NAGACORP
金界控股有限公司

NAGACORP LTD.// 金界控股有限公司
(Incorporated in Cayman Islands with limited liability)
STOCK CODE: 3918

2019
Annual Report


NAGAWORLD
金界
COUNTDOWN TO 2020
NAGAWORLD
金界
COUNTDOWN TO 2020
31/12/2019


喜庆金宵
給你一個
讓你無處可

Contents


PHNOM PENH, 1 JULY 2019
NAGAWORLD
SPONSORSHIP FOR
YOUTH & SPORTS DEVELOPMENT IN KAMPONG SPEU
$ 2,000,000

Corporate Information

NagaCorp Ltd. ("NagaCorp" or the "Company", together with its subsidiaries, the "Group") is the largest hotel, gaming and leisure operator in Cambodia. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (SEHK: 3918) since 2006. NagaCorp was the first company with operations in Cambodia to become a publicly listed entity and the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh's only integrated hotel and entertainment complex and we enjoy a 70-year casino licence that will run until 2065, as well as an exclusive rights to operate casinos within a 200-km radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) that expires in 2045.

BOARD OF DIRECTORS

Executive Directors

Tan Sri Dr Chen Lip Keong *(Chief Executive Officer)*
Philip Lee Wai Tuck *(Executive Deputy Chairman)*
Chen Yiy Fon

Non-executive Director

Timothy Patrick McNally *(Chairman)*

Independent Non-executive Directors

Lim Mun Kee
Michael Lai Kai Jin
Leong Choong Wah

AUDIT COMMITTEE

Lim Mun Kee *(Chairman)*
Michael Lai Kai Jin
Leong Choong Wah

REMUNERATION COMMITTEE

Michael Lai Kai Jin *(Chairman)*
Tan Sri Dr Chen Lip Keong
Lim Mun Kee
Leong Choong Wah

NOMINATION COMMITTEE

Michael Lai Kai Jin *(Chairman)*
Tan Sri Dr Chen Lip Keong
Lim Mun Kee
Leong Choong Wah

AML OVERSIGHT COMMITTEE

Timothy Patrick McNally *(Chairman)*
Tan Sri Dr Chen Lip Keong
Chen Yiy Fon
Michael Lai Kai Jin

COMPANY SECRETARY

Lam Yi Lin

AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck
Lam Yi Lin

INDEPENDENT AUDITOR

BDO Limited

SOLICITORS

Ashurst *(as to Hong Kong Laws)*

PRINCIPAL BANKERS

CIMB Bank Plc *(Phnom Penh Branch)*
United Overseas Bank Limited *(Hong Kong Branch)*

Investor Relations

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

Listing

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

2019 Annual Report

This annual report, in both English and Chinese, is available in printed form and on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk and on the website of the Company at www.nagacorp.com.

Stock Code

3918

Registered Office

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

Principal Place of Business in Cambodia

NagaWorld
Samdech Techo, Hun Sen Park
Phnom Penh, 120101
P.O. Box 1099 Phnom Penh
Kingdom of Cambodia
Tel: +855 23 228822 Fax: +855 23 225888

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Chief Executive Officer

Tan Sri Dr Chen Lip Keong

Chief Financial Officer

Tan Sean Czoon

Head of Investor Relations

Gerard Chai, *Managing Director*

Investor Relations (North America)

Kevin Nyland, *Vice President*

Investor Relations (Europe)

Lili Huang, *Vice President*

Company Website

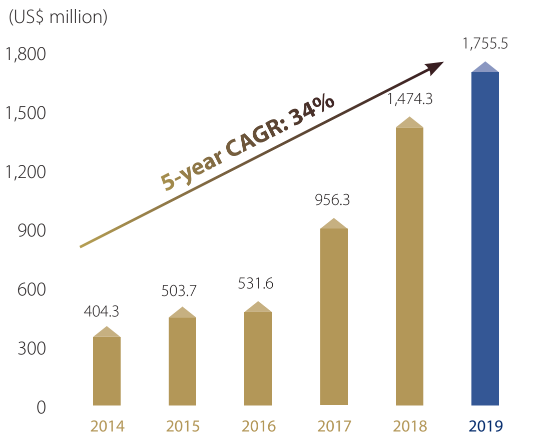
www.nagacorp.com

Share Information

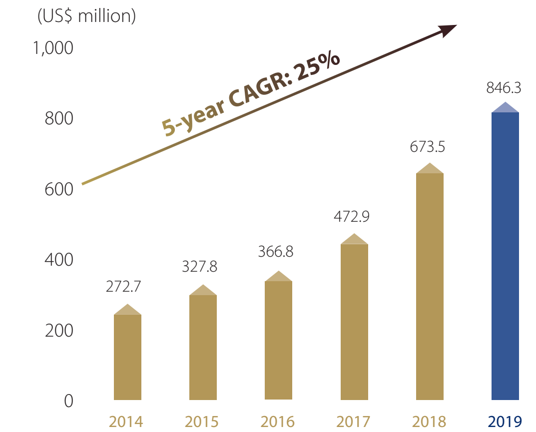
Board lot: 2,000 Shares
Issued Shares as at 31 December 2019: 4,341,008,041 Shares

