Walk Inc.")







## Tan Sri Dr Chen Lip Keong

*Chief Executive Officer*

(collectively “Naga2”) from the controlling shareholder marked a significant milestone for the Company. This future expansion will cater to the growing demand for gaming and entertainment facilities in the region and will help sustain the Company’s growth as that demand continues. The completion of Naga2 will solidify NagaWorld’s position as a leading integrated gaming and entertainment destination in Indochina.

### IMPRESSIVE DIVIDEND PAYOUT RATIO OF 71%

As the top performing gaming stock on the Stock Exchange for 2012, NagaCorp continues to deliver profitability and business volume growth at an impressive level compared to other gaming operations in the region, including name brand properties in Macau.

The board of directors (the “Board”) has resolved to declare a final dividend of US cents 2.33 per share (or equivalent to HK cents 18.06 per share) for the year ended 31 December 2012. The proposed final dividend, together with an interim dividend of US cents 1.51 per share (or equivalent to HK cents 11.78 per share), results in a total dividend for the year ended 31 December 2012 of US cents 3.84 per share (or equivalent to HK cents 29.84 per share), representing a dividend payout ratio of 71% in 2012.

### SOCIAL RESPONSIBILITIES

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. We will continue our journey of being a good corporate citizen and

striving for excellence to uphold our responsible position in the country.

### CORPORATE GOVERNANCE

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

### OUR APPRECIATION

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

**Timothy Patrick McNally**

*Chairman*

**Tan Sri Dr Chen Lip Keong**

*Chief Executive Officer*

Hong Kong

6 February 2013



# MANAGEMENT DISCUSSION & ANALYSIS

The Group owns, manages and operates the largest integrated gaming and entertainment hotel complex in Cambodia - NagaWorld. NagaWorld is the only licensed casino in Phnom Penh, the capital city of Cambodia. NagaWorld features a world-class 660-room hotel (in operation), 15 food and beverage outlets, a nightclub, a karaoke lounge, and a spa. NagaWorld is also widely recognised as a popular meetings, incentives, conventions and exhibitions (“MICE”) facilities destination in Indochina. This includes 25,000 square metres of meeting and ballroom space, a stand-alone 6,500 square-metre ballroom, a 60-seat auditorium, and a state-of-the-art exhibition space. There are also 2 newly-opened luxury boutiques in NagaWorld, namely Cartier and Piaget, making their first foray into Cambodia. At the end of 2012, NagaWorld had 138 gaming tables and 1,470 electronic gaming machines. With a built-up area of approximately 110,768 square metres, NagaWorld’s size and facilities position it as the leading integrated gaming and entertainment destination in Indochina.

The Group holds a casino licence granted to the Group by the Royal Government of Cambodia (the “Cambodian Government”), for a duration of 70 years commencing from 2 January 1995, and has 41 years of exclusivity

(expiring in 2035) within a 200-km radius of Phnom Penh, Cambodia (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The Company completed an initial public offering of its shares and became a public company listed on the Main Board of the Stock Exchange on 19 October 2006.

## INTERIM AND FINAL DIVIDEND

The Board recommends the payment of final dividend of US cents 2.33 per share (or equivalent to HK cents 18.06 per share) for the year ended 31 December 2012 to shareholders whose names appear on the Company’s register of members on Friday, 31 May 2013. Subject to the approval of the shareholders of the Company at the annual general meeting to be held on Friday, 24 May 2013, the final dividend is expected to be paid to shareholders by post on or about Thursday, 13 June 2013. The proposed final dividend together with an interim dividend of US cents 1.51 per share (or equivalent to HK cents 11.78 per share) paid on 28 September 2012, the total dividend declared for the financial year ended 31 December 2012 would thus be US cents 3.84 per share (or equivalent to HK cents 29.84 per share).

## RESULTS

### Performance Highlights (Table 1)

For the year ended 31 December 2012 and comparative prior year:

	2012 US\$'000	2011 US\$'000	Increase/ (Decrease) %
<b>Mass Gaming: Public Floor Gaming Tables</b>			
– Buy-ins	<b>348,458</b>	259,343	34.4%
– Win rate	<b>22.4%</b>	24.1%	
– Revenue	<b>77,916</b>	62,625	24.4%
<b>Mass Gaming: Electronic Gaming Machines</b>			
– Bill-ins	<b>995,464</b>	777,257	28.1%
– Win rate	<b>11.5%</b>	11.5%	
– Win per unit per day (“WUD”) (US\$)	<b>236</b>	229	3.1%
– Revenue	<b>87,923</b>	68,708	28.0%
– No. of machines in operations at end of year	<b>1,470</b>	1,130	30.1%
<b>Junkets &amp; VIP</b>			
– Rollings	<b>3,786,670</b>	3,237,939	16.9%
– Win rate	<b>2.5%</b>	2.5%	
– Revenue	<b>94,913</b>	80,137	18.4%
– Number of visitors (persons)	<b>25,090</b>	16,019	56.6%
<b>Non-gaming</b>			
– Room revenue	<b>5,797</b>	4,268	35.8%
– Food and beverage revenue	<b>10,767</b>	6,987	54.1%
– Other non-gaming revenue	<b>1,446</b>	1,056	36.9%
– Total revenue	<b>18,010</b>	12,311	46.3%
– Average hotel room occupancy rate	<b>83%</b>	78%	

## BUSINESS OVERVIEW

The ongoing European sovereign debt crisis, fiscal cliff overhang in the United States (U.S.), intensifying disputes between China and Japan, and the slowdown in China’s economic growth concluded the year 2012. Despite the volatile economic conditions in much of the developed world, the Group recorded a healthy growth in all its business segments, thanks to the continued strong growth of the Indochina (Cambodia, Laos, Myanmar, Thailand and Vietnam) economies, where the Group’s operations are based.

Worldwide international tourist arrivals grew by 4% to 705 million in the first eight months of 2012, compared to the

same period in 2011, according to the latest United Nation World Tourism Organization (“UNWTO”) World Tourism Barometer. The UNWTO further projects full-year numbers to hit the historic 1 billion mark. More importantly, tourist arrivals in Cambodia continued to significantly outpace worldwide tourism growth by recording an increase of 24% to 3.2 million visitors in the first eleven months of 2012, compared to the same period in 2011. Vietnam (22%), Korea (12%) and China (9%) comprise the top 3 countries of all tourist arrivals and collectively account for 43% in 2012, growing at 25% year-on-year (Source: MOTC). The increase in visitation from these gaming-centric countries is a prime driver for the Group’s continued business growth.



## Mass Gaming – Public Floor Gaming Tables and Electronic Gaming Machines (“EGMs”)

The Group recorded a 34.4% (public floor gaming tables) and a 28.1% (EGMs) increase in business volume in 2012, on the back of strong tourist arrivals’ growth to Cambodia. The Group’s strategy of segmentising the mass market based on player profiles and playing habits also led to incremental business volume in this segment. For example, NagaRock, a premium mass gaming area which opened in February 2012, targets the higher-end public floor players who look for a more relaxed and entertaining gaming environment, with higher table limits. NagaRock proved to be a successful casino cell concept and laid a strong foundation for the Group’s premium mass gaming business in 2012.

The proven success of the Rapid1 gaming area in 2011 also led to the launch of the Rapid2 gaming area in June 2012. The launch of rapid gaming areas is one of the strategies to further segmentize the mass gaming players by moving the lower end players from gaming tables to rapid gaming machines with lower limits, driving incremental business volume in the overall mass gaming segment.

NagaRock ramped up successfully during the year and contributed significantly to the overall increase in mass gaming revenue. In the process, it became increasingly popular among the VIP players, resulting in some volatility on the public floor gaming tables revenue. As a result, this led to a lower win rate for the Group of 22.4% during the year compared to 24.1% in the previous year. Despite the slight decrease in win rate, public floor gaming tables continued to record a healthy increase in revenue of 24.4% to US\$77.9 million. It is however imperative that the Group continues to develop its premium mass players as maturity of the premium mass gaming areas will eventually reduce such volatility.

In the EGMs segment, despite the Group increasing the number of gaming machines during the year, the WUD increased from US\$229 to US\$236, resulting in an increase in revenue of 28.0% to US\$87.9 million. Win rate on the EGMs has also maintained at a healthy 11.5%.

The Group launched its first loyalty programme, called the Golden Edge Rewards Club, in January 2012. To date, the programme has successfully captured more than 22,000 members. The loyalty programme has enabled the Group to better understand its members’ profiles and create targeted marketing efforts. This will enable the Group to focus on player development initiatives to increase visitation frequency and play-time.

In May 2012, the Group opened its first office in the business district of Ho Chi Minh City to facilitate the sales and marketing efforts in Vietnam. In conjunction with the Vietnam office opening, a luxury bus service from Ho Chi Minh City to Phnom Penh was also launched, as part of the Group’s joint efforts with the MOTC to promote tourism to the Kingdom of Cambodia. These efforts resulted in an increase in Vietnamese visitation to NagaWorld, contributing to a growth in both gaming and non-gaming segments during the year. In December 2012, the Group launched another premium mass gaming area called Saigon Palace with 9 gaming tables and approximately 120 EGMs, to cater to the needs of the Vietnamese clientele.

The Group’s Bangkok marketing office commenced operations in September 2012 and is making inroads into promoting NagaWorld to the Thai gaming market. Given the 7 daily direct flights from Bangkok to Phnom Penh and higher spending power of Thais (vis-à-vis other Indochina tourists), Thailand offers an opportunity for premium mass gaming.

## Junkets & VIP

Rollings increased by 16.9% to approximately US\$3.8 billion during the year, as a result of further market penetration into the Group’s traditional VIP markets of Malaysia, Indonesia, Thailand, China and Vietnam. The Group continued its strategy of positioning NagaWorld as a low-end VIP destination, offering relatively high rolling commission rates while providing quality VIP player experience. The relatively low cost entertainment options in Phnom Penh have proven to be attractive for this category of VIP players.



Despite the Group's conservative credit policy implemented since 2009, the junket segment has been experiencing a steady increase in number of players and business volume, whilst minimising gaming volatility. This translated into a 18.4% increase in revenue to US\$94.9 million, while win rate maintained at 2.5%. However, due to the relatively low gross profit margin from the Junket and VIP segment of 37%, this segment of the Group's business accounts for only 17% of gross profit. This is analysed in Table 2 below.

To further develop the Junkets and VIP segment, the Group will emphasize on win-win formulas and turn the junket operators into casino owners so as to drive rollings and broaden its customer base. Such strategies would enable the Group to increase its table limits, while limiting its exposure and managing volatility.

### Non-Gaming Revenue – Hotel, Food & Beverage and Entertainment

The Group's strategic marketing efforts in key target markets aim to provide internationally recognised services to both gaming and non-gaming patrons and continue to carve NagaWorld a unique niche in an increasingly competitive landscape. In February 2012, the Group opened 100 hotel rooms and in November 2012, added another 100 rooms, bringing the total room inventory to approximately 660 rooms. Despite the increase in room

inventory, the average occupancy rate increased to 83%, compared to 78% in 2011, a reflection of the Group's strong growth trajectory. As a result, the Group's non-gaming revenue increased by 46.3% to US\$18.0 million in 2012.

At the 2012 Vietnam International Tourism Exhibition held in Ho Chi Minh City in September, NagaWorld won 3 awards, namely Best Leisure Resort in Cambodia, Best Integrated Entertainment Destination in Cambodia and Best 5-star Hotel of the Year in Cambodia. This recognition in the tourism industry reinforces NagaWorld's position as a prime entertainment destination for the Vietnamese and the Group is well-poised for further market developments in Vietnam and the region.

The leading position of NagaWorld has successfully attracted world-famous luxury brands such as Cartier, which opened a flagship boutique in NagaWorld in August 2012, and Piaget, which opened a flagship boutique in October 2012. This is the first time that these luxury brands are entering Cambodia and the Group believes in enticing more luxury brands to enhance the high-end retail experience of its patrons. The Group also plans to add Rolex and another 2 luxury boutiques in 2013. This will further solidify NagaWorld's overall appeal to both the VIP and mass gaming segments.

### Gross Revenue and Gross Profit Analysis (Table 2)

	Gross Revenue		Gross Profit		Gross Profit Margin
	US\$'000	%	US\$'000	%	%
Mass Market (Mass gaming and non-gaming)	183,849	66%	167,920	83%	91%
Junkets & VIP	94,913	34%	35,274	17%	37%
Total	278,762	100%	203,194	100%	73%

The Group recorded a gross profit increase of 24.1% to approximately US\$203.2 million for the year ended 31 December 2012. During the year, the Group continued to maintain its high gross profit margin at about 73% due to higher contribution from the mass market segment, which accounted for approximately 66% of total revenue in 2012. These business segments do not incur rolling commissions, unlike the junkets & VIP segment. Hence, the mass market segment with a gross profit margin of 91%, contributed a significant 83% to the Group's gross profit in 2012.



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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 24.4% to US\$66.7 million during 2012. The increased expenses were required to support the higher business volume on the existing mass gaming and junkets & VIP segments, in addition to the opening of new gaming areas and non-gaming facilities during the year. Staff-related costs also increased by 15.5% due to the hiring of experienced and qualified staff to facilitate the new regional marketing efforts and property enhancements of NagaWorld. The number of staff increased from 3,615 to 4,544 during the year.

## Finance Costs

The Group did not incur any finance costs as there were no financing arrangements as at 31 December 2012. The Group has continued to remain debt-free.

## Net Profit

Net profit attributable to shareholders of the Group, or net profit, increased by 23% to US\$113.1 million for the year ended 31 December 2012. Net profit margin for the year was maintained above 41%.

The higher business volume registered across all business segments and continuous improvement in operational efficiency has contributed to the increase in net profit. The Group continues to maintain operational efficiency through better cost control as well as effective marketing efforts in various market segments to maintain the interest of our gaming customers and drive incremental revenues.

Earnings per share were approximately US cents 5.43 (HK cents 42.1 per share) and US cents 4.42 (HK cents 34.3 per share) for the years ended 31 December 2012 and 2011 respectively.

## FINANCIAL REVIEW

### Pledge of Assets

As at 31 December 2012, the Group had not pledged any assets for bank borrowings (31 December 2011: Nil).

### Contingent Liabilities

As at 31 December 2012, the Group had no contingent liabilities (31 December 2011: Nil).

### Update on Naga2

The Company entered into a conditional Share Purchase Agreement on 13 June 2011 with Tan Sri Dr Chen Lip Keong to acquire Naga2. An Extraordinary General Meeting was held on 30 January 2012 at which a resolution was passed by the independent shareholders to approve the acquisition agreement and ancillary matters.

Completion of the acquisition is subject to TSC Inc. and City Walk Inc. completing construction of, amongst other things, a hotel and gaming complex and a retail walkway adjacent to NagaWorld. Construction works commenced during the year, and it is anticipated that the project will be completed within the next 3 to 5 years. As the project is being funded by the private companies of Tan Sri Dr Chen Lip Keong, none of the building costs are attributable to or paid for by the Group.

### Exchange Rate Risk

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

### Issue of New Shares

There were no share issues during the year.



## Liquidity, Financial Resources and Gearing

As at 31 December 2012, the Group had total cash and cash equivalents and fixed deposits at banks of approximately US\$73.2 million (2011: approximately US\$64.8 million).