Financial Highlights

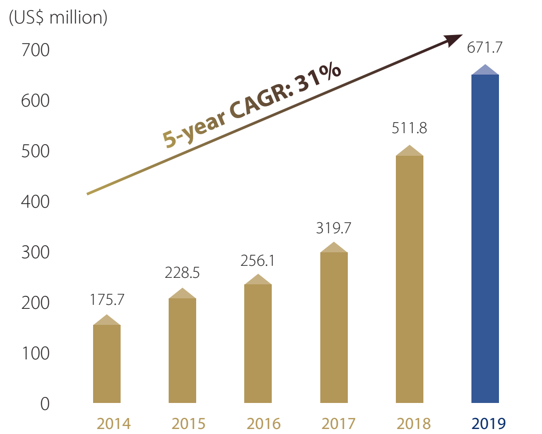
Revenue



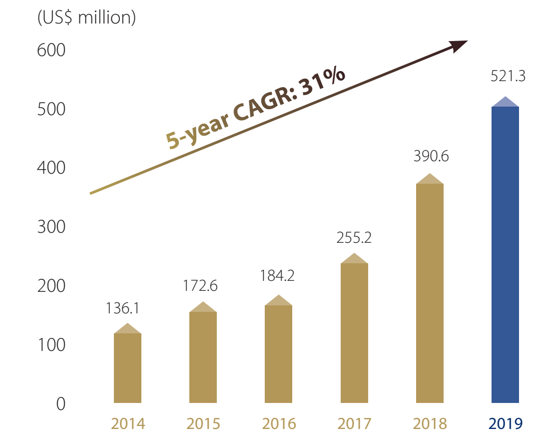
Gross Profit



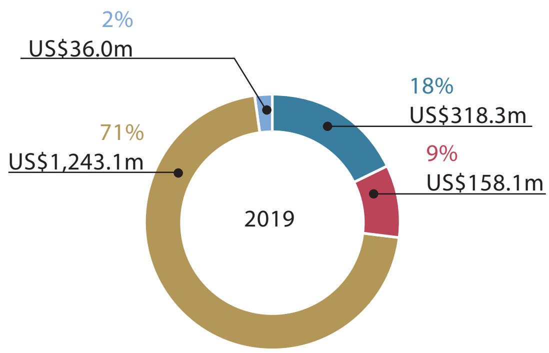
EBITDA



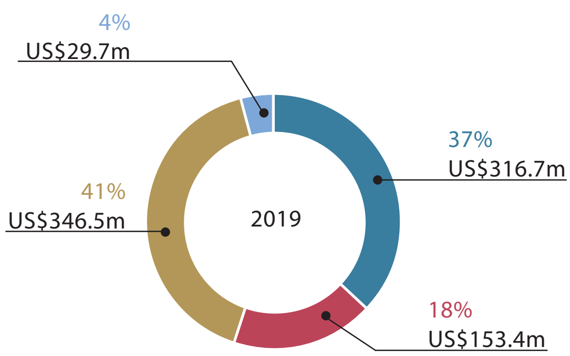
Net Profit



Revenue (US$1,755.5 million)



Gross Profit (US$846.3 million)



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


NAGAWORLD
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COUNTDOWN TO 2020
跨年倒数

Chairman's Statement

Timothy Patrick McNally

Chairman

Dear Shareholders,

We are pleased to report that NagaCorp continued to generate positive operational and financial results for shareholders of the Company (the "Shareholders") for the year ended 31 December 2019 (the "Year") with net profit of US$521 million, a 33% increase over last year. Gross Gaming Revenue ("GGR") for the Year increased by 20% to US$1.7 billion. We continued our trajectory of supply driven growth, once again making us one of the best performing gaming stocks globally in 2019 in terms of share price appreciation.

Our positive results were attributed to a combination of solid business strategy and acumen, operational and execution efficiency, and an increasingly vibrant tourism market in a politically stable country, leading to an increase in business volume across all segments of the gaming business. Specifically, the opening of Naga 2 in November 2017 has significantly increased the appeal, capacity, quality, range and reach of our VIP, mass gaming and non-gaming offerings.

Today we operate the largest integrated leisure and gaming entertainment destination in the Mekong Region.

Steady Tourism and Local Economic Growth

The Cambodian economy continued to register stable growth in 2019. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2019 and 6.8% in 2020, with an inflation rate of 2.3% in 2019 and 2.5% in 2020 (Source: International Monetary Fund – World Economic Outlook Database October 2019). The National Bank of Cambodia ("NBC") has projected that Cambodia's real economic growth will be maintained at an average of 7%, with an inflation rate of 2.3% in 2020.

Cambodia is geographically located in the midst of an area which is a corridor of fast economic growth and tourism development. Its favourable location as a tourist destination and its good connectivity and network of international flights enabled it to service both South East Asian and North Asian (especially Chinese) markets. In the first 11 months of 2019, visitation to Cambodia continued to grow with international arrivals increasing by 8% to 5.9 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 20% to 2.2 million visitors in the first 11 months of 2019. Visitation from South East Asian countries increased by 9%, with Indonesia and Thailand (combined population of about 342 million) registering growth of 22% and 25%, respectively. The top three sources of arrivals – China (37%), Vietnam (14%) and Thailand (7%) – collectively accounted for 58% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 9% over the corresponding period (Source: Ministry of Tourism, Cambodia).