As at 31 December 2012, the Group had net current assets of approximately US\$68.9 million (2011: US\$76.4 million). The Group had net assets of approximately US\$401.9 million as at 31 December 2012 (2011: US\$352.5 million).

As at 31 December 2012 and 2011, the Group had no outstanding borrowings.

## Capital and Reserves

As at 31 December 2012, the capital and reserves attributable to owners of the Group was approximately US\$401.9 million (2011: US\$352.5 million).

## Staff

As at 31 December 2012, the Group employed a work force of 4,544 (2011: 3,615), stationed in Cambodia, Hong Kong, Malaysia, Thailand, Vietnam and the United States. The remuneration and staff costs for the financial year was approximately US\$29.7 million (2011: approximately US\$25.7 million).

## Employee benefits

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

## Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables and focused on their recovery, resulting in a 48% decrease in trade receivables from US\$13.3 million to US\$6.9 million during the year. This is a manageable level of receivables and is trending downwards.

For the year under review, the Group has made a provision for impairment loss amounting to US\$0.1 million (31 December 2011: US\$0.3 million) and bad debts written off amounting to US\$2.4 million (31 December 2011: Nil). These debts had been fully provided for in previous years.

The Group has adhered to its strict credit guidelines implemented since 2009. From time to time, the Group reviews and monitors its junket operators to ensure they comply with the credit guidelines. The Group strives to maintain a win-win cordial commercial relationship with many of these junket operators for a long period of time. Mutual support from these junket operators are essential for the growth in the junket business going forward.

## PROSPECTS

The Indochina region has been somewhat insulated from the economic slowdown in the developed world, as a result of vibrant organic growth within the region. With a combined population of more than 240 million (Source: International Monetary Fund ("IMF")), the Indochina region represents a significant market for the Group and the Group believes that its growth in the coming years will be in line with the continued prosperity of the region.



The IMF estimates that the Indochina countries will record an average real Gross Domestic Product (GDP) growth of approximately 6.4% in 2012 and 6.6% in 2013. This will enable the Group to experience continued growth in the coming year, since both Thailand and Vietnam prohibit their citizens from gambling in their countries. In September 2012, the Vietnamese government completed the draft gaming decree, prohibiting the local Vietnamese to enter local casinos (Source: VietnamNet Bridge, 2 September 2012), which bodes well for the Group.

In Cambodia, economic growth also remains strong. The World Bank (WB) maintains an economic growth forecast for Cambodia of 6.6% for 2012 and 6.7% for 2013, driven by 4 key sectors: manufacturing, tourism, agriculture and construction. From 2004 to 2012, foreign direct investments (“FDIs”) into Cambodia grew by a compounded annual growth rate (CAGR) of approximately 26%. The Ministry of Economy and Finance estimates that FDIs into Cambodia will grow by approximately 13.3% to US\$768 million in 2012, coming from China, South Korea and U.S. In particular, China has pledged to invest US\$ 2.5 billion in Cambodia in 2013 and both sets of leaders from Cambodia and China have agreed to boost bilateral trade to US\$5 billion by 2017 (Source: Cambodian Business Review, January 2013).

On the political front, during Cambodia’s third commune elections held on 4 June 2012, the ruling party, Cambodian People’s Party, achieved an overwhelming victory, winning 72% of the total 11,459 commune seats (Source: Phnom Penh Post). This demonstrates the strong support for the ruling party by the people of Cambodia. The Group believes that the favourable macro political economic environment in Cambodia and the Indochina region as a whole would continue to drive FDIs, tourism and better business sentiments in 2013.

On the back of strong tourism growth in 2012, the MOTC estimates that tourist arrivals into Cambodia will reach 7 million by 2020. The Association of Southeast Asian Nations (ASEAN) Summit hosted by Cambodia in November 2012 having successfully won praises from leaders around the world would certainly raise Cambodia’s international profile in attracting future investments as well as tourist visitation. As a result, the Cambodian Government has decided to put into action its plans of improving accessibility and increasing the number of weekly direct flights into Cambodia.

In 2012, 3 airlines commenced operations to Cambodia and several existing airlines introduced a total of more than 40 new weekly flights into Cambodia, bringing the total number of weekly flights to approximately 360. In addition, the Cambodian Government is targeting to bring in new flight routes from Doha, Manila, Jakarta, Dubai and India’s main cities. The existing Phnom Penh and Siem Reap international airports would also have their capacities doubled to house 5 million passengers each, by 2015. Furthermore, a new international airport in Kompong Chhnang (90km from Phnom Penh) is scheduled to be completed by 2030 (Sources: Cambodia Business Review, January 2013; Phnom Penh Post). NagaWorld, being the leading tourist destination in Phnom Penh, will naturally stand to benefit from all these developments.

In line with the strategy of the Group to further penetrate the Vietnamese market, Saigon Palace (another casino cell concept) opened in December 2012. Apart from ramping up the operations of Saigon Palace, the Group plans to open the Aristocrat Private Club (a high-rollers VIP club) in 2013, targeting quality, higher-end public floor players through higher table limits.





The Group anticipates that the junket business strategy (as discussed in earlier paragraphs), of emphasizing win-win formulas for both NagaWorld and junket operators, will be a key driver in the growth of the junket business. In this regard, the Group is in discussions with several regional operators to move forward on this basis. To support the more discerning VIP players, NagaWorld had added 5 luxury gaming suites in January 2013, and another 2 targeted for opening later in 2013. These suites provide individual private gaming space for higher-end junket players who seek ultimate comfort, convenience and privacy. These luxury VIP suites are the first of its kind in the region and will be a prelude to Naga2, which will feature 50 of such suites upon completion. To further upgrade NagaWorld's VIP gaming facilities, the Group is planning a luxurious new Junkets & VIP gaming area, integrated with entertainment and restaurants on the rooftop of the existing Pool Block.

As part of the Group's long term strategy to continue growing the mass market and VIP segments, the independent shareholders' approval in January 2012 to acquire Naga2 from the controlling shareholder marked a significant milestone for the Company. Naga2, with a total built-up area of 97,620 square metres, will feature over 1,000 hotel rooms, 50 luxury VIP suites, up to 18,738 square metres of retail space, a 4,000 seating capacity MICE/theatre facilities and additional gaming space (up to 300 gaming tables and 500 EGMs). This future expansion will cater to the growing demand for gaming and entertainment facilities in the region. In November 2012, the official ground breaking ceremony for Naga2 was held and piling works have since commenced. In addition, the opening of Cartier and Piaget (first luxury chains in 50 years), and other soon-to-be-opened luxury boutiques set the stage for a leading retail centre and successful Naga2 retail development. The completion of Naga2 within the next 3 to 5 years, together with the presence of these luxury brands, will solidify NagaWorld's position as a leading integrated gaming and entertainment destination in Indochina.



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## DIRECTORS' PROFILE

### TIMOTHY PATRICK MCNALLY

#### Chairman

Timothy Patrick McNally, 65, joined the Company in February 2005 as Chairman of the Board. He is also the chairman of the AML Oversight Committee of the Company. From April 1999 until October 2005, Mr. McNally was the executive director of Security and Corporate Legal Services for the Hong Kong Jockey Club, and was a member of the executive Board of Management responsible for corporate governance issues.

Mr. McNally is currently an international security consultant and operates McNally Security Group. Prior to his move to Hong Kong, Mr. McNally was a Special Agent of the Federal Bureau of Investigation ("FBI") for over 20 years. Mr. McNally's career focused on the investigation and prosecution of serious crimes, including organized crimes, drug trafficking, corruption and fraud.

Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues for the US Congress. Mr. McNally held senior positions within the FBI including head of organized crime and drug investigative programs in the Miami, Florida, Deputy Director of the National Drug Intelligence Center, head of Criminal Division of the Washington DC field office, Agent-in charge of the Baltimore, Maryland office, and head of Field Division in Los Angeles, California.

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



## TAN SRI DR CHEN LIP KEONG

### Founder, Controlling Shareholder & CEO

Tan Sri Dr Chen Lip Keong ("TSCLK"), 65, an Executive Director of the Company, is the founder, controlling shareholder and Chief Executive Officer of the Company, a member of the Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. TSCLK is also a director of several subsidiaries of the Company and a director of Fourth Star Finance Corp. which is a substantial shareholder of the Company. An Executive Director of the Company, Mr. Chen Yepern is a son of TSCLK.

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

## CHEN YEPERN

### Executive Director

Chen Yepern, 29, was appointed an Executive Director on 14 February 2011. He is also a member of the Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. Mr. Chen graduated with a Bachelor of Science degree in Finance from The California State University Northridge in 2009 and subsequently worked at Caesar's Palace in 2010.

Mr. Chen is currently a director of NagaCorp (HK) Limited, a direct wholly owned subsidiary of the Company, and NAGAWORLD LIMITED, Naga Sports Limited, Naga Travel Limited, Naga Retail Limited, Naga Entertainment Limited, Naga Services Limited, Naga Media Limited, Naga Management Limited, and NagaJet Management Limited, those are indirect wholly owned subsidiaries of the Company. He is a son of TSCLK, the Chief Executive Officer, founder and controlling shareholder of the Company.

## PHILIP LEE WAI TUCK

### Executive Director

Philip Lee Wai Tuck, 50, is a qualified Certified Public Accountant. Mr. Lee has experience in various industries before joining the Group in 2009. Mr. Lee has previously worked in or held directorships in various companies listed on the Bursa Malaysia. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. Mr. Lee is presently Chief Financial Officer of the Company and a director of several of the Company's wholly owned subsidiaries, namely NagaCorp (HK) Limited, NAGAWORLD LIMITED, Naga Sports Limited, Naga Travel Limited, Naga Retail Limited, Naga Entertainment Limited, Naga Services Limited, Naga Media Limited, Naga Management Limited and NagaJet Management Limited. Mr. Lee oversees the financial, treasury and business operations of the Group.

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



**MICHAEL LAI KAI JIN**  
Independent Non-executive Director

Michael Lai Kai Jin, 43, was a Non-executive Director from 31 May 2010 to 5 April 2011 and was redesignated as Independent Non-executive Director on 6 April 2011. He is also a member of the Audit Committee, Remuneration Committee, Nomination Committee and AML Oversight Committee of the Company. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the chairman of the Advisory Body Legal Matters, FIATA and the legal counsel for the Singapore Logistics Association.

Mr. Lai is currently the chairman of PVKeez Pte Ltd ("PVKeez"), a joint venture between EOC Ltd ("EOC"), Ezra Holdings Ltd, Keppel Corporation Ltd and PetroVietnam Transportation Corporation. PVKeez joint venture was set up for the conversion, management and operation and offloading facility in Vietnam's Chim Sao oilfield. Mr. Lai stepped down from the board of directors of EOC which is listed on the Oslo Stock Exchange. EOC is the operator of PVKeez and the owner of other offshore construction assets based in Asia.

Mr. Lai sits on the board of directors of Select Group Ltd which is listed on the Singapore Stock Exchange and Interlink Petroleum Ltd which is listed on the Mumbai Stock Exchange. He is also an independent non-executive director of Pan Asia Mining Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

**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, 73, has been an Independent Non-executive Director since 17 September 2007. He is also the chairman of the Remuneration Committee and Nomination Committee of the Company, and a member of the Audit Committee of the Company. Tan Sri Kadir is a Barrister-At-Law of Lincoln's Inn, London. He previously served the Federal Government of Malaysia as Political Secretary, Parliamentary Secretary, Deputy Minister and Minister of Information, Minister of Culture, Art and Tourism and chairman of Malaysia Tourism Promotion Board. Tan Sri Kadir also practiced as a lawyer at Hisham, Sobri & Kadir and Kadir, Khoo & Aminah.

Tan Sri Kadir is currently the chairman of MNC Wireless Berhad, the securities of which are listed on the Bursa Malaysia Securities Berhad. He was the chairman and an independent non-executive director of Karambunai Corp Berhad until 26 September 2012, a company listed on Bursa Malaysia and controlled by TSCLK, an Executive Director, Chief Executive Officer and controlling shareholder of the Company.

**LIM MUN KEE**  
Independent Non-executive Director

Lim Mun Kee, 46, has been an Independent Non-executive Director of the Company since 17 September 2007. He is also the chairman of the Audit Committee of the Company, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants.

Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989 and since then had gained valuable audit experiences in various industries. He has also been exposed to different level of finance, accounting and corporate related fields when he was working for a few listed companies in Malaysia.

Mr. Lim is currently running his own business in Malaysia. He is also an independent non-executive director of Petaling Tin Berhad, FACB Industries Incorporated Berhad and Karambunai Corp Berhad, all of which are listed in Malaysia and controlled by TSCLK, an Executive Director, Chief Executive Officer and controlling shareholder of the Company.



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## CORPORATE SOCIAL RESPONSIBILITY

NagaCorp has embraced a philosophy of socially responsible operations since its inception in the mid-1990s. Social responsibility is one of NagaCorp's key values and something we take very seriously – acting responsibly is fundamental to how we carry out every aspect of our business. We strive to improve the lives of our host country, Cambodia, considering the needs of the current generation, as well as anticipating the needs of future generations.

We believe effective corporate and social responsibility can deliver benefits to our business, and in turn, our shareholders, by enhancing good management practices and embracing integrity. This shared vision between us and our shareholders fuels our commitment towards social responsibility and guides our belief in dealing honestly and ethically within the community we operate in. Our

corporate governance activities are very much embedded in the foundations of our Corporate Social Responsibility (“CSR”) program. They are rooted in the belief that we can balance profitability and a social conscience.

Through its public and private participation programs, NagaCorp is a key participant in many charitable and nation building activities. As the entertainment capital of Indochina, NagaCorp has positioned itself as a key tourism icon, raising the international profile of both the Company and Cambodia through enhancing tourism and attracting foreign investments since the early days of our nation building efforts. We are entrenched in our profound determination to transform the country, including helping to increase per capita income and address social needs, whenever the opportunity arises.







## 1. YOUTH DEVELOPMENT SPORTS PROGRAM

Development of the Sports sector is one of the key CSR areas in which NagaCorp contributes actively to. In fact, NagaCorp was the first company from the private sector to show its support towards the Cambodian athletes during the 26th South East Asian (SEA) Games in 2011 and this incentive is set to continue in 2013.

After the successful showing the Cambodian contingent had in the 26th SEA Games, NagaCorp once again partnered with the National Olympic Committee of Cambodia (NOCC) to sponsor the Cambodian contingent for the 2012 Summer Olympics in London. NagaCorp's Olympic Games initiative outfitted the Cambodian contingent with official attire and equipment for the athletes, coaches, and officials. NagaCorp also awarded incentives for every medal won by the athletes,

ranging from US\$10,000 for bronze to US\$50,000 for gold. Concurrently, NagaCorp sponsored the trip of the sports editor of Cambodia's leading newspaper, The Phnom Penh Post, to ensure that Cambodians could get first-hand stories and news of their athletes. NagaCorp is also the official partner of the Tennis Federation of Cambodia ("TFC") as well as the exclusive sponsor of the TFC Davis Cup Team. In 2012, the TFC sent its first ever team to the prestigious Davis Cup in Doha. The TFC's first foray into the international tennis scene garnered the attention of everyone as they emerged undefeated in their category. They have been promoted a category and NagaWorld will continue to support the efforts of the players. The TFC also has a program which actively seeks to train and recruit the next batch of up and coming tennis stars. NagaCorp works with the TFC on a grass roots level, teaching the game to orphans, thereby giving them a chance to better their lives.





As part of NagaCorp's ardent support in developing Cambodia's youth in terms of sports, the Company initiated a sponsorship for the Cambodian Youth Football team, enabling the athletes to travel and participate in regional football tournaments. The sponsorship also included hosting the tournament's officials and referees at NagaWorld during their stay in Phnom Penh. NagaCorp also sponsored a training session for two particularly promising young players and two coaches in Thailand, where they trained with the Thai Premier Clubs BEC Tero and Bangkok Glass.

NagaCorp also contributes at least US\$50,000 each year as the main sponsor of the annual Khmer international boxing event, attended by six countries. In 2012, NagaWorld organized the boxing event

within its property, dedicated to fostering goodwill between Thailand and Cambodia, of which 10 of the top kickboxers from Thailand and Cambodia participated against various challengers from different countries.

In addition to football, tennis and boxing, NagaCorp also provides sponsorship to biking events. For example, in July 2012, the Company organized the NagaWorld Cambodia Bike Fest 2012 that included stage performances at our property to kick-off the event. The event attracted more than 60,000 people, including around 400-500 international bikers from Malaysia, Thailand, Brunei and Singapore. Merchandise like t-shirts and helmets also formed part of our sponsorship to the competing teams.





## 2. EDUCATION

Cambodia's unfortunate genocidal regime in the 1970s eroded much of the country's human resource pool and NagaCorp is fully aware of the need for adequate human capital for nation building in Cambodia. This is precisely why NagaCorp is a prominent corporate citizen in the commitment of educational programs in the country. We believe that human capital is NagaCorp's richest asset and we also believe that Cambodia's future success depends on nurturing future leaders and providing resources for youths who are eager to learn.

Tourism is one of the biggest contributors to Cambodia's growing economy and this creates a significant need for training and development within Cambodia's hospitality industry. To help address these needs, the NagaWorld School of Tourism was established to teach best practices in the hospitality industry, where it has been recognized in Cambodia for its efforts in training young people in basic courses such as speaking English, knowledge of

appropriate dressing, and overall improvement in mannerisms for careers in tourism.

NagaCorp has trained thousands of young Cambodians, including the Company's staff of approximately 4,600 employees (one of the largest work forces in the country). In conjunction with the NagaWorld School of Tourism, we also provide an internship program which gives participants valuable exposure to world class corporate standards, and self-improvement for career advancement.

In November 2012, the Company also launched its Naga Academy, a training academy that seeks to train youths in various hospitality programs. Candidates are chosen from Phnom Penh and its outskirt provinces to be trained as professionals in hospitality related skills such as food & beverage service, kitchen service, front office, and housekeeping service. A combination of competency-based and apprenticeship-based training focuses on empowering trainees with the right attitude, skills, and knowledge to be





successful in the hospitality industry. Naga Academy also seeks to enhance Cambodian young adults with the necessary skills that will enable them to find a job once they graduate, be it locally or on an international level. NagaCorp believes that by educating the youths and empowering them, Cambodia will in turn benefit in the long run.

Staying in tune with cutting-edge anti-money laundering issues is a key part of training for specialist staff at NagaCorp. A component of this effort is employee participation in the Certified Anti-Money Laundering Specialist® (“CAMS”) credential, provided by The Association of Certified Anti-Money Laundering Specialists® (ACAMS®). CAMS training ensures that NagaCorp staff maintains the highest level of knowledge and expertise as the Company stays in complete compliance with global anti-money laundering standards.

### 3. CAMBODIAN RED CROSS

The Cambodian Red Cross is the largest Non-Governmental Organization (NGO) in Cambodia and is officially recognized by the Cambodian Government as the primary auxiliary for humanitarian services throughout the country. The Red Cross has been one of NagaCorp’s long-time partners in contributing to society, giving back to the community and working as a strong partner towards building Cambodia’s social welfare.

The Red Cross provides many humanitarian services such as disaster response and disaster preparedness, community-based health development, water and sanitation services, community-based first aid, and response to human trafficking. As a committed partner to this invaluable organization, and to continually help the Red Cross achieve its goals, every year NagaCorp donates at least US\$100,000. In 2012, the Company donated over US\$300,000 to the Red Cross.



#### 4. INFRASTRUCTURE

Since NagaCorp's beginning, we have done much to improve the infrastructure of Cambodia as we are of the belief that an improved infrastructure leads to better connectivity and eventually, a better economy. As a long term nation-builder in Cambodia, we have helped to build roads, drainage systems, housing, schools, temples, wells and hospitals. As part of our ongoing efforts to help build and maintain Cambodia's infrastructure, we contributed more than US\$70,000 to the construction of roads in 2012.

NagaCorp feels it is imperative that the Company does its part to continue the development of infrastructure required by a modern society. Our corporate governance is built around the premise of nation building and we extend our reach in ways that inevitably touch the lives of many Cambodians. As such, in 2012, we have also made a donation of US\$50,000 towards the building of a children's hospital, which would add modern facilities towards caring for the nation's children.

#### 5. FIRE SAFETY TRAINING

Over the past 3 years, visitation to NagaWorld has grown significantly. With such a large number of guests in the property at any given time, safety of our guests is paramount and essential. In order to maintain a safe haven for our guests, NagaCorp started its very own fire safety department in 2012 with 53 staff, making us the very first private institution to have its own in house fire fighting team.

The fire fighting team is trained according to Singapore's strict fire safety codes and the trainer is certified by the Singapore Civil Defence Force. The team will be responsible for any emergency that might arise within NagaWorld. The fire safety team has also implemented fire safety measures designed to prevent the occurrence of a fire or any other such case.

NagaWorld's fire fighting team also lends its assistance to the Phnom Penh fire department in the event of a fire occurring within the city. Safety of the citizens of Phnom Penh is one of the many ways that NagaCorp contributes to, on the premise of nation building. The fire fighting skills developed by the fire fighting team will also stay with the members throughout their lives, and will eventually benefit the country.



PREPARE TO BE ENTERTAINED





## CORPORATE GOVERNANCE REPORT

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

### CORPORATE GOVERNANCE PRACTICES

In the opinion of the Company's directors (the "Directors"), having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as explained below), the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code", formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the new edition of the Code, which came into effect on 1 April 2012) during the period from 1 April 2012 to 31 December 2012.

### 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 (including amendments as effected from time to time) as the code of conduct of the Directors in respect of transactions in securities of the Company. Following specific enquiry by the Company, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2012.

### THE BOARD

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



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

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

Save for the fact that Mr. Chen Yepern is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, Executive Director and controlling shareholder of the Company, to the best knowledge of the Directors, there is no financial, business, family or other material/relevant relationship among members of the Board and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

The Company has received from each of the Independent Non-executive Directors his latest annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. 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 contract 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.

For the financial year ended 31 December 2012, 4 Board meetings and 2 general meetings were held. Details of the attendances of the Board meetings and general meetings are set out below:

Directors	No. of meetings attend/held	
	Board	General Meeting
<b>Executive Directors</b>		
Tan Sri Dr Chen Lip Keong ( <i>Chief Executive Officer</i> )	4/4	1/2
Mr. Philip Lee Wai Tuck ( <i>Chief Financial Officer</i> )	4/4	2/2
Mr. Chen Yepern	4/4	1/2
<b>Non-executive Director</b>		
Mr. Timothy Patrick McNally ( <i>Chairman</i> )	4/4	2/2
<b>Independent Non-executive Directors</b>		
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	4/4	2/2
Mr. Lim Mun Kee	4/4	2/2
Mr. Michael Lai Kai Jin	4/4	2/2





The Directors may seek independent 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 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.

### **DIRECTORS' RESPONSIBILITIES**

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

### **INDUCTION, TRAINING AND DEVELOPMENT**

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

Directors' training is an ongoing process. During the year, the Company had from time to time provided briefings to all Directors, namely Mr. Timothy Patrick McNally, Tan Sr Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yepern, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin, to develop and refresh the Directors' duties and responsibilities. The Company also continuously updates the Directors on the changes and development to the Group's business and to legislative and regulatory environment in which the Group operates. Circulars and guidance notes are issued to Directors to ensure compliance and enhance their awareness of best corporate governance practices. All Directors are also encouraged to attend relevant training courses at the Company's expense. Effective from April 2012, all Directors are required to provide the Company with his training record.

### **AUDIT COMMITTEE**

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

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

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

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



For the financial year ended 31 December 2012, 4 Audit Committee meetings were held and details of the attendances of the Audit Committee members are set out below:

<b>Directors</b>	<b>No. of meetings attended/held</b>
<b>Independent Non-executive Directors</b>	
Mr. Lim Mun Kee ( <i>Chairman</i> )	4/4
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	4/4
Mr. Michael Lai Kai Jin	4/4

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

For the financial year ended 31 December 2012, 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, BDO Limited be re-appointed as the external auditor of the Company.



## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

## NOMINATION AND APPOINTMENT OF DIRECTORS

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

## CORPORATE GOVERNANCE

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

The Company continued to keep abreast of any updates on the governing laws and regulations of the jurisdictions where it operates businesses and applicable guidelines and rules issued by regulatory authorities. All Directors and members of senior management have been briefed on the updates of the Code during the financial year ended 31 December 2012.

Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate. The training and continuous professional development of Directors and senior management will be reviewed by the Board on an annual basis.

Having regard to the recent changes of the regulatory requirements relating to the Group, the Board had updated or established various policies and procedures in areas including, among others, handling of securities dealing, shareholders' communication and reporting on possible improprieties with respect to financial reporting and internal control. The Board has reviewed the compliance status of the Code and is satisfied that all code provisions of the Code are complied with.

## INTERNAL CONTROLS

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

For the financial year ended 31 December 2012, 4 AML Oversight Committee meetings were held and details of the attendances of the AML Oversight Committee members are set out below:

Directors	No. of meetings attended/held
<b>Executive Directors</b>	
Tan Sri Dr Chen Lip Keong	3/4
Mr. Chen Yepern	4/4
<b>Non-executive Director</b>	
Mr. Timothy Patrick McNally ( <i>Chairman</i> )	4/4
<b>Independent Non-executive Director</b>	
Mr. Michael Lai Kai Jin	4/4



The Company has engaged an independent professional party to review internal controls of the Group with a focus on AML for the financial year ended 31 December 2012. The independent professional party performed reviews of the internal controls of the Group and was of the view that, in general, the internal controls of the Group complied with the relevant recommendations of the Financial Action Task Force. For more details, please refer to the heading “Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.” in this annual report.

The Company has also engaged another independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2012. For more details, please refer to the heading “Independent Review of Investment Risks in Cambodia” in this annual report.

For the financial year ended 31 December 2012, the AML Oversight Committee had considered and reviewed and discussed (1) reports from the independent professional party; (2) re-appointment of the independent professional party; (3) reports from the sub-committee; (4) AML Sub-committee organisation chart; (5) appointment of additional members to the AML sub-committee; (6) AML policies and procedures.

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

## MANAGEMENT FUNCTIONS

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

## DIRECTORS’ AND AUDITOR’S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, including the induction and professional development of Directors, as well as communications among the Board members, with shareholders and management. Ms. Ng Tien Che Margaret resigned as Company Secretary on 30 November 2012 and Ms. Lam Yi Lin was appointed to the position of Company Secretary on the same date. For each subsequent financial year, Ms. Lam is required to undertake no less than 15 hours of professional training.



## AUDITOR'S REMUNERATION

For the financial year ended 31 December 2012, the amounts paid to the external auditor of the Group in respect of the following services provided to the Group are set out below:

	2012 US\$'000
Audit services	
– Current year	349
– Under-provision for prior year	32
Reporting accountants – under provision for prior year	15

## CHANGES IN DIRECTORS' INFORMATION

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

### Tan Sri Dr Chen Lip Keong, Executive Director

- retired from the board of directors of Petaling Tin Berhad, a company listed on the Bursa Malaysia Securities Berhad, on 29 June 2012
- resigned as a director of Naga Management Services Limited, a subsidiary of the Company, with effect from 18 September 2012
- resigned as a director of NagaCorp (HK) Limited, NAGAWORLD LIMITED, Naga Entertainment Limited, Naga Sports Limited, Naga Services Limited, Naga Travel Limited, Naga Retail Limited, Naga Media Limited and Naga Management Limited, subsidiaries of the Company, with effect from 16 November 2012

### Philip Lee Wai Tuck, Executive Director

- resigned as a director of Naga Management Services Limited, a subsidiary of the Company, with effect from 18 September 2012

### Chen Yepern, Executive Director

- resigned as a director of Naga Management Services Limited, a subsidiary of the Company, with effect from 18 September 2012

### Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Independent Non-executive Director

- the annual director's fee paid or payable by the Company was revised to US\$36,000 with effect from 1 January 2012.
- resigned as the chairman and independent non-executive director of Karambunai Corp Berhad, a company listed on the Bursa Malaysia Securities Berhad, on 26 September 2012

### Lim Mun Kee, Independent Non-Executive Director

- the annual director's fee paid or payable by the Company was revised to US\$48,000 with effect from 1 January 2012

### Michael Lai Kai Jin, Independent Non-Executive Director

- the annual director's fee paid or payable by the Company was revised to US\$36,000 with effect from 1 January 2012

## 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 extraordinary general meeting and annual general meeting of the Company held on 30 January 2012 and 24 May 2012 respectively, the Chairman of the Board and the Chairmen of the various Board committees were present to answer shareholders' questions. Separate resolutions were proposed at such general meetings for each substantive issue. Details of the poll voting procedures and the rights of the shareholders to demand a poll together with details of the proposed resolutions were included in the circulars despatched to shareholders. At the said two general meetings held in 2012, all the resolutions were voted on by poll and were duly passed by the shareholders.

The most recent shareholders' meeting was the annual general meeting held on 24 May 2012 at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The major items discussed and the percentage of votes cast in favour of the resolutions relating to each of those items are set out below:

- Declaration of the final dividend of US cents 1.55 per share (100%);
- Re-election of Mr. Philip Lee Wai Tuck, Mr. Timothy Patrick McNally and Mr. Michael Lai Kai Jin as Directors (98.92%, 98.93% and 99.53% respectively in respect of each individual resolution);
- General mandate to Directors to issue additional shares in the Company, not exceeding 20% of the issued share capital (74.16%); and
- General mandate to Directors to purchase shares in the Company, not exceeding 10% of the issued share capital (98.85%).

All resolutions put to shareholders were passed at the annual general meeting. The results of the voting by poll were published on the websites of the Stock Exchange, of the Company and of irasia.

## Procedures for Shareholders to Convene General Meetings/Put Forward Proposals

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

1. One or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") may require the Board of the Company to convene an extraordinary general meeting of the Company ("EGM") by depositing a written requisition (the "Requisition") at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.
2. The Requisition must clearly state the name(s) and shareholding in the Company of the Requisitionist(s), specify the purposes of the EGM and the details of the business proposed to be transacted in the EGM and be signed by the Requisitionist(s) and may consist of several documents in like form, each signed by one or more of the Requisitionists.
3. Upon receipt of the Requisition, the Directors shall verify the Requisition with the Company's branch share registrar and upon this confirmation that the Requisition is proper and in order, shall forthwith proceed duly to convene the EGM, and such EGM shall be held within two (2) months after the deposit of the Requisition. If the Requisition has been verified as not being proper or in order, the Director shall notify it to the Requisitionists concerned and an EGM shall not be convened as requested.