The increase in international arrivals into Cambodia was driven by the country's political stability, an abundance of business opportunities in an emerging market, and increasing appeal as a travel destination. Chinese arrivals to Cambodia of about 2.2 million visitors in the first 11 months of 2019 (mainly driven by business-related travel) represents a small percentage of the potential opportunities. Cambodia is targeting to attract at least 5.5 million Chinese tourists by 2025 (Source: The Commercial News, 15 January 2019). Overall visitation growth continues to be the key driver of growth for the Group.

Sound Strategy, Positioned for Growth

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Table buy-ins and electronic gaming machines ("EGM") bills-in increased by 33% and 25% respectively. This business volume growth was attributable to the increasing visitation at both Naga 1 and Naga 2 (the "combined NagaWorld Complex") as a result of tourism growth into Cambodia, particularly from China which recorded 20% growth in the first 11 months of 2019.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

The Group's VIP Market comprised players brought in by junkets, who were either under a commission or incentive program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continued to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continued to register robust growth, as a result of increasing market acceptance of the combined NagaWorld Complex as an integrated gaming and entertainment destination. During the Year, a few junket operators commenced fixed base operations at Naga 2, contributing to the increase in the number of higher-end VIP players from the region and in total rollings. Overall, the VIP Market segment saw a 31% increase in rollings to US$46.6 billion, with a win rate of 2.7%. This translated into a 16% increase in VIP Market revenue to US$1,243.1 million during the Year.

Chairman's Statement

During the Year, hotel room revenue increased by 7% to about US$16 million as a result of higher average occupancy rate and average hotel room rate. This was despite the temporary closing of 250 hotel rooms at Naga 1 for upgrade and refurbishment work, Naga 2 hotel rooms recorded an average daily occupancy rate of 84%, compared to average daily occupancy rate of 75% recorded in 2018. In addition, retail rental income increased by 63%, contributed by strong sales growth from the Duty Free operation at NagaCity Walk.

The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region. In order to capture the fast-growing tourism and economic growth in Cambodia and capitalise further on the Group's favourable competitive position, the Company announced the development and construction of a multi-entertainment, comprehensive and integrated resort complex called Naga 3 during the Year. It is expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau.

With the expected completion of Naga 3 by 2025, the additional property will increase the capacity of the combined NagaWorld Complex by at least two times. It is currently expected that the combined NagaWorld Complex together with Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Company's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on schedule. Site clearing commenced in 2016 and we have now established an office at the city center of Vladivostok, and certain key personnel have been appointed to monitor various aspects of the progress of the project. We anticipate that our Vladivostok project will open in Summer 2021. We believe our strategy to diversify our business geographically and expand into new casino markets will drive revenue growth in the long term.

Maintaining Competitive Dividend Yield

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

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of US cents 5.09 per Share (or equivalent to HK cents 39.45 per Share) for the Year (the "Final Dividend"). The proposed Final Dividend representing a 80% payout of the net profit generated for the second half of 2019. Subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Friday, 24 April 2020 (the "2020 AGM"), the Company will pay the Final Dividend on or about Monday, 1 June 2020. The proposed Final Dividend together with the interim dividend, amounts to a total dividend declared for the Year of US cents 8.48 per Share (or equivalent to HK cents 65.72 per Share).

Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. This year was no different. 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, Hill & Associates Ltd, to review the internal controls of the Group with a focus on anti-money laundering ("AML") on a semi-annual basis. The independent professional party has issued its findings in its reports, details of which are enclosed in this annual report. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., 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

Hong Kong, 10 February 2020

Management Discussion and Analysis

MARKET OVERVIEW

The Cambodian economy continued to register stable growth in 2019. The International Monetary Fund is projecting real gross domestic product growth of 7.0% for 2019 and 6.8% in 2020, with an inflation rate of 2.3% for 2019 and 2.5% in 2020 (Source: International Monetary Fund – World Economic Outlook Database October 2019). The NBC projected that Cambodia's real economic growth will be maintained at an average of 7%, with inflation rate of 2.3% in 2020.

The Group continued the journey of healthy and steady growth, with GGR up 20% to US$1.7 billion and net profit up 33% to US$521.3 million for the Year. The stable business volume and revenue growth across all segments of the business are attributed to the following:

1. **Growing Cambodian Economy, Political Stability, Increasing FDI and Business-Related Visitation to Cambodia**: The stable socio-economic and political environment has encouraged an increase in foreign direct investments ("FDI"), robust domestic investment activity and tourism growth. In 2019, FDI inflow into Cambodia amounted to US$3.6 billion, representing a 12% increase from US$3.2 billion in 2018 (Source: Macroeconomic and Banking Progress 2019 Report and 2020 Outlook, NBC), making it one of the four ASEAN nations receiving a record-level of FDI in 2019 (Source: ASEAN Secretariat and UNCTAD). Furthermore, Cambodia Development Council approved 268 investment projects worth US$6.8 billion in the first 10 months of 2019, representing an increase of 33% compared to the corresponding period in 2018.