4. If within twenty-one (21) days from the date of the deposit of the Requisition the Board fails to proceed duly to convene the EGM, the Requisitionist(s) may himself or themselves convene the EGM in the same manner and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.
5. Under the Articles of Association and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the EGM shall be given to all Shareholders entitled to attend the EGM for consideration in the following manner:
  - notice of not less than 21 clear days or 10 clear business days, whichever is the longer, if a special resolution is to be passed at the EGM; and
  - notice of not less than 14 clear days or 10 clear business days, whichever is the longer, in all other cases, provided that a EGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the EGM, being a majority together holding not less than 95% in nominal value of the issued shares of the Company giving such right.
6. If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, the nominating Shareholder can deposit a written notice to that effect (the "Notice") at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary. In order for the Company to inform Shareholders of that proposal, the Notice must state the full name

of the person proposed for election as a Director, include the person's biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the nominating Shareholder and that nominated Director indicating his/her willingness to be elected. The minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. In order to ensure Shareholders have at least 10 business days to receive and consider the relevant information of the nominated Director(s), nominating Shareholder(s) are urged to submit their Notice(s) as early as practicable, to that (if the notice of general meeting has already been given), a supplemental circular or announcement containing information of the nominated Director(s) can be despatched to Shareholders as soon as practicable without the need to adjourn the relevant general meeting.

7. Shareholders who have enquires about the above procedures may write to the Company Secretary at the principal place of business of the Company at Suite 2806, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

### Enquires put to the Board

Apart from the shareholders' meetings, the Company's website is an effective means of communicating with shareholders. Any shareholders who have questions or comments on what the Company is doing are most welcome to contact the Company at any time through the website. Shareholders may raise enquiries to the Board by contacting the Group's Investor Relations team. Upon receipt of the enquiries, the Investor Relations team will forward the shareholders' enquiries and concerns to the Board, Board committees or the management in appropriate.



## SHAREHOLDINGS AS AT 31 DECEMBER 2012

At the end of 2012, the Company has over 300 registered shareholders. Details of shareholders by aggregated shareholding are listed below:

Size of Registered Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Issued Share Capital
1 – 1,000	45	14.11%	2,446	0.00%
1,001 – 10,000	231	72.41%	572,783	0.03%
10,001 – 100,000	28	8.78%	1,031,359	0.05%
100,001 – 500,000	8	2.51%	1,877,332	0.09%
Over 500,000	7	2.19%	2,078,594,955	99.83%
TOTAL	319	100.00%	2,082,078,875	100.00%

From publicly available information and as far as the Directors are aware, as at 31 December 2012, approximately 54.29% of the issued share capital of the Company is held by the public and the public float capitalization is approximately HK\$5,312,332,812.

## CONSTITUTIONAL DOCUMENTS

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

## FINANCIAL CALENDAR

2012 Final Results Announcement	:	6 February 2013 (Wednesday)
Closure of Register of Members	:	(i) 21 May 2013 (Tuesday) to 24 May 2013 (Friday) (for ascertaining shareholders' entitlement to attend and vote at the annual general meeting) (ii) 31 May 2013 (Friday) (for ascertaining shareholders' entitlement to the 2012 final dividend)
Annual General Meeting	:	24 May 2013 (Friday)
Record Date for 2012 Final Dividend	:	31 May 2013 (Friday)
Payment of 2012 Final Dividend	:	13 June 2013 (Thursday)





# REMUNERATION COMMITTEE REPORT

## REMUNERATION COMMITTEE

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

The principal responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company, and to make recommendation to the Board on the remuneration packages of all Executive Directors, Non-executive Directors and senior management of the Company

whilst the Board retains its power to determine their remuneration. Such remuneration policy is determined based on the expertise, capability, performance and responsibility of our Directors and senior management. The Remuneration Committee also takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group. In addition to salaries, we provide staff benefits such as medical insurance and contributions to staffs mandatory provident scheme.

For the financial year ended 31 December 2012, 2 Remuneration Committee meetings were held to review and recommend to the Board (1) the Company's policy and structure for remuneration of the Directors and senior management; (2) increase of directors' fee of the Independent Non-Executive Directors; and (3) adoption of the revised terms of reference of the Committee. Details of the attendances of the Remuneration Committee members are set out below:

<b>Directors</b>	<b>No. of meetings attended/held</b>
<b>Executive Directors</b>	
Tan Sri Dr Chen Lip Keong <i>(ceased to be Chairman on 13 March 2012)</i>	2/2
Mr. Chen Yepern	2/2
<b>Independent Non-executive Directors</b>	
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir <i>(appointed as Chairman on 13 March 2012)</i>	2/2
Mr. Lim Mun Kee	2/2
Mr. Michael Lai Kai Jin	2/2



## REMUNERATION OF DIRECTORS FOR THE YEAR

The Directors received the following remuneration for the year:

	Discretionary bonus US\$'000	Fees US\$'000	Basic salaries, allowances and benefits- in-kind US\$'000	Total US\$'000
<b>Executive Directors</b>				
Tan Sri Dr Chen Lip Keong	—	—	720	720
Philip Lee Wai Tuck	225	—	422	647
Chen Yepern	10	—	146	156
<b>Non-executive Director</b>				
Timothy Patrick McNally	—	287	1	288
<b>Independent Non-executive Directors</b>				
Michael Lai Kai Jin	—	36	2	38
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	—	36	3	39
Lim Mun Kee	—	48	3	51
<b>Total</b>	<b>235</b>	<b>407</b>	<b>1,297</b>	<b>1,939</b>

## SHARE OPTION SCHEME

The Company has adopted a share option scheme whereby the directors are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to attract and retain the best personnel and to provide additional incentives to employees and directors to promote the success of the Group.

No share options were granted, exercised, cancelled or lapsed under the share option scheme during the year ended 31 December 2012.

## MEMBERS OF THE REMUNERATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

Hong Kong, 6 February 2013





# NOMINATION COMMITTEE REPORT

## NOMINATION COMMITTEE

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

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

## NOMINATION PROCEDURE, PROCESS AND CRITERIA

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

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

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



For the financial year ended 31 December 2012, 2 Nomination Committee meetings were held to review and recommend to the Board (1) the re-election of directors; (2) the structure, size and composition of the Board; (3) change of chairman of the Committee; (4) adoption of the revised terms of reference of the Committee. Details of the attendances of the Nomination Committee members are set out below:

<b>Directors</b>	<b>No. of meetings attended/held</b>
<b>Executive Directors</b>	
Tan Sri Dr Chen Lip Keong ( <i>ceased to be Chairman on 22 February 2012</i> )	1/2
Mr. Chen Yepern	2/2
<b>Independent Non-executive Directors</b>	
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir ( <i>appointed as Chairman on 22 February 2012</i> )	2/2
Mr. Lim Mun Kee	2/2
Mr. Michael Lai Kai Jin	2/2

Following the changes to the Listing Rules, the Chairman of the Remuneration and Nomination Committees must be Independent Non-executive Director or Chairman of the Board (applicable to Nomination Committee only), the Board passed resolutions to change the Chairman of the Remuneration and Nomination Committees from Tan Sri Dr Chen Lip Keong to Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir to comply with the Listing Rules.

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

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

All Non-executive Directors of the Company were appointed for a term of one year. The appointment may be renewed for another one year at the discretion of the Board but are subject to the relevant provisions of retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

#### **MEMBERS OF THE NOMINATION COMMITTEE**

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

Hong Kong, 6 February 2013





# 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

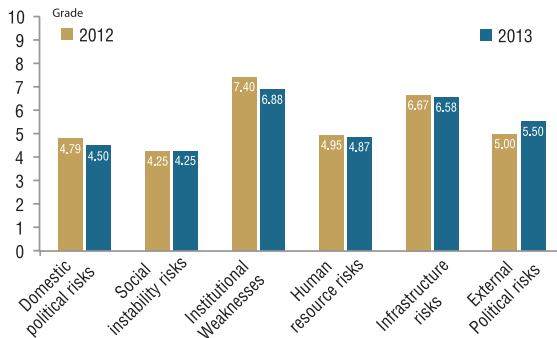
## TO THE BOARD OF NAGACORP LTD.

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.

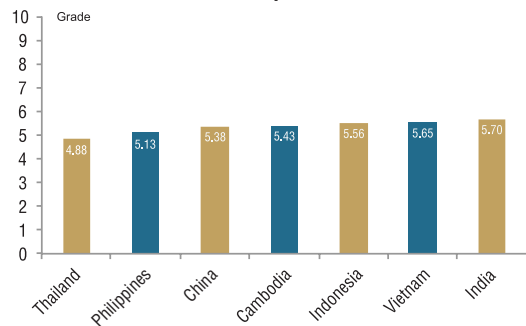
Based on the assessments and reviews carried out between late November 2012 and early January 2013, we summarised our findings below:

**Perceptions of Cambodia’s Business Environment Risks**



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

**How Perceptions of Cambodian Socio-Political Risks Compare**



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



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

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

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

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). PERC's most recent risk survey gives Cambodia an overall risk grade of 5.43 (slightly better than one year ago). Cambodia is still a poor country, but it has made huge strides over the past decade in developing its economy, improving the quality of its institutions, and interfacing more with the rest of the world. It also has a relatively stable government and a credible track record for treating foreign direct investors that instills some confidence. In fact, the country has one of the most liberal environments for foreign investment of any country in Southeast Asia.

Foreign investors have generally been treated well in Cambodia and the government has not gone back on contract terms and incentives offered. To be sure, there have not been many disputes that have actually involved the local court system, but those in the hotel, garment, real estate, and financial services sectors, as well as embassy officials of foreign governments and managers of non-governmental organizations (NGOs) are positive about the government's treatment of foreign investors.

Moreover, there is little likelihood that the government will change in ways that fundamentally alter the environment for foreign investors for the worst. There have been no examples of nationalization or expropriation, nor are there likely to be. The civil and political environments are stable and likely to remain so. Also, the government's economic policy is prudent so it is unlikely that there will be a balance of payments crisis, a chronically weak exchange rate, hyper-inflation or controls placed on capital inflows and outflows. Finally, Cambodia's relations with its neighbors are generally good. This most serious risk is that border disputes with Thailand could flare up periodically and hurt business along the border with that country, but any such conflicts will be contained to small areas. They will be limited in magnitude and duration, and will not threaten the overall economy or the operations of most foreign investors.

## POSITIVE DEVELOPMENTS

- Domestic political risks are stable. The outcome of the coming national elections to be held this year is not in doubt. The ruling CPP will win and Hun Sen will be reappointed as prime minister. Medium-term succession risks are also declining.
- In large part because confidence in the government's open door policy toward foreign investment is growing, more foreign investment is entering the country and the range of industries in which it is going is broadening. This is helping to diversify the economy, providing a more solid base for future growth.
- Cambodia's economy is likely to keep growing by close to 7% per annum due to improvements in agriculture, the strong expansion of tourism, and gains in manufacturing production (and exports). The construction sector will also drive growth. If the government can reduce energy and fuel costs, there is a potential for growth to average an even faster rate in the medium term.



- Improvements in physical infrastructure, especially the national road system, are making it easier for companies to locate manufacturing operations further away from Phnom Penh, bringing down logistics costs, and facilitating the growth in tourism, particularly from neighboring Vietnam and Thailand.
- Problems in other countries – like sharply rising labor costs in China, increasing labor militancy in Indonesia, and safety concerns in Bangladesh – are likely to stimulate new investment and trade in Cambodia, particularly with Japan and Korea. Cambodian exports will also benefit from incentives given by major markets like the EU and the US that are not offered to most other Asian countries.

## THE CHALLENGES

- The biggest infrastructure challenge Cambodia faces is the high cost of electric power and fuel. The country is increasing its power generation capacity rapidly and the supply of electricity is much more reliable than it was, but the continuing high cost of electricity is hurting the country's competitiveness by undermining other advantages like the low cost of labor.
- There is a need to raise the supply and quality of labor by improving education. Labor demands for higher wages could escalate since workers know the government is likely to be more sympathetic to their demands in an election year. In addition, labor shortages in Phnom Penh are growing. This is especially the case for skilled and more experienced labor, but the construction boom and rapid growth of services are starting to squeeze the supply of even unskilled labor in the capital region.
- One of the country's biggest needs is to build the capacity of public institutions, improving service delivery and good governance. The more the economy develops and the more diversified it becomes, the bigger the problems of bureaucratic inefficiency and corruption likely to become – not so much in absolute terms but as a frustration for companies that need to respond quickly and flexibly in an increasingly competitive environment.
- Cambodia suffers from a continuing image problem. The country has shortcomings, but many of these are grossly exaggerated in the international media. This list includes the extent that the government is authoritarian, the magnitude of corruption as an impediment to business, and the extent that human rights are violated. The country also does not get the credit it deserves for the improvements it is making in people's livelihoods and meeting the aspirations of most Cambodians. This image problem hurts both the public and private sectors and is a challenge for both to manage better.

### Robert Broadfoot

Managing Director

PERC

Hong Kong, 11 January 2013

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

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





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## INDEPENDENT REVIEW OF ANTI-MONEY LAUNDERING INTERNAL CONTROLS AT NAGACORP LTD.

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

### TO THE BOARD OF NAGACORP LTD.

We have conducted two independent reviews of the internal controls of NagaCorp Ltd. (“NagaCorp”) with a focus on anti-money laundering (“AML”) controls during the year 2012. The reviews were conducted in July 2012 and January 2013. Once again the review team noted the continued development of NagaWorld as a resort

destination and the expansion of gaming operations. It was again pleasing to note that senior staff turnover was negligible as Hill & Associates (“H&A”) is of the opinion that retention of such staff enhances internal controls and leads to greater understanding of compliance requirements amongst all levels of staff.

As remarked in our previous report on the first six months of 2012, the work of the internal audit department within NagaCorp continues to complement the AML functions that are in place. The review team is satisfied NagaCorp maintains full control of the gaming operations and these operations remain compliant with all relevant recommendations of the Financial Action Task Force (“FATF”).



H&A notes that neither the FATF nor the Asia/Pacific Group on Money Laundering have made any negative assessment of Cambodia's controls with respect to their ongoing implementation and development since our last review and H&A independent consultations with sources close to the regulatory bodies reveal that assessments of Cambodia's progress remain positive.

As previously noted, the Financial Investigation Unit ("FIU") at the National Bank of Cambodia has completed its initial work on the banking sector and is now focused on the inspection and upgrading, where necessary, of AML controls in non-banking organisations. The relevant controls are set out in the "Prakas on Anti-Money Laundering and Combating the Financing of Terrorism relating to All Reporting Entities not regulated by the National Bank of Cambodia". Prakas are government guidelines with legislative force which further dictate the method of implementation of laws within Cambodia, in this case the 2007 Law on Anti-Money Laundering and Combating the Financing of Terrorism.

The gaming industry is part of this second target group of industries. In our previous visit in July 2012, H&A discussed with both the FIU management and NagaCorp the sections of the Prakas that directly affect the operations of NagaCorp and it was recognized that NagaCorp would require to implement changes to remain totally compliant with the Prakas. It was also acknowledged by the FIU that certain clauses within the Prakas might not be appropriate to the operations of a casino as opposed to other non-financial entities and further discussions shall take place between the FIU and NagaCorp as the 2007 Law is implemented.

During our review of July 2012, the FIU leaders advised that a dedicated AML Compliance Officer would need to be appointed. H&A recommended that NagaCorp move forward with this and during our current review we were pleased to be given to understand that this Officer has been identified by the Board of NagaCorp and a formal appointment is imminent. In addition to this, H&A notes that new staff are being recruited to support the internally sourced, AML Compliance Officer. NagaCorp now has six Certified Anti Money Laundering Specialists on its staff. The Certification is awarded by the Association of Certified Anti Money Laundering Specialist, USA. In the opinion of H&A, the appointments and continued upgrading of qualifications of existing staff shall ensure that NagaCorp remains at the forefront of implementing AML controls in Cambodia and we also note that NagaCorp is committed to full compliance with all national and international laws and regulations on AML.

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

**John Bruce**

Director of Operations (Macau)

Hill & Associates Ltd

Hong Kong, 28 January 2013

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





# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

## 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, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

## MAJOR JUNKET OPERATORS

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

	Percentage of the Group's total	
	Revenue	Cost of sales
The largest junket operator	6%	8%
Five largest junket operators in aggregate	22%	41%

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 2012.

## RESULTS

The profit of the Group for the year ended 31 December 2012 are set out in the consolidated statement of income on page 63.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 117.

## TRANSFER TO RESERVES

The profit attributable to equity shareholders of the Company, before dividends, of US\$113,141,000 (2011: US\$92,030,000) 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 1.51 per share (2011: US cents 1.54 per share) was declared in August 2012 and paid in September 2012. The Directors proposed the payment of a final dividend of US cents 2.33 per share (2011: US cents 1.55 per share) for the financial year ended 31 December 2012. The proposed final dividend together with the interim dividend represented a dividend payout ratio of approximately 71%.



## PRE-EMPTIVE RIGHTS

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

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to US\$3,606,000 (2011: US\$3,264,000), all of which were donated in Cambodia.

## FIXED ASSETS

During the year, the Group acquired fixed assets of approximately US\$68.6 million (2011: US\$43.7 million). Details of these purchases and other movements in fixed assets are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

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

## RESERVES

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

## REMUNERATION

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

## REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

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

## DIRECTORS

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

### **Chairman and Non-executive Director:**

Timothy Patrick McNally <sup>M</sup>

### **Executive Directors:**

Tan Sri Dr Chen Lip Keong <sup>R/N/M</sup>

(Chief Executive Officer)

Philip Lee Wai Tuck

(Chief Financial Officer)

Chen Yepern <sup>R/N/M</sup>

### **Independent Non-executive Directors:**

Michael Lai Kai Jin <sup>A/R/N/M</sup>

Tan Sri Datuk Seri Panglima Abdul Kadir

Bin Haji Sheikh Fadzir <sup>A/R/N</sup>

Lim Mun Kee <sup>A/R/N</sup>

A: Members of Audit Committee

R: Members of Remuneration Committee

N: Members of Nomination Committee

M: Members of Anti-Money Laundering Oversight Committee

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



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Directors who held office at 31 December 2012 had the following interests in the shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the 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 as set out in Appendix 10 to the Listing Rules:

### Interests in issued shares

Name of director	Capacity	Number of ordinary shares/ underlying shares held	% of total issued ordinary shares
Tan Sri Dr Chen Lip Keong	Interest in control corporation - Cambodia Development Corporation ("CDC") <i>(Note 1)</i>	162,260,443 (L)	7.79 (L)
Tan Sri Dr Chen Lip Keong	Beneficiary of a trust declared by Fourth Star Finance Corp. <i>(Note 2)</i>	703,534,855 (L)	33.79 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	86,000,000 (L)	4.13 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner <i>(Note 3)</i>	1,566,282,107 (L)	75.23 (L)

#### Notes:

- (1) Details of the 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 the 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) These 1,566,282,107 underlying shares are the consideration for the very substantial acquisition for TanSriChen Inc. and TanSriChen (CityWalk) Inc. (the "Target Companies", each a "Target Company") under the conditional Share Purchase Agreement and a supplemental agreement entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011 and 28 December 2011 respectively. These underlying shares will not be issued until the respective completion applicable to each of the Target Companies. The deadline for the fulfilment of the conditions precedent in respect of the purchases of each Target Company is 12 June 2016.
- (4) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above, as at 31 December 2012, none of the Directors of the Company had any interests or short positions in the shares of the Company or 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.



## 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 2012, 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 the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

### (1) Substantial shareholders

Name of shareholders	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Fourth Star Finance Corp. <sup>(Note 1 &amp; 2)</sup>	Trustee	703,534,855 (L)	33.79 (L)

### (2) Other Persons

Name of shareholders	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Cambodia Development Corporation <sup>(Note 1)</sup>	Beneficial owner	162,260,443 (L)	7.79 (L)
OSK Investment Bank (Labuan) Limited	Security Interest	158,956,383 (L)	7.63 (L)

*Notes:*

- (1) The beneficial owner of Cambodia 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 of which Tan Sri Dr Chen Lip Keong is the beneficiary.
- (3) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above and so far as the Directors and the chief executives of the Company are aware of, as at 31 December 2012, 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 the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

### SUFFICIENCY OF PUBLIC FLOAT

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors is interested in any business (apart from the Group's businesses) which competes or is likely to compete, either directly and indirectly, with the businesses of the Group during the year or at 31 December 2012.

### DIRECTORS' SERVICE CONTRACTS

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



## DIRECTORS' INTERESTS IN CONTRACTS

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

## PROPERTIES

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CONNECTED TRANSACTIONS

During 2012, the Company entered into (or continued to be party to) certain transactions with First Travel & Tours (M) Sdn Bhd ("FTT"), Karambunai Resorts Sdn Bhd ("KRSB"), Karambunai Corp Bhd and One Travel and Tours Limited ("One Travel"). FTT and One Travel have been providing air ticketing and travel booking services to the Group, primarily in relation to travels between Cambodia and other parts of the South East Asia. KRSB has provided accommodation and facilities in Malaysia for the use of the Group. Tan Sri Dr Chen Lip Keong is a controlling shareholder of all four of these companies and therefore is considered a connected person.

Although these transactions were "connected transactions" as defined in the Listing Rules, all of them were either sharing of administrative services or de minimis transactions exempted under Rule 14A.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 the normal course of business by the Group are set out in note 30 to the consolidated financial statements. Those related party transactions which constituted connected transactions under Chapter 14A of the Listing Rules have complied with the disclosure requirements thereon.

## COMPLIANCE WITH THE MODEL CODE

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

## AUDITOR

BDO Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 December 2012.

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

By order of the Board

**Timothy Patrick McNally**  
*Chairman*

Hong Kong, 6 February 2013





# 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 63 to 116, which comprise the consolidated and the company statements of financial position as at 31 December 2012, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BDO Limited

*Certified Public Accountants*

**Tony Yuk Tung Chan**

Practising Certificate Number P04654

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

Hong Kong, 6 February 2013



# CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in United States dollars)

	Note	2012 \$'000	2011 \$'000
<b>Revenue</b>	6	<b>278,762</b>	223,781
Cost of sales		<b>(75,568)</b>	(60,024)
<b>Gross profit</b>		<b>203,194</b>	163,757
Other income	7	<b>1,386</b>	1,915
Administrative expenses		<b>(40,615)</b>	(31,809)
Other operating expenses		<b>(46,348)</b>	(37,854)
<b>Profit before taxation</b>	8	<b>117,617</b>	96,009
Income tax	10	<b>(4,476)</b>	(3,979)
<b>Profit attributable to owners of the Company</b>	11	<b>113,141</b>	92,030
Earnings per share (US cents)	13	<b>5.43</b>	4.42

The notes on page 71 to 116 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in United States dollars)

	2012 \$'000	2011 \$'000
<b>Profit for the year</b>	<b>113,141</b>	92,030
<b>Other comprehensive income for the year</b>		
Exchange adjustments	(2)	3
<b>Total comprehensive income attributable to owners of the Company for the year</b>	<b>113,139</b>	<b>92,033</b>

The notes on pages 71 to 116 form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012  
(Expressed in United States dollars)

	Note	2012 \$'000	2011 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	15(a)	237,576	187,084
Interest in leasehold land held for own use under operating lease	15(a)	624	632
Intangible assets	16	80,389	83,936
Prepayments for purchase of construction materials	20	14,436	4,408
		<b>333,025</b>	<b>276,060</b>
<b>Current assets</b>			
Consumables	19	1,142	1,242
Trade and other receivables	18	20,890	24,391
Prepayments for purchase of construction materials	20	—	5,150
Fixed deposits at bank	21	15,000	35,500
Cash and cash equivalents		58,225	29,264
		<b>95,257</b>	<b>95,547</b>
<b>Current liabilities</b>			
Trade and other payables	23	26,010	18,794
Current tax liability		373	332
Obligations under finance leases	24	—	3
		<b>26,383</b>	<b>19,129</b>
<b>Net current assets</b>		<b>68,874</b>	<b>76,418</b>
<b>NET ASSETS</b>		<b>401,899</b>	<b>352,478</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2012  
(Expressed in United States dollars)

	Note	2012 \$'000	2011 \$'000
<b>CAPITAL AND RESERVES</b>	25		
Share capital		26,026	26,026
Reserves		375,873	326,452
<b>TOTAL EQUITY</b>		<b>401,899</b>	<b>352,478</b>

Approved and authorised for issue by the Board on 6 February 2013

**Timothy Patrick McNally**  
*Chairman*

**Tan Sri Dr Chen Lip Keong**  
*Chief Executive Officer*

The notes on pages 71 to 116 form part of these consolidated financial statements.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012  
(Expressed in United States dollars)

	Note	2012 \$'000	2011 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	15(b)	376	189
Investments in subsidiaries	17	15,500	15,500
		<u>15,876</u>	<u>15,689</u>
<b>Current assets</b>			
Trade and other receivables	18	202,193	194,364
Cash and cash equivalents		191	18
		<u>202,384</u>	<u>194,382</u>
<b>Current liabilities</b>			
Trade and other payables	23	24,150	11,998
		<u>24,150</u>	<u>11,998</u>
<b>Net current assets</b>			
		<u>178,234</u>	<u>182,384</u>
<b>NET ASSETS</b>			
		<u>194,110</u>	<u>198,073</u>
<b>CAPITAL AND RESERVES</b>			
	25		
Share capital		26,026	26,026
Reserves		168,084	172,047
<b>TOTAL EQUITY</b>			
		<u>194,110</u>	<u>198,073</u>

Approved and authorised for issue by the Board on 6 February 2013

**Timothy Patrick McNally**

*Chairman*

**Tan Sri Dr Chen Lip Keong**

*Chief Executive Officer*

The notes on pages 71 to 116 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in United States dollars)

	Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2011</b>		26,026	135,498	(12,812)	55,568	62	104,345	<b>308,687</b>
<b>Changes in equity during the year 2011</b>								
Profit for the year		—	—	—	—	—	92,030	<b>92,030</b>
Other comprehensive income		—	—	—	—	3	—	<b>3</b>
Total comprehensive income for the year		—	—	—	—	3	92,030	<b>92,033</b>
Dividend declared and paid		—	—	—	—	—	(48,242)	<b>(48,242)</b>
		—	—	—	—	3	43,788	<b>43,791</b>
<b>Balance at 31 December 2011 and 1 January 2012</b>		<b>26,026</b>	<b>135,498</b>	<b>(12,812)</b>	<b>55,568</b>	<b>65</b>	<b>148,133</b>	<b>352,478</b>
<b>Changes in equity during the year 2012</b>								
Profit for the year		—	—	—	—	—	113,141	<b>113,141</b>
Other comprehensive income		—	—	—	—	(2)	—	<b>(2)</b>
Total comprehensive income for the year		—	—	—	—	(2)	113,141	<b>113,139</b>
Dividend declared and paid	12	—	—	—	—	—	(63,718)	<b>(63,718)</b>
		—	—	—	—	(2)	49,423	<b>49,421</b>
<b>Balance at 31 December 2012</b>		<b>26,026</b>	<b>135,498</b>	<b>(12,812)</b>	<b>55,568</b>	<b>63</b>	<b>197,556</b>	<b>401,899</b>

The notes on pages 71 to 116 form part of these consolidated financial statements



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012  
(Expressed in United States dollars)

	2012 \$'000	2011 \$'000
<b>Operating activities</b>		
Profit before taxation	117,617	96,009
Adjustments for:		
– Depreciation and amortisation	16,637	12,225
– Amortisation of casino licence premium	3,547	3,547
– Interest income	(463)	(1,712)
– Exchange loss, net	295	49
– Impairment loss on trade receivables	89	279
– (Gain)/Loss on disposal of property, plant and equipment	(6)	5
– Write-off of property, plant and equipment	1,502	153
– Reversal of impairment loss on trade receivables previously recognised	(659)	—
<b>Operating profit before changes in working capital</b>	<b>138,559</b>	<b>110,555</b>
Decrease/(Increase) in consumables	100	(671)
Decrease in trade and other receivables	4,071	3,694
Increase in trade and other payables	5,603	2,904
<b>Cash generated from operations</b>	<b>148,333</b>	<b>116,482</b>
Tax paid	(4,435)	(3,647)
<b>Net cash from operating activities</b>	<b>143,898</b>	<b>112,835</b>
<b>Investing activities</b>		
Interest received	463	1,712
Payment for the purchase of property, plant and equipment and for the construction cost of property	(72,185)	(45,495)
Proceeds from disposal of property, plant and equipment	6	3
Decrease/(Increase) in fixed deposits at bank	20,500	(14,400)
<b>Net cash used in investing activities</b>	<b>(51,216)</b>	<b>(58,180)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
 (Expressed in United States dollars)

	2012 \$'000	2011 \$'000
<b>Financing activities</b>		
Dividend paid	(63,718)	(48,242)
Repayment of finance leases	(3)	(1)
<b>Net cash used in financing activities</b>	<u>(63,721)</u>	<u>(48,243)</u>
<b>Net increase in cash and cash equivalents</b>	28,961	6,412
<b>Cash and cash equivalents at beginning of year</b>	29,264	22,852
<b>Cash and cash equivalents at end of year</b>	<u>58,225</u>	<u>29,264</u>
<b>Analysis of cash and cash equivalents</b>		
– Cash and bank balances	<u>58,225</u>	<u>29,264</u>

The notes on pages 71 to 116 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 Building, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Its shares are listed on the Main Board of the Stock Exchange.

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

## 2 ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Impact of new amendments which are effective during the year

In the current year, the Group has applied, for the first time, the following amendments 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 IFRS 7	Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no significant impact on the Group's financial statements.