Cambodia's close geopolitical relationship with China and China's "Belt and Road" policy further drove business-related visitation to Cambodia. International business-related travel into Cambodia increased to 1,299,602 visitors in the first 11 months of 2019, representing a 111% increase from 615,177 visitors in the corresponding period in 2018. 77% of business visitors in the first 11 months of 2019 originated from China. International business-related travel from South East Asian countries into Cambodia also grew rapidly, with business visitation from Thailand, Indonesia and Malaysia increasing by 77%, 65% and 57% respectively (Source: Ministry of Tourism, Cambodia).

The increase in FDI, strong domestic business activities and business travel helped drive visitation to NagaWorld, resulting in increased business volume. Furthermore, the much-anticipated casino law is expected to be promulgated within 2020, further strengthening the regulatory environment which has been improving in recent years. The Group is confident that it will continue to enjoy the benefits of long-term win-win private public partnership initiative which further fuels the growth of tourism to Cambodia.

2. **Naga 2's Contribution, Continued Increased in Appeal and Visibility of Combined NagaWorld Integrated Entertainment Complex**: Naga 2 significantly increased the appeal, capacity, quality, range and reach of VIP, mass gaming and non-gaming offerings, such as up-market gaming and complementary entertainment facilities and equally attractive non-gaming products/facilities including spa, theatre, shopping, competitive rooms and food and beverage ("F&B") offerings. During the Year, Naga 2 continued to boost and drive an increase in footfall, as well as average customer spend (in particular the mass market segment) of the combined NagaWorld Complex. In fact, average daily mass market gaming table yield during the Year increased by 27% to a level comparable to integrated resorts in other established gaming destinations such as Macau.

   The 2,000-seat theatre in Naga 2 also attracted much interest, and the hosting of international shows and events increased business volume of both gaming and non-gaming segments. For instance, NagaWorld hosted the record-breaking World Poker Tour (first major international poker tournament in Phnom Penh), which attracted nearly 3,000 entries from 47 countries in 2019. The Group will continue to improve both gaming and non-gaming offerings of the combined NagaWorld Complex to suit customers' needs, which is expected to support the stable business volume growth of the Group.

3. **Mass Market Growth**: The Mass Market, which has been a key focus of the Company's strategy, continued to benefit from visitation and tourism growth in Cambodia, and continued to underpin visitor headcount growth at the combined NagaWorld Complex. During the Year, the Mass Market Segment GGR increased by 31%, and continued to pick up speed, which resulted in a higher proportion of revenue contribution to the Group. Cambodia is geographically located in the midst of an area which is a corridor of fast economic growth and tourism development. Its favourable location as a tourist destination and its good connectivity and network of international flights enabled it to service both South East Asian and North Asian (especially Chinese) markets. In the first 11 months of 2019, visitation to Cambodia continued to grow with international arrivals increasing by 8% to 5.9 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 20% to 2.2 million visitors in the first 11 months of 2019. Visitation from South East Asian countries increased by 9%, with Indonesia and Thailand (combined population of about 342 million) registering growth of 22% and 25%, respectively. The top three sources of arrivals – China (37%), Vietnam (14%) and Thailand (7%) – collectively accounted for 58% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 9% over the corresponding period (Source: Ministry of Tourism, Cambodia).

Cambodia also benefited from 894 weekly scheduled in-bound international flights (an increase from 877 and 386 of such flights in December 2018 and December 2013 respectively). Of these flights, 415 flights per week originated from Chinese cities, including top tier locations such as Shanghai, Guangzhou, Chengdu, Hangzhou etc. Phnom Penh International Airport recorded 499 weekly scheduled in-bound international flights (an increase from 460 of such in December 2018). These flights contributed positively towards the business volume and revenue growth of the Group's Mass Market Segment during the Year.

4. **VIP Business Growth**: The increase in VIP business volume of the Group during the Year was driven by the continued influx of business visitation, tourists, and increased footfall to the combined NagaWorld Complex, in particular Naga 2, where there has been customer demand for higher table limits and increased rollings. A few large Macau-based junket operators have set up fixed based operations and officially commenced bringing in VIP players to NagaWorld during the Year. Overall, VIP customer composition remained well diversified coming from South East Asia and North Asia, with increasing headcount and check-ins originating from Chinese business visitation. Despite the 31% increase in VIP rollings during the Year, the management of the Group continued to adopt a conservative gaming policy with a balanced profit incentive scheme with overseas junket operators.

5. **Financial Strength and Prudent Finance Policy**: The market capitalisation of the Company increased to approximately US$8 billion (as at 20 November 2019), representing a growth of over 18 times from US$441 million since the Company's initial public offering in October 2006. Since its listing, the Company has paid out more than US$1.2 billion in dividends. The Group has raised the international economic profile, attracted FDI, enhanced tourism and contributed to the socio-economic development of Cambodia. In 2019, the Group contributed approximately 27% of local GDP tourism growth and approximately 1.2% of national GDP in Cambodia (Source: National Institute of Statistics of Cambodia classification of hotels and restaurants compared with the Group's 2018 Annual Report).

   The Company's US$300 million senior notes (the "Senior Notes") are rated "B1" by Moody's Investors Service (one notch above Cambodia's sovereign rating) and "B+" by S&P Global Ratings, whereby its yield to maturity compressed further to 5% as at 10 February 2020 from 9.375% on issuance in May 2018, implying over US$13.8 million annual savings in finance costs with an assumption of refinancing at current yield. The Company has continued to adopt a prudent finance policy of nil to low gearing ratio. As at 31 December 2019, the Company maintained a net cash position with 0.45x debt to EBITDA ratio. The increasing market capitalization of the Group is a testimony of the market confidence towards the Group's financial strength, corporate governance and ability to provide world-class entertainment and hospitality products and services.

6. **Licensing Strength**: With no restrictions on the types of games, number of tables, EGM, gaming space, gaming promoter commission and rebates, the Group has great flexibility to optimise its operations over time, including the ability to react swiftly to changes in market demand and alter its operations to best suit customers' needs. For example, the Group has introduced more leisurely games and hybrid baccarat games to cater for customers originating from certain areas of China for the comfort and enjoyment of wide customer base. Furthermore, in consideration of the Group's contributions to the social-economic development of Cambodia, the Royal Government of Cambodia (the "RGC") has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. The Group believes the exclusivity extension to 2045 may be viewed as a long-term tourism infrastructure project which may generate recurrent revenue to the Company and the Shareholders.

7. **Naga 1 Upgrade**: The first phase of upgrading 250 hotel rooms was completed within budgeted cost and reopened at the end of 2019, with no visible disruption to the Group's business volume growth during the Year. The newly upgraded hotel rooms have been well-received by customers, as the Group observed increase in average hotel room rate and yield from these upgraded hotel rooms. It is anticipated that the upgrade of the remaining 250 hotel rooms are expected to be completed with additional savings by first half of 2020. The Group believes that the completion of the Naga 1 upgrade project will contribute positively towards the quality, standard and comfort of Naga 1, driving business volume and revenue of the Group.

Management of the Group continues to adopt a conservative gaming policy, diluting the risks by offering more incentives to junket operators. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low.

The Group's strong growth trajectory, investors' confidence in the Group's future prospects and industry outlook have led to the Company being one of the global best performing gaming stocks in 2019. During the past 2-year period (2018-2019), the Group has generated about 132% shareholders' return in the form of increase in market capitalization and cash dividend distributed.

Management Discussion and Analysis

BUSINESS REVIEW

Table 1: Performance Highlights

For the Year and comparative prior year:

	2019 US$'000	2018 US$'000	Increase %
Mass Market: Public Floor Tables			
– Buy-ins	**1,644,557**	1,238,247	33
– Win rate	**19.4%**	19.0%	
– Revenue	**318,315**	235,712	35
Mass Market: EGM			
– Bills-in	**2,759,989**	2,214,638	25
– Win rate	**8.8%**	8.8%	
– Revenue	**158,054**	129,282	22
VIP Market			
– Rollings	**46,611,639**	35,658,532	31
– Win rate	**2.7%**	3.0%	
– Revenue	**1,243,107**	1,069,426	16
Gross Gaming Revenue	**1,719,476**	1,434,420	20

Mass Market (Public Floor Tables and EGM)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Table buy-ins and EGM bills-in increased by 33% and 25% respectively. This business volume growth was attributable to the increasing visitation at both Naga 1 and Naga 2 as a result of tourism growth into Cambodia, particularly from China which recorded 20% growth in the first 11 months of 2019.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

Hosting of both international and local entertainment and events has also helped to increase the Group's brand exposure to the international market as well as attracting more footfall to the combined NagaWorld Complex.

VIP Market

The Group's VIP Market comprised players brought in by junkets, who were either under a commission or incentive program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continued to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continued to register robust growth, as a result of increasing market acceptance of the combined NagaWorld Complex as an integrated gaming and entertainment destination. During the Year, a few junket operators commenced fixed base operations at Naga 2, contributing to the increase in the number of higher-end VIP players from the region and in total rollings. Overall, the VIP Market segment saw a 31% increase in rollings to US$46.6 billion, with a win rate of 2.7%. This translated into a 16% increase in VIP Market revenue to US$1,243.1 million during the Year.

Non-Gaming – Hotel, F&B and Entertainment

During the Year, hotel room revenue increased by 7% to about US$16 million as a result of higher average occupancy rate and average hotel room rate. This was despite the temporary closing of 250 hotel rooms at Naga 1 for upgrade and refurbishment work. Naga 2 hotel rooms recorded an average daily occupancy rate of 84%, compared to average daily occupancy rate of 75% recorded in 2018. In addition, retail rental income increased by 63%, contributed by strong sales growth from the Duty Free operation at NagaCity Walk.