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

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

## 3 BASIS OF PREPARATION

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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 3 BASIS OF PREPARATION (CONT'D)

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

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

### 4 PRINCIPAL ACCOUNTING POLICIES

#### (a) Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (a) Business combination and basis of consolidation (cont'd)

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied IFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

#### 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 are presently exercisable or convertible are taken into account.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (b) Property, plant and equipment

##### (i) Owned assets

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

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

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

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

##### (ii) Depreciation

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

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

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

##### (c) Intangible assets

Acquired intangible assets - Casino licence premium

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (d) Consumables

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

#### (e) Financial assets

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

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. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

#### (i) Impairment loss on financial assets

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (e) Financial assets (cont'd)

##### (ii) Effective interest method

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

##### (iii) Derecognition

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

#### (f) Trade and other payables

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

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

##### (i) Effective interest method

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

##### (ii) Derecognition

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

#### (g) Provisions

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (h) Impairment of other assets

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

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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 profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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

#### (i) Income tax

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (i) Income tax (cont'd)

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

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

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

#### (j) Cash and cash equivalents

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

#### (k) Commissions and incentives

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

#### (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 models, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (i) Employee benefits (cont'd)

#### (ii) Share based payments (cont'd)

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

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

#### (n) 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) Related parties

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (o) Related parties (cont'd)

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

#### (p) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 4 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (p) Leased assets (cont'd)

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

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

##### (ii) Operating lease charges

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

##### (iii) Prepaid land lease

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

##### (q) Revenue recognition

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

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

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

#### (c) Casino complex

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 6 REVENUE

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

	2012 \$'000	2011 \$'000
Casino operations – gaming tables	172,829	142,762
Casino operations – electronic gaming machine stations	87,923	68,708
Hotel room income, sales of food and beverages and others	18,010	12,311
	<u>278,762</u>	<u>223,781</u>

### 7 OTHER INCOME

	2012 \$'000	2011 \$'000
Interest income	463	1,712
Rental income	237	152
Reversal of impairment loss previously recognised	659	—
Others	27	51
	<u>1,386</u>	<u>1,915</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 8 PROFIT BEFORE TAXATION

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

	2012 \$'000	2011 \$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	29,720	25,737
Contributions to defined contribution retirement scheme	9	7
Total staff costs	<u>29,729</u>	<u>25,744</u>
Average number of employees (Full-time equivalent)	<u>4,181</u>	<u>3,403</u>
(b) Other items:		
Auditor's remuneration		
– Current year	349	375
– Under-provision for prior year	47	110
Fuel expenses	9,154	7,856
Amortisation of casino licence premium charged to other operating expenses	3,547	3,547
Depreciation and amortisation	16,637	12,225
Impairment loss on trade receivables	89	279
Reversal of impairment loss on trade receivables previously recognised	(659)	—
Write-off of property, plant and equipment	1,502	153
(Gain)/Loss on disposal of property, plant and equipment	(6)	5
Operating lease charges for land lease rental	187	187
Operating lease charges for office and car park rental	807	456
Operating lease charges for hire of equipment	1,938	1,877
Exchange loss, net	<u>295</u>	<u>49</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 9 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT REMUNERATION

#### (a) Directors' remuneration

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

	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2012 Total \$'000
<b>Executive Directors</b>				
Tan Sri Dr Chen Lip Keong	—	—	720	720
Philip Lee Wai Tuck	225	—	422	647
Chen Yepern	10	—	146	156
<b>Non-executive Director</b>				
Timothy Patrick McNally	—	287	1	288
<b>Independent Non-executive Directors</b>				
Michael Lai Kai Jin	—	36	2	38
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji	—	36	3	39
Lim Mun Kee	—	48	3	51
<b>Total</b>	<b>235</b>	<b>407</b>	<b>1,297</b>	<b>1,939</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 9 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT REMUNERATION (CONT'D)

#### (a) Directors' remuneration (cont'd)

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

	Discretionary bonus \$'000	Fees \$'000	Basic salaries, allowances and benefits- in-kind \$'000	2011 Total \$'000
<b>Executive Directors</b>				
Tan Sri Dr Chen Lip Keong	—	—	530	530
Philip Lee Wai Tuck	—	—	372	372
Chen Yepern <sup>(1)</sup>	—	—	113	113
<b>Non-executive Directors</b>				
Timothy Patrick McNally	—	236	—	236
Chen Yiy Fon <sup>(2)</sup>	—	—	9	9
Michael Lai Kai Jin <sup>(3)</sup>	—	6	—	6
<b>Independent Non-executive Directors</b>				
Michael Lai Kai Jin <sup>(3)</sup>	—	19	1	20
Jimmy Leow Ming Fong <sup>(4)</sup>	—	12	—	12
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	—	26	2	28
Lim Mun Kee	—	26	2	28
<b>Total</b>	<b>—</b>	<b>325</b>	<b>1,029</b>	<b>1,354</b>

Notes:

- (1) Appointed as director on 14 February 2011
- (2) Ceased to be a director on 14 February 2011
- (3) Re-designated as independent non-executive director on 6 April 2011
- (4) Ceased to be a director on 24 May 2011

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 9 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT REMUNERATION (CONT'D)

#### (a) Directors' remuneration (cont'd)

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

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

Tan Sri Dr Chen Lip Keong has waived his right to the annual performance bonus for the year ended 31 December 2012 (2011: waived).

#### (b) Senior management remuneration

Of the five individuals with highest emoluments, three (2011: two) are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the two individuals for the year ended 31 December 2012 (2011: three) are as follows:

	2012 \$'000	2011 \$'000
Basic salaries, housing and other allowances and benefits-in-kind	<u>858</u>	<u>887</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 9 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT REMUNERATION (CONT'D)

#### (b) Senior management remuneration (cont'd)

The emoluments of the two individuals (2011: three) with the highest emoluments are within the following bands:

	2012 Number of Individuals	2011 Number of Individuals
\$Nil - \$64,100 (approximately HK\$ Nil – HK\$2,000,000)	—	—
\$256,401 - \$320,500 (approximately HK\$2,000,001 – HK\$2,500,000)	1	2
\$320,501 - \$384,600 (approximately HK\$2,500,001 – HK\$3,000,000)	—	1
\$384,601 - \$448,700 (approximately HK\$3,000,001 – HK\$3,500,000)	—	—
\$448,701 - \$512,800 (approximately HK\$3,500,001 – HK\$4,000,000)	—	—
\$512,801 - \$576,900 (approximately HK\$4,000,001 – HK\$4,500,000)	1	—
	<u>2</u>	<u>3</u>

### 10 INCOME TAX

Income tax in profit or loss represents:

	2012 \$'000	2011 \$'000
Current tax expense		
– Current year	<u>4,476</u>	<u>3,979</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 10 INCOME TAX (CONT'D)

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

	2012 \$'000	2011 \$'000
Profit before taxation	<u>117,617</u>	<u>96,009</u>
Profits tax using Cambodian corporation tax rate of 20% (2011: 20%)	23,523	19,202
Tax exempt profits from Cambodian operations (note (a))	(23,523)	(19,202)
Obligation Payments (note (a))	<u>4,476</u>	<u>3,979</u>
	<u>4,476</u>	<u>3,979</u>

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of \$256,577 (2011: \$228,069) and monthly non-gaming Obligation Payment of \$116,438 (2011: \$103,500) payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia by NWL Gaming Branch and NWL Hotel & Entertainment Branch, branches registered in Cambodia.

(i) Casino tax and licence fees

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

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

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

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 2012, the Obligation Payments became \$256,577 per month.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

## (Expressed in United States Dollars)

### 10 INCOME TAX (CONT'D)

Notes: (cont'd)

(a) Income tax in profit or loss (cont'd)

(i) Casino tax and licence fees (cont'd)

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

(ii) Corporate and other taxes on gaming activities

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

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

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

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

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

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

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

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of \$30,500 per month for the six months ended 31 December 2002. Subject to annual revision, the MOEF revised the non-gaming obligation payment to \$116,438 per month for the year ended 31 December 2012. The monthly rate of non-gaming Obligation Payment will be reviewed annually.

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

(iii) Other jurisdictions

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

(b) Taxes on other businesses

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

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

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

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

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

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

(d) Deferred taxation

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 11 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of \$59,755,000 (2011: \$45,295,000) which has been dealt with in the financial statements of the Company.

### 12 DIVIDENDS PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2012 \$'000	2011 \$'000
Interim dividend declared during the year:		
2011: US cents 1.54 per ordinary share	—	32,141
2012: US cents 1.51 per ordinary share	<b>31,438</b>	—
Final dividend proposed after the end of reporting period:		
2011: US cents 1.55 per ordinary share	—	32,280
2012: US cents 2.33 per ordinary share	<b>48,595</b>	—
	<b>80,033</b>	<b>64,421</b>

The interim dividend of \$31,438,000 for the year ended 31 December 2012 was declared in August 2012 and paid in September 2012.

### 13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$113,141,000 (2011: \$92,030,000) and the weighted average number of 2,082,078,875 (2011: 2,082,078,875) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2012 and 31 December 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 14 SEGMENT INFORMATION

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 14 SEGMENT INFORMATION (CONT'D)

#### (a) Segment results, assets and liabilities (cont'd)

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

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
<b>Segment revenue:</b>			
Year ended 31 December 2011			
Revenue from external customers	211,470	12,311	223,781
Inter-segment revenue	—	31,668	31,668
Reportable segment revenue	<u>211,470</u>	<u>43,979</u>	<u>255,449</u>
Year ended 31 December 2012			
Revenue from external customers	261,180	17,582	278,762
Inter-segment revenue	—	33,732	33,732
Reportable segment revenue	<u>261,180</u>	<u>51,314</u>	<u>312,494</u>
<b>Segment profit:</b>			
Year ended 31 December			
2011	100,631	14,559	115,190
2012	<u>124,645</u>	<u>18,655</u>	<u>143,300</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 14 SEGMENT INFORMATION (CONT'D)

#### (a) Segment results, assets and liabilities (cont'd)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
<b>Segment assets:</b>			
As at 31 December			
2011	372,702	192,766	565,468
2012	<u>419,529</u>	<u>235,839</u>	<u>655,368</u>
<b>Segment liabilities:</b>			
As at 31 December			
2011	(13,091)	(199,573)	(212,664)
2012	<u>(17,788)</u>	<u>(237,862)</u>	<u>(255,650)</u>
<b>Net assets/ (liabilities):</b>			
As at 31 December			
2011	359,611	(6,807)	352,804
2012	<u>401,741</u>	<u>(2,023)</u>	<u>399,718</u>
<b>Other segment information</b>			
<b>Capital expenditure:</b>			
Year ended 31 December			
2011	1,930	41,762	43,692
2012	<u>16,030</u>	<u>52,126</u>	<u>68,156</u>
<b>Income tax expense</b>			
Year ended 31 December			
2011	3,979	—	3,979
2012	<u>4,476</u>	<u>—</u>	<u>4,476</u>
<b>Impairment loss on trade receivables</b>			
Year ended 31 December			
2011	279	—	279
2012	<u>89</u>	<u>—</u>	<u>89</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 14 SEGMENT INFORMATION (CONT'D)

#### (a) Segment results, assets and liabilities (cont'd)

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

	2012 \$'000	2011 \$'000
<b>Revenue</b>		
Reportable segment revenue	312,494	255,449
Elimination of inter-segment revenue	(33,732)	(31,668)
<b>Consolidated revenue</b>	<u>278,762</u>	<u>223,781</u>
<b>Profit</b>		
Reportable segment profit	143,300	115,190
Depreciation and amortisation		
– reportable segment	(20,098)	(15,721)
– unallocated	(86)	(51)
Unallocated head office and corporate expenses	(5,499)	(3,409)
<b>Consolidated profit before taxation</b>	<u>117,617</u>	<u>96,009</u>
<b>Assets</b>		
Reportable segment assets	655,368	565,468
Elimination of inter-segment assets	(229,402)	(195,608)
	425,966	369,860
Unallocated corporate assets	2,316	1,747
<b>Consolidated total assets</b>	<u>428,282</u>	<u>371,607</u>
<b>Liabilities</b>		
Reportable segment liabilities	(255,650)	(212,664)
Elimination of inter-segment payables	229,402	195,608
	(26,248)	(17,056)
Unallocated corporate liabilities	(135)	(2,073)
<b>Consolidated total liabilities</b>	<u>(26,383)</u>	<u>(19,129)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 14 SEGMENT INFORMATION (CONT'D)

#### (b) Geographical information

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

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

#### (a) The Group

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (i))	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Total property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000 (note (ii))
<b>Cost:</b>								
At 1 January 2011	18,336	52,964	33,308	74,252	1,679	—	180,539	751
Additions	3,568	—	39,900	75	150	—	43,693	—
Disposal	(64)	—	—	—	—	—	(64)	—
Written off	(1,008)	—	(64)	(192)	(6)	—	(1,270)	—
Transfer	—	—	(30,171)	30,171	—	—	—	—
Exchange adjustments	—	—	—	—	(1)	—	(1)	—
At 31 December 2011	<u>20,832</u>	<u>52,964</u>	<u>42,973</u>	<u>104,306</u>	<u>1,822</u>	<u>—</u>	<u>222,897</u>	<u>751</u>
At 1 January 2012	<u>20,832</u>	<u>52,964</u>	<u>42,973</u>	<u>104,306</u>	<u>1,822</u>	<u>—</u>	<u>222,897</u>	<u>751</u>
Additions	5,477	—	51,537	201	2,406	9,002	68,623	—
Disposal	—	—	—	—	(29)	—	(29)	—
Written off	(512)	—	—	(2,003)	—	—	(2,515)	—
Transfer	—	32,558	(63,159)	30,601	—	—	—	—
At 31 December 2012	<u>25,797</u>	<u>85,522</u>	<u>31,351</u>	<u>133,105</u>	<u>4,199</u>	<u>9,002</u>	<u>288,976</u>	<u>751</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 15 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONT'D)

#### (a) The Group (cont'd)

	Plant and equipment \$'000	Buildings \$'000	Capital work-in- progress \$'000 (note (i))	Renovations, furniture and fittings \$'000	Motor vehicles \$'000	Aircraft \$'000	Total property, plant and equipment \$'000	Interest in leasehold land held for own use under operating lease \$'000 (note (ii))
<b>Accumulated depreciation/ amortisation:</b>								
At 1 January 2011	7,524	3,065	—	13,051	1,132	—	24,772	112
Charge for the year	2,324	1,059	—	8,506	328	—	12,217	8
Disposal	(56)	—	—	—	—	—	(56)	—
Written off	(998)	—	—	(114)	(5)	—	(1,117)	—
Exchange adjustments	(2)	—	—	—	(1)	—	(3)	(1)
At 31 December 2011	<u>8,792</u>	<u>4,124</u>	<u>—</u>	<u>21,443</u>	<u>1,454</u>	<u>—</u>	<u>35,813</u>	<u>119</u>
At 1 January 2012	8,792	4,124	—	21,443	1,454	—	35,813	119
Charge for the year	2,944	1,752	—	10,988	607	338	16,629	8
Disposal	—	—	—	—	(29)	—	(29)	—
Written off	(511)	—	—	(502)	—	—	(1,013)	—
At 31 December 2012	<u>11,225</u>	<u>5,876</u>	<u>—</u>	<u>31,929</u>	<u>2,032</u>	<u>338</u>	<u>51,400</u>	<u>127</u>
<b>Net book value:</b>								
At 31 December 2012	<u>14,572</u>	<u>79,646</u>	<u>31,351</u>	<u>101,176</u>	<u>2,167</u>	<u>8,664</u>	<u>237,576</u>	<u>624</u>
At 31 December 2011	<u>12,040</u>	<u>48,840</u>	<u>42,973</u>	<u>82,863</u>	<u>368</u>	<u>—</u>	<u>187,084</u>	<u>632</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 15 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONT'D)

#### (a) The Group (cont'd)

Notes:

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

	2012 \$'000	2011 \$'000
Hotel and casino complex, Cambodia	<u>31,351</u>	<u>42,973</u>

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

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

	2012 \$'000	2011 \$'000
Cambodia	<u>624</u>	<u>632</u>

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 (2011: \$187,000), subject to increment for every 10 years, as shown in notes 5 and 26 to the consolidated financial statements.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 15 PROPERTY, PLANT AND EQUIPMENT, AND INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE (CONT'D)

(b) The Company

	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost:</b>			
At 1 January 2011, 31 December 2011 and 1 January 2012	374	60	434
Additions	3	235	238
At 31 December 2012	<b>377</b>	<b>295</b>	<b>672</b>
<b>Accumulated depreciation:</b>			
At 1 January 2011	151	45	196
Charge for the year	37	12	49
At 31 December 2011	<b>188</b>	<b>57</b>	<b>245</b>
At 1 January 2012	188	57	245
Charge for the year	36	15	51
At 31 December 2012	<b>224</b>	<b>72</b>	<b>296</b>
<b>Net book value:</b>			
At 31 December 2012	<b>153</b>	<b>223</b>	<b>376</b>
At 31 December 2011	186	3	189

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 16 INTANGIBLE ASSETS

	The Group	
	2012 \$'000	2011 \$'000
<b>Casino licence premium and extended exclusivity premium:</b>		
<b>Cost:</b>		
At 1 January and 31 December	<b>108,000</b>	108,000
<b>Accumulated amortisation:</b>		
At 1 January	<b>24,064</b>	20,517
Charge for year	<b>3,547</b>	3,547
At 31 December	<b>27,611</b>	24,064
Net book value	<b>80,389</b>	83,936

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 16 INTANGIBLE ASSETS (CONT'D)

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.