Revenue and Gross Profit Analysis

Table 2(a)

2019	**Revenue**		**Gross Profit**		**Gross Profit Margin**
	US$'m	**%**	**US$'m**	**%**	**%**
Mass Market	**476.4**	**27**	**470.1**	**56**	**99**
VIP Market	**1,243.1**	**71**	**346.5**	**41**	**28**
Non-Gaming	**36.0**	**2**	**29.7**	**3**	**83**
Total	**1,755.5**	**100**	**846.3**	**100**	**48**

Table 2(b)

2018	Revenue		Gross Profit		Gross Profit Margin
	US$'m	%	US$'m	%	%
Mass Market	365.0	25	355.1	53	97
VIP Market	1,069.4	72	286.3	42	27
Non-Gaming	39.9	3	32.1	5	80
Total	1,474.3	100	673.5	100	46

The Group recorded a gross profit increase of 26% to US$846.3 million for the Year, which was in line with the business volume growth. Overall gross profit margin increased to 48% (2018: 46%) as a result of the increased contribution from the higher margin business segments. Mass Market continued to generate a high gross profit margin of 99%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 8% to US$183.0 million during the Year. This increase in expenses was required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and the operation of Naga 2. The overall increase in administrative and other operating expenses was lower than the top-line GGR growth of 20% as a result of the Group's continuous operational efficiency improvements and cost optimization efforts undertaken during the Year.

Finance Costs

During the Year, the Group incurred finance costs of US$20.2 million (2018: US$19.5 million) for the interest expenses and transaction costs relating to the Senior Notes issued.

Net Profit

Net profit attributable to the Shareholders, or net profit, increased by 33% to US$521.3 million for the Year. Net profit margin for the Year increased to 30% (2018: 27%) as a result of the increase in contribution from the Mass Market segment, which had a higher profit margin, and improved operation efficiency.

Basic earnings per share increased by 33% to US cents 12.01 (equivalent to HK cents 93.08) in 2019, compared with US cents 9.00 (equivalent to HK cents 69.75) in 2018.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the investment agreement entered into among the Company and certain Russian governmental authorities dated 6 September 2013 (the "Investment Agreement") in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary, Primorsky Entertainment Resorts City LLC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement (as amended and supplemented from time to time) entered into between the Company and Tan Sri Dr Chen Lip Keong ("Dr Chen"), an executive director, the chief executive officer and the controlling shareholder of the Company, both parties acknowledged and agreed that Dr Chen is entitled to a performance incentive of US$26,182,000 for the Year (the "2019 Performance Incentive Entitlement").

Management Discussion and Analysis

Pursuant to a resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the payment of the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2019 Performance Incentive Entitlement until the achievement of certain key performance indicators ("KPIs") in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in Note 11 to the consolidated financial statements, there were no other contingent liabilities as at 31 December 2019.

Exchange Rate Risk

The Group's income is earned principally in United States dollars ("US$"). The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and Russian Rubles ("RUB"). 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

No Shares were issued by the Company during the Year.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 31 December 2019, unless stated otherwise.

The Group had total cash and bank balances, certificates of deposit, fixed deposits and other liquid funds of US$326.7 million (31 December 2018: US$393.0 million). The cash and bank balances, certificates of deposit, fixed deposits and other liquid funds were mainly denominated in US$.

The Group had net current assets of US$281.2 million (31 December 2018: US$420.1 million). The Group had net assets of US$1.8 billion as at 31 December 2019 (31 December 2018: US$1.5 billion).

The Group had outstanding Senior Notes with carrying amount of US$294.8 million (31 December 2018: US$291.1 million).

The presentation of the Group's gearing ratio calculated as total debts less cash and bank balances, certificates of deposit, fixed deposits and other liquid funds divided by equity, is not applicable as the Group's cash and bank balances, certificates of deposit, fixed deposits and other liquid funds were more than the Group's debt (31 December 2018: Not applicable).

Capital and Reserves

As at 31 December 2019, the capital and reserves attributable to owners of the Company was US$1.8 billion (31 December 2018: US$1.5 billion).

Employees

As at 31 December 2019, the Group employed a total work force of 8,625 (31 December 2018: 8,551), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Russia. The remuneration and staff costs for the Year were US$125.2 million (2018: US$92.4 million).

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and 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 of such would be material, these amounts are stated at their present value. The Company has adopted a share option scheme as incentive to its directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

Trade Receivables and Credit Policy

The Group continues to monitor changes in trade receivables. Net trade receivables increased from US$75.1 million to US$83.4 million for the Year.

During the Year, the Group prudently made provision for impairment loss of US$2.4 million (2018: US$2.2 million).

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure that they are competitive and are in line with the Group's risk management strategy. During the Year, the credit policy for gaming receivables was five to thirty days from end of tour while the credit policy on non-gaming receivables remained as thirty days from end of month.

Naga 3 Update

The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region. In order to capture the fast-growing tourism and economic growth in Cambodia and capitalise further on the Group's favourable competitive position, the Group announced the development and construction of Naga 3. It is expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau.

On 12 April 2019, the Group (through its subsidiary, Naga 3 Company Limited) entered into a guaranteed maximum sum design and build agreement (the "DBA") with CCAG Asia Co., Ltd. ("CCAG" or the "Contractor"), pursuant to which the Contractor will undertake, together with its sub-contractors, to develop and deliver to the Group a fully completed and operational Naga 3 with a total built-up area of up to 544,801 square metres for a maximum sum of US$3,515,011,000. The DBA constituted a very substantial acquisition of the Company under Rule 14.06(5) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and was therefore subject to approval by the Shareholders at an extraordinary general meeting of the Company (the "Extraordinary General Meeting").