### 17 INVESTMENTS IN PRINCIPAL SUBSIDIARIES

	The Company	
	2012 \$'000	2011 \$'000
Unlisted shares, at cost	<u>15,500</u>	<u>15,500</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 17 INVESTMENTS IN PRINCIPAL SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by the Company a subsidiary		Principal activities
NagaCorp (HK) Limited	Hong Kong	Hong Kong	10 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 & Cambodia	56,075,891 shares of Malaysian Ringgit ("RM") 1 each	—	100%	Holding casino licence and investment holding
Neptune Orient Sdn. Bhd.	Malaysia	Malaysia & Cambodia	250,000 shares of RM1 each	—	100%	Inactive
Ariston (Cambodia) Limited	Cambodia	Cambodia	1,000 shares of Cambodia Riel 120,000 each	—	100%	Inactive
Naga Sports Limited	Hong Kong	Cambodia	2 shares of HK\$1 each	—	100%	Provision and maintenance of slot machine stations
Naga Travel Limited	Hong Kong	Hong Kong	2 shares of HK\$1 each	—	100%	Investment holding
Naga Retail Limited	Hong Kong	Cambodia	2 shares of HK\$1 each	—	100%	Operation of retail business
Naga Entertainment Limited	Hong Kong	Cambodia	2 shares of HK\$1 each	—	100%	Organisation of entertainment events
Naga Services Limited	Hong Kong	Hong Kong	2 shares of HK\$1 each	—	100%	Investment holding
Naga Media Limited	Hong Kong	Hong Kong	2 shares of HK\$1 each	—	100%	Inactive
Naga Management Limited	Hong Kong	Hong Kong	2 shares of HK\$1 each	—	100%	Inactive
Naga Services Company Limited	Vietnam	Vietnam	\$50,000	—	100%	Management consulting services
Naga Management Services Limited	Thailand	Thailand	30,000 shares of Thai Baht 100 each	—	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	1 share of \$1	—	100%	Management of company aircraft
Naga Transport Limited#	Cambodia	Cambodia	1,000 shares of Cambodia Riel 200,000 each	—	100%	Investment holding

The class of shares held is ordinary.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	15,459	24,734	—	—
Less: Allowance for impairment loss	(8,537)	(11,469)	—	—
	<b>6,922</b>	13,265	—	—
Deposits, prepayments and other receivables	13,968	11,126	528	504
Amounts due from subsidiaries (note 22)	—	—	201,665	193,860
	<b>20,890</b>	24,391	<b>202,193</b>	194,364

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

	The Group	
	2012 \$'000	2011 \$'000
Current to within 1 month	1,331	167
1 to 3 months	794	841
3 to 6 months	—	1,150
6 to 12 months	—	567
More than 1 year	4,797	10,540
	<b>6,922</b>	13,265

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 18 TRADE AND OTHER RECEIVABLES (CONT'D)

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

	The Group	
	2012 \$'000	2011 \$'000
Less than 1 month overdue	1,263	110
1 to 3 months overdue	794	841
3 to 6 months overdue	—	1,150
6 to 12 months overdue	—	567
More than 1 year overdue	3,861	7,865
	<b>5,918</b>	<b>10,533</b>

The balances which are past due but not impaired relate mostly to Junket VIP operators and local operators who have good track records with the Group, or were 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. They comprise other receivables which are currently aged, and receivables from related companies and group companies which are active during the year. Management considers that these related parties have sufficient financial capacities to repay.

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

	The Group	
	2012 \$'000	2011 \$'000
At 1 January	11,469	11,190
Impairment loss recognised	89	279
Bad debts written off	(2,362)	—
Reversal of impairment loss previously recognised	(659)	—
At 31 December	<b>8,537</b>	<b>11,469</b>

The Group recognises impairment loss on individual assessments. The Group's credit policy is set out in note 29(c).

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 19 CONSUMABLES

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

### 20 PREPAYMENTS FOR PURCHASE OF CONSTRUCTION MATERIALS

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

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

### 21 FIXED DEPOSITS AT BANK

The deposits bear interest of 1.75% to 1.9% (2011: 3.5% to 8.0%) per annum and mature in various periods up to January 2013 (2011: mature in various periods up to April 2012). In January 2013, the maturity of the deposits is further extended to February 2013.

### 22 AMOUNTS DUE FROM/ (TO) SUBSIDIARIES

	The Company	
	2012 \$'000	2011 \$'000
Amount due from Ariston	104,986	104,986
Amount due from NagaCorp (HK) Limited	—	88,874
Amount due from NWL	96,679	—
Amounts due from subsidiaries	<u>201,665</u>	<u>193,860</u>
Amount due to NagaCorp (HK) Limited	(24,057)	—
Amount due to NWL	—	(11,936)
Amount due to subsidiaries	<u>(24,057)</u>	<u>(11,936)</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables (note)	1,170	794	—	—
Unredeemed casino chips	10,030	7,335	—	—
Deferred revenue	357	—	—	—
Deposits	100	96	—	—
Construction creditors	6,849	5,533	—	—
Accruals and other creditors	7,504	5,036	93	62
Amount due to subsidiary (note 22)	—	—	24,057	11,936
	<u>26,010</u>	<u>18,794</u>	<u>24,150</u>	<u>11,998</u>

Note:

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

	The Group	
	2012 \$'000	2011 \$'000
Due within 1 month or on demand	1,012	718
Due after 1 month but within 3 months	20	14
Due after 3 months but within 6 months	60	6
Due after 6 months but within 1 year	78	56
Total	<u>1,170</u>	<u>794</u>

### 24 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	The Group					
	2012			2011		
	Minimum lease payments \$'000	Interest \$'000	Present value \$'000	Minimum lease payments \$'000	Interest \$'000	Present value \$'000
	Less than one year	<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>(1)</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 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
<b>At 1 January 2011</b>	26,026	135,498	(12,812)	55,568	62	104,345	308,687
Profit for the year	—	—	—	—	—	92,030	92,030
Dividend declared and paid	—	—	—	—	—	(48,242)	(48,242)
Exchange differences on translation of financial statements of foreign entities	—	—	—	—	3	—	3
<b>At 31 December 2011</b>	<u>26,026</u>	<u>135,498</u>	<u>(12,812)</u>	<u>55,568</u>	<u>65</u>	<u>148,133</u>	<u>352,478</u>
<b>At 1 January 2012</b>	<b>26,026</b>	<b>135,498</b>	<b>(12,812)</b>	<b>55,568</b>	<b>65</b>	<b>148,133</b>	<b>352,478</b>
Profit for the year	—	—	—	—	—	113,141	113,141
Dividend declared and paid	—	—	—	—	—	(63,718)	(63,718)
Exchange differences on translation of financial statements of foreign entities	—	—	—	—	(2)	—	(2)
<b>At 31 December 2012</b>	<u>26,026</u>	<u>135,498</u>	<u>(12,812)</u>	<u>55,568</u>	<u>63</u>	<u>197,556</u>	<u>401,899</u>

#### (b) The Company

	Share capital \$'000	Share premium \$'000	Capital contribution reserve \$'000	Accumulated losses \$'000	Total \$'000
<b>At 1 January 2011</b>	26,026	135,498	55,000	(15,504)	201,020
Profit for the year	—	—	—	45,295	45,295
Dividend declared and paid	—	—	—	(48,242)	(48,242)
<b>At 31 December 2011</b>	<u>26,026</u>	<u>135,498</u>	<u>55,000</u>	<u>(18,451)</u>	<u>198,073</u>
<b>At 1 January 2012</b>	<b>26,026</b>	<b>135,498</b>	<b>55,000</b>	<b>(18,451)</b>	<b>198,073</b>
Profit for the year	—	—	—	59,755	59,755
Dividend declared and paid	—	—	—	(63,718)	(63,718)
<b>At 31 December 2012</b>	<u>26,026</u>	<u>135,498</u>	<u>55,000</u>	<u>(22,414)</u>	<u>194,110</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 25 CAPITAL AND RESERVES (CONT'D)

#### (c) Share capital

##### (i) Authorised:

	2012 \$'000	2011 \$'000
8,000,000,000 ordinary shares of \$0.0125 each	<u>100,000</u>	<u>100,000</u>

##### (ii) Issued and fully paid:

	2012		2011	
	Number of shares	\$'000	Number of shares	\$'000
Ordinary shares of \$0.0125 each				
At 1 January and 31 December	<u>2,082,078,875</u>	<u>26,026</u>	<u>2,082,078,875</u>	<u>26,026</u>

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) Capital management

The Group's objectives when managing capital are:

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 25 CAPITAL AND RESERVES (CONT'D)

#### (c) Share capital (cont'd)

##### (iii) Capital management (cont'd)

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

##### (i) Share premium

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

##### (ii) Merger reserve

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

##### (iii) Capital contribution reserve

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

##### (iv) Exchange reserve

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

##### (e) Distributable reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to owners of the Company was \$168,084,000 (2011: \$172,047,000) within which \$55,000,000 (2011: \$55,000,000) related to the capital contribution reserve, which the Directors have no current intention of distributing.

After the end of the reporting period, the Directors proposed a final dividend of US cents 2.33 per ordinary share (2011: US cents 1.55 per ordinary share) amounting to \$48.6 million (2011: \$32.3 million). The dividend has not been recognised as a liability at the end of the reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 26 LEASE COMMITMENTS

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

	The Group									
	2012					2011				
	In respect of:					In respect of:				
	Office, staff quarters and car park rental	Equipment rental	Gaming machines stations & Tables games	Total		Office, staff quarters and car park rental	Equipment rental	Gaming machines stations & Tables games	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	187	765	1,062	1,394	3,408	187	325	1,536	689	2,737
1 to 5 years	771	1,372	—	1,654	3,797	754	162	1,063	1,478	3,457
After 5 years	20,468	684	—	—	21,152	20,672	706	—	—	21,378
	<u>21,426</u>	<u>2,821</u>	<u>1,062</u>	<u>3,048</u>	<u>28,357</u>	<u>21,613</u>	<u>1,193</u>	<u>2,599</u>	<u>2,167</u>	<u>27,572</u>

	The Company	
	2012 \$'000	2011 \$'000
In respect of office rental:		
Within 1 year	438	255
1 to 5 years	857	—
	<u>1,295</u>	<u>255</u>

Note: Hotel and entertainment complex, Phnom Penh

The Group has entered into lease arrangements in respect of land in Phnom Penh, Cambodia which forms the site for the NagaWorld hotel and entertainment complex with integrated casino facilities currently under construction. The lease agreement is for a period of ninety-nine 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 27 CAPITAL COMMITMENTS

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

	The Group	
	2012 \$'000	2011 \$'000
Hotel and casino complex, Phnom Penh – contracted but not incurred	<u>39,348</u>	<u>17,205</u>

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

### 28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme upon listing of the Company's shares on the Main Board of the Stock Exchange on 19 October 2006 whereby the Directors are authorised, at their discretion, to invite employees

of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the year (2011: Nil) and there are no outstanding share options at the end of the reporting period (2011: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 29 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 are undertaken to ensure that the Group's policy guidelines are adhered to.

#### (b) Political and economic risks

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

#### (c) Credit risk

The credit policy on gaming revenue is 7 days from the end of tour. Trade receivables relate mostly to Junket VIP operators and local operators who have good track records with the Group or were active during the year. At the end of the reporting period, the Group has a certain concentration of credit risk at 29% (2011: 44%) of the total trade and other receivables that were due from the five largest operators.

The Group recognises impairment loss based on individual assessment of each trade receivable. The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators who have good financial background or with whom the Group has had extensive dealings over the past several years. Credit evaluations are performed on all customers requesting credit facilities.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 29 RISK MANAGEMENT (CONT'D)

#### (d) Liquidity risk

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

	2012 \$'000	2011 \$'000
Less than one year	<u>26,010</u>	<u>18,797</u>

#### (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:

	2012		2011	
	Effective interest rate %	One year or less \$'000	Effective interest rate %	One year or less \$'000
Bank deposits				
– On demand	0.01 to 1.5	19,627	0.01 to 1.5	10,961
– Fixed term of 7 days or less	—	—	0.01	11
– Within one year	1.9	<u>15,000</u>	3.5 to 8.0	<u>35,500</u>
		<u>34,627</u>		<u>46,472</u>

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 end of the reporting period. 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 end of the reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2011 and 2012.

	2012 \$'000	2011 \$'000
Applicable deposit rate		
Increase by 100 basis points	196	109
Decrease by 100 basis points	<u>(196)</u>	<u>(109)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 29 RISK MANAGEMENT (CONT'D)

#### (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 outweighs the potential cost of exchange rate fluctuations.

#### (g) Fair values

All financial instruments are carried at amounts not materially different from their fair values at the end of the reporting period because of their short term maturity.

### 30 RELATED PARTY TRANSACTIONS

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

#### (a) Compensation of key management personnel

	2012 \$'000	2011 \$'000
Basic salaries, housing and other allowances and benefits in kind	5,174	3,941
Bonus	649	—
	<u>5,823</u>	<u>3,941</u>

#### (a) Others (note)

	2012 \$'000	2011 \$'000
Travel expenses	717	569
Expenses paid on behalf of related companies	<u>5,022</u>	<u>2,157</u>

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

As at 31 December 2012, amounts due from related companies of \$5,022,000 (2011: \$2,157,000) are included in trade and other receivables as disclosed in note 18 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum balance during the year was \$5,022,000 (2011: \$2,157,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 31 ULTIMATE CONTROLLING PARTY

At 31 December 2012, Tan Sri Dr Chen Lip Keong is interested in 951,795,298 ordinary shares out of the 2,082,078,875 issued ordinary shares of the Company of which 86,000,000 ordinary shares are registered in his name and the remaining 162,260,443 and 703,534,855 ordinary shares are registered in the name of and beneficially owned by Cambodia 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.

### 32 POSSIBLE IMPACT OF AMENDMENTS AND NEW OR REVISED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments and new or revised standards which are not yet effective for the annual accounting year ended 31 December 2012, potentially relevant to the Group’s financial statements, and have not been early adopted in these consolidated financial statements.

IFRSs (Amendments)	Annual Improvements 2009 – 2011 Cycle <sup>2</sup>
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities <sup>3</sup>
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 27 (2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>

- 1 Effective for annual periods beginning on or after 1 July 2012
- 2 Effective for annual periods beginning on or after 1 January 2013
- 3 Effective for annual periods beginning on or after 1 January 2014
- 4 Effective for annual periods beginning on or after 1 January 2015

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Expressed in United States Dollars)

### 33 KEY SOURCES OF ESTIMATION UNCERTAINTY

#### (i) Impairment allowance for bad and doubtful debts

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

#### (ii) Useful lives of property, plant and equipment

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

### 34 ACQUISITION OF SUBSIDIARIES

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



# FIVE-YEAR FINANCIAL SUMMARY

(Expressed in United States Dollars)

	2008	2009	2010	2011	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated statement of income</b>					
Revenue	<u>193,485</u>	<u>117,770</u>	<u>150,517</u>	<u>223,781</u>	<u>278,762</u>
Profit attributable to owners of the Company	<u>40,010</u>	<u>25,468</u>	<u>44,061</u>	<u>92,030</u>	<u>113,141</u>
Earnings per share (US cents)	<u>1.93</u>	<u>1.23</u>	<u>2.12</u>	<u>4.42</u>	<u>5.43</u>
<b>Dividend</b>					
Interim dividend declared	15,341	6,917	14,742	32,141	31,438
Final dividend proposed after the end of reporting period	<u>2,689</u>	<u>8,363</u>	<u>16,101</u>	<u>32,280</u>	<u>48,595</u>
Total dividend attributable to the year	<u>18,030</u>	<u>15,280</u>	<u>30,843</u>	<u>64,421</u>	<u>80,033</u>
Dividend per share (US cents)	<u>0.87</u>	<u>0.73</u>	<u>1.48</u>	<u>3.09</u>	<u>3.84</u>
<b>Consolidated statement of financial position</b>					
Property, plant and equipment and interest in leasehold land held for own use under operating lease	123,215	150,057	156,406	187,716	238,200
Intangible assets	94,577	91,030	87,483	83,936	80,389
Other non-current assets	—	4,091	3,431	4,408	14,436
Net current assets	<u>52,415</u>	<u>42,574</u>	<u>61,370</u>	<u>76,418</u>	<u>68,874</u>
Employment of capital	<u>270,207</u>	<u>287,752</u>	<u>308,690</u>	<u>352,478</u>	<u>401,899</u>
Represented by:					
Share capital	25,855	26,026	26,026	26,026	26,026
Reserves	<u>244,345</u>	<u>261,722</u>	<u>282,661</u>	<u>326,452</u>	<u>375,873</u>
Shareholders' funds	270,200	287,748	308,687	352,478	401,899
Other non-current liabilities	<u>7</u>	<u>4</u>	<u>3</u>	<u>—</u>	<u>—</u>
Capital employed	<u>270,207</u>	<u>287,752</u>	<u>308,690</u>	<u>352,478</u>	<u>401,899</u>
Net assets per share (US cents)	<u>13.06</u>	<u>13.86</u>	<u>14.83</u>	<u>16.93</u>	<u>19.30</u>



# 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 Friday, 24 May 2013 at 10:00 a.m. for the following:

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors and auditor for the year ended 31 December 2012 (the “Year End”).
2. To declare a final dividend in respect of the Year End.
3. To re-elect the directors who have retired by rotation in accordance with Article 87(1) of the articles of association of the Company:
  - i. Tan Sri Dr Chen Lip Keong as an executive director of the Company.
  - ii. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir as an independent non-executive director of the Company.
  - iii. Mr. Lim Mun Kee as an independent non-executive director of the Company.
4. To approve the directors’ remuneration for the Year End and to authorize the board of directors to fix the directors’ remuneration for the year ending 31 December 2013.
5. To re-appoint BDO Limited as auditor of the Company and to authorize the board of directors to fix its remuneration.
6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:
  - (A) **“That:**
    - (i) subject to paragraph (A)(iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares of the Company, or options, warrants or similar rights to subscribe for shares of the Company or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers, be and is hereby generally and unconditionally approved;
    - (ii) the approval in paragraph (A)(i) above shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and/or options which may require the exercise of such powers after the end of the Relevant Period;



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

(B) **“That:**

- (i) subject to paragraph (B)(ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the

Company may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange and, subject to and in accordance with all applicable laws, the Code on Share Repurchases and the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of the shares of the Company, which the Company is authorized to repurchase pursuant to the approval in paragraph (B)(i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (B)(i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (B)(i) and (ii) of this resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(iv) for the purpose of this resolution:

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

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

(C) “**That** conditional upon the resolutions numbered 6(A) and 6(B) as set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the

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

By Order of the Board of Directors

**Timothy Patrick McNally**

*Chairman*

Hong Kong, 19 April 2013

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes:

- (i) Resolution numbered 6(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 6(A) and 6(B) are first passed by the shareholders.
- (ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) In order to be valid, a form of proxy must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (v) The Company's register of members will be closed during the following period:
- (a) from Tuesday, 21 May 2013 to Friday, 24 May 2013, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2013; and
- (b) on Friday, 31 May 2013, for the purpose of ascertaining shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited
- located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 30 May 2013. The Company's shares will be traded ex-entitlement from and including Wednesday, 29 May 2013.
- (vi) In respect of ordinary resolution numbered 3 above, Tan Sri Dr Chen Lip Keong, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Lim Mun Kee will retire at the annual general meeting but offer themselves for re-election.
- (vii) In respect of the ordinary resolution numbered 6(A) above, the directors of the Company state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the shareholders as a general mandate for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").
- (viii) In respect of ordinary resolution numbered 6(B) above, the directors of the Company state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The Explanatory Statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 19 April 2013.

As at the date this notice, the Directors are:

#### *Executive Directors*

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

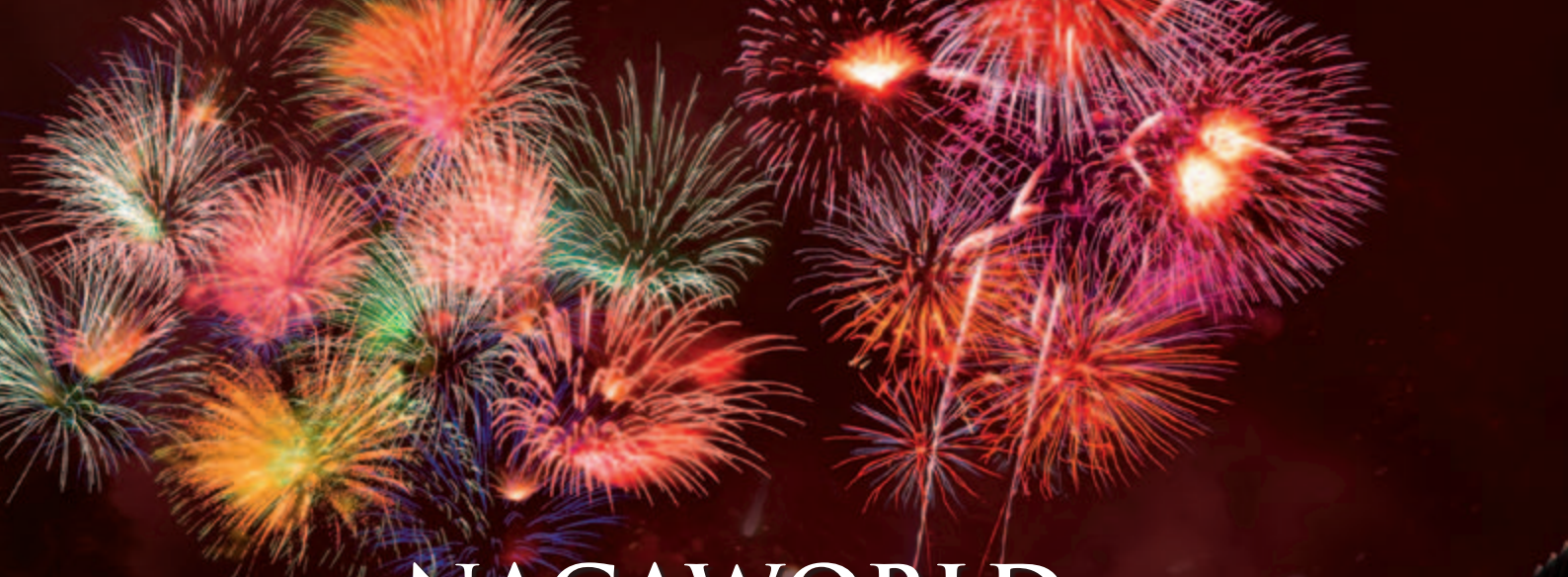
#### *Non-executive Director*

Timothy Patrick McNally

#### *Independent Non-executive Directors*

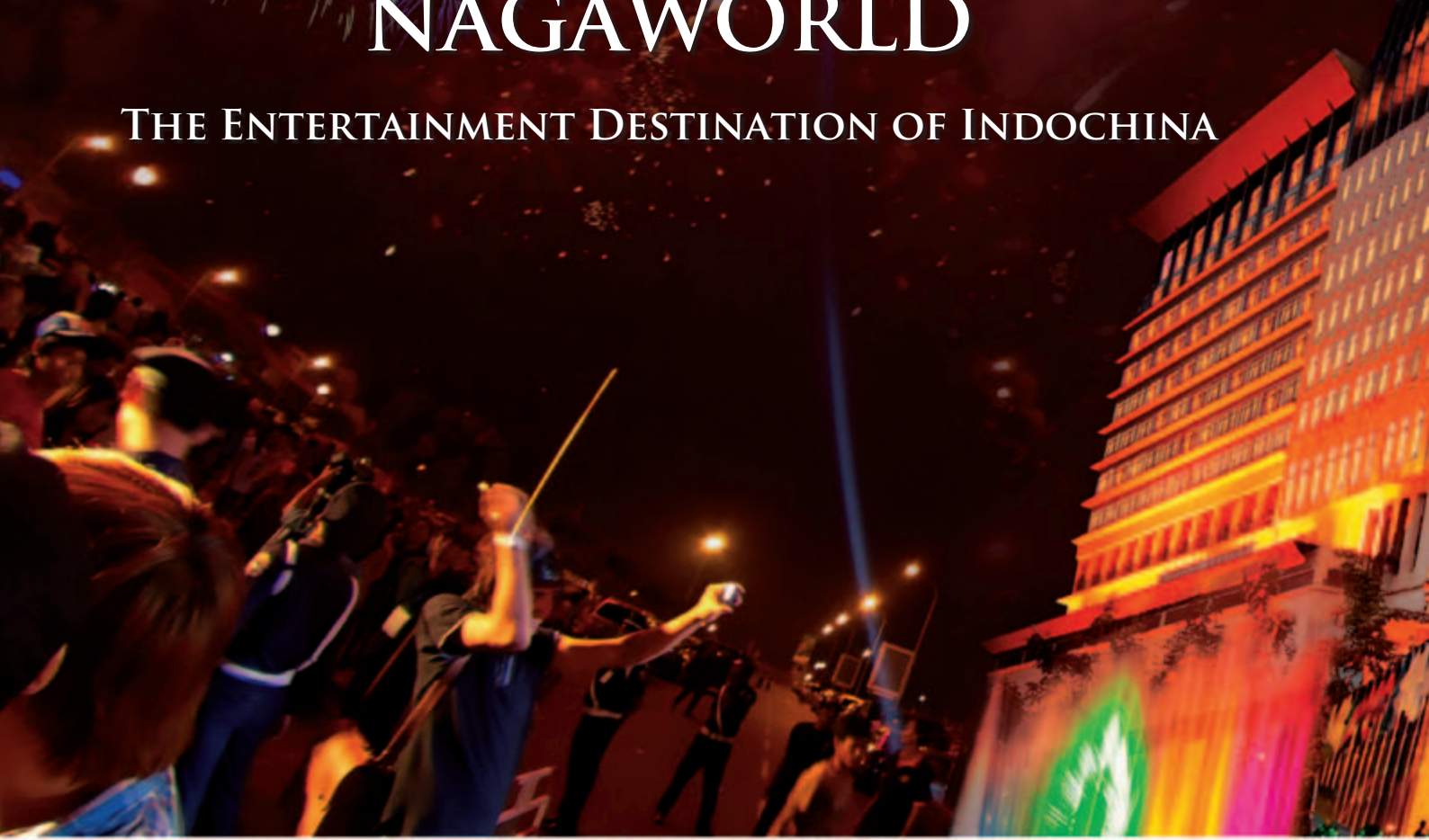
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee and Michael Lai Kai Jin





# NAGAWORLD

THE ENTERTAINMENT DESTINATION OF INDOCHINA





# NagaCorp's Regional Footprint

## 金界控股的 地區覆蓋面







**Hong Kong:**

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

香港：  
金界控股有限公司  
香港灣仔  
港灣道18號  
中環廣場28樓  
2806室

**Cambodia:**

NagaWorld Building  
Samdech Techo Hun Sen Park  
P.O. Box 1099,  
Phnom Penh  
Kingdom of Cambodia

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

**Vietnam:**

Naga Services Company Ltd.  
Bitexco Financial Tower,  
20th Floor  
2 Hai Trieu Str, Ben Nghe Ward,  
District 1, Ho Chi Minh City,  
Vietnam

越南：  
Naga Services Company Ltd.  
Bitexco Financial Tower,  
20th Floor  
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District 1, Ho Chi Minh City,  
Vietnam

**Thailand:**

Naga Management Services Ltd.  
1602-4, 16th Floor,  
Park Ventures Ecoplex  
57 Wireless Road,  
Lumpini Patumwan,  
Bangkok 10330, Thailand

泰國：  
Naga Management Services Ltd.  
1602-4, 16th Floor,  
Park Ventures Ecoplex  
57 Wireless Road,  
Lumpini Patumwan,  
Bangkok 10330, Thailand

**Malaysia:**

NagaCorp Ltd.  
No.118, Jalan Semangat  
46300 Petaling Jaya  
Malaysia

馬來西亞：  
金界控股有限公司  
No.118, Jalan Semangat  
46300 Petaling Jaya  
Malaysia