On 14 April 2019, the Company as the issuer entered into a subscription agreement (the "Subscription Agreement") with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Dr Chen, an executive director, the chief executive officer and the controlling shareholder of the Company, as the subscriber (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) at the price of HK$12.00 per Share (subject to adjustments under the terms of the Subscription Agreement) for the subscription sum, which shall be paid by the Subscriber for the funding of Naga 3 pursuant to the terms of the Subscription Agreement. The Subscription Agreement and the transaction(s) contemplated thereunder constituted a connected transaction of the Company under the Listing Rules, and the Subscription Agreement was therefore subject to approval by the Company's independent Shareholders at the Extraordinary General Meeting.

The Board is pleased to announce that the ordinary resolutions (the "Ordinary Resolutions") proposed at the Extraordinary General Meeting held on Thursday, 8 August 2019 as set out in the notice of the Extraordinary General Meeting were duly passed by way of poll at the Extraordinary General Meeting. The poll results in favour of the Ordinary Resolutions to approve, confirm and ratify the DBA and all the transaction(s) contemplated thereunder was about 98.2053% and the Subscription Agreement and all the transaction(s) contemplated thereunder was about 98.0799% respectively. Dr Chen being the controlling shareholder of the Company and his associates had abstained from voting on the Ordinary Resolutions at the Extraordinary General Meeting.

The Board is also pleased to announce that the Company has appointed Chicago-based Skidmore, Owings & Merrill LLP ("SOM") in addition to the current Las Vegas-based architect planner Steelman Partners, both of these companies are evaluating and refining the existing conceptual designs which was disclosed in the circular of the Company dated 22 July 2019 that the conceptual designs are subject to change.

SOM has submitted many options of refinements to the Company and some of the features are highlighted as follow:

1) The total built-up area of Naga 3 shall remain the same as not less than 544,801 square metres. In fact, in respect of the building submission to the Cambodian government, the total build area is 589,848 square metres. As per the DBA, all excess areas more than 544,801 square metres shall be paid by Dr Chen, being the controlling shareholder of the Company.

2) It is envisaged that the number of rooms shall be reduced to be replaced by a special Upper Podium or Upper Street (as named by SOM). The Upper Podium or the Upper Street shall be situated at the 57 level which consist of 4 floors, 2 floors shall be dedicated to VIP Gaming and 2 floors shall remain as a huge recreational area, likened to the swimming pool areas of Marina Bay Sand Singapore, overlooking the romantic Mekong River and the entire city below.

3) Naga 3 Complex shall consist of 3 towers; one 75-storey tower and two 61-storey towers linked by one Upper Podium or Upper Street. It is envisaged that Naga 3 will be a new landmark on the Phnom Penh skyline, the Naga 3 Integrated Entertainment Complex draws on the Group's commitment to environmental and social responsibility and the rich tradition of Cambodian design. Designed by SOM, the project envisions a "Vertical City": a casino and resort that stretches into the sky, taking inspiration from the vibrancy and excitement of city life.

4) Three towers rest atop a mixed-use, resort Lower Podium, all connected by a system of horizontal and vertical "streets" (elevated amenity bridges and gaming facilities) that are made accessible via a network of Naga Capsule exterior elevators. Just like a city, the resort will host a diverse mix of activities for families and guests – including hospitality, dining, conferencing, and theme park areas. This design will set a new standard for urban gaming resorts in Cambodia, and the world.

5) The design by SOM refines the original massing concept by proposing three towers instead of five. This proposed design achieves similar overall areas and the floor area ratio (FAR) of the previous development, but by deploying a mixed-use tower core design, allows for hotels to stack and thereby greatly improve the overall blended efficiency of the project. Three towers instead of five means fewer stairs, fewer service elevators, less total façade area and an improved, less dense and more elegant presence on the skyline. Because there will be three towers instead of five, more space graces the distance between each façade, improving views and guest experience. The towers are designed to observe height restrictions imposed by practical concerns of economy and construction (they are not taller than necessary) and their floors are rationally designed for efficient, excellent resort and gaming facilities.

6) Tower One, the anchor of the development and the signature parcel in the resort fronts the park and greets the city on the north of the property. It is taller than the other towers, with one hotel stacked atop another. This creates a premier hotel property with a unique sky lobby experience in Cambodia. Perched above Tower One is Phnom Penh's new "City Room": a landmark golden lantern of four floors to be used for VVIP gaming. This glassy special building feature is wrapped in dynamic shading that adjusts its aperture throughout the day to respond to daylighting. It will be like an ever-moving, shimmering icon on the Phnom Penh skyline for years to come.

7) Naga 3 features amenity deck "Streets" that run through and span between the three hotel towers, interrupting the hospitality zones with unexpected lifestyle and wellness moments that culminate in the Parkway, a luxurious al-fresco bridge atop the towers with gaming, dining, and hospitality areas under the shade of a rooftop trellis.

8) Running vertically between the "Streets", the Naga Capsule elevators transport guest along the spines of each tower from "Street" to "Street" in glass cabs highlighting the spectacular panoramic views of Phnom Penh and the confluence of the Mekong River.

9) A holistic principal of the entertainment complex, Naga 3 prioritizes climate-sensitive building strategies and invites the local ecology inside, interweaving natural materials, lush plant-life, and sensory water features to form an urban oasis that spills into the adjacent Triangle Park, NagaWalk, and the bustling activity of the Suramarit Boulevard promenade.

Subsequently the SOM representatives held a special meeting with the Project Architect (as defined in the circular of the Company dated 22 July 2019) on 9 December 2019. The conceptual design is accepted by the Project Architect. On 10 December 2019, the SOM representatives and Project Architect held a special briefing to all the independent non-executive directors of the Company (the "INEDs") in the presence of the senior management and other Board members. At the end of the presentation, the conceptual design was approved by all the INEDs.

At the site of Naga 3, the soils tests have finished and the test piles have begun. It is expected that the 8,000 piles which will go down to 60 meters shall begin in the second half of 2020.

Please refer to the announcements of the Company dated 3 April 2019, 14 April 2019, 24 April 2019, 7 May 2019, 27 May 2019, 27 June 2019, 21 July 2019, 8 August 2019 and 2 October 2019 respectively and the circular of the Company dated 22 July 2019 for further details of the Naga 3 transactions.

Significant Investments Held and Material Acquisitions of Subsidiaries

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Events after Reporting Year

No major subsequent events have occurred after the end of the Year and up to the date of this annual report.

PROJECT UPDATES AND PROSPECTS

Update on the Investment Project in Vladivostok

In respect of the Group's gaming and resort development project in Vladivostok, Russia, site clearing commenced in 2016.

An office has been established in the city centre of Vladivostok, Russia and certain key personnel have been appointed to monitor various aspects of the progress of the project which remains broadly on schedule.

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

Update on Naga 3

The Company has appointed Chicago-based SOM in addition to the current Las Vegas-based architect planner Steelman Partners. Both of these companies are evaluating and refining the existing conceptual designs to create a truly regional world-class comprehensive integrated entertainment complex which shall compete with regional peers in the Asia Pacific areas. The refined conceptual design is expected to improve the overall efficiency and reduce the density of the integrated entertainment complex, without material changes to the planned total built-up area. With three towers (instead of five), more space graces the distance between each façade, thus improving overall views and guest experience. It is envisaged that the number of rooms shall be reduced to be replaced by a special Upper Podium or Upper Street (as named by SOM). The Upper Street shall be situated at the 57 level which consists of 4 floors, 2 floors shall be dedicated to VIP Gaming and 2 floors shall remain as a huge recreational area, likened to the swimming pool areas of Marina Bay Sand Singapore, overlooking the romantic Mekong River and the entire city below.

In compliance with the terms of the DBA, the Contractor has notified the Project Architect of the recent overwhelming response of regional construction companies to the development of Naga 3; these construction companies include Chinese state-owned enterprises such as China Construction and Metallurgical Corporation. CCAG has indicated its intention to appoint and work with such Selected Sub-Contractors (as defined in the circular of the Company dated 22 July 2019) who have capital, experience and expertise to fast tracking the developments and completion of Naga 3. Having secured good response from the minority shareholders of the Company at the Extraordinary General Meeting held on 8 August 2019, the Company has completed soil tests and the suitably qualified regional piling contractors shall be appointed soon. The duration of this piling work is expected to last between 18 to 24 months.

In response to the reinvestment program of the Company, the RGC has responded with recent approval in principle of a garden in front of the Naga 3 property, allowing the Company to build a 3-storey underground car park in tandem with a world-class garden through which Naga 3 shall be connected to current NagaCity Walk, Naga 1 and Naga 2.

Prospects

The continued growth of visitation to Cambodia is a reflection of the development of Cambodia as a prominent regional tourism and investment destination, brought about by continued political and social stability in the country. The expected promulgation of the casino law in 2020 is another significant step forward in the investment and tourism prospects for Cambodia.

Management Discussion and Analysis

Cambodia is a key country in China's "Belt and Road" initiative and China remains the world's largest market in outbound tourism with nearly 150 million outbound visitations made by Chinese travellers in 2018, an increase of 14.7% year-on-year according to a report issued by the China Tourism Academy and Ctrip (Source: Hong Kong Economic Journal, 14 March 2019). The Group is well-positioned to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020; Chinese per-capita international tourism spend is also expected to reach above US$2,000 by 2020, representing a 49% growth from 2018 to 2020 (Source: CLSA, 19 July 2017 and 14 June 2018). Chinese arrivals to Cambodia of about 2.2 million visitors in the first 11 months of 2019 (mainly driven by business-related travel) represents a small percentage of the potential opportunities. Cambodia is targeting to attract at least 5.5 million Chinese tourists by 2025 (Source: The Commercial News, 15 January 2019).

Similarly, South East Asian countries, which have an estimated total population of 648 million, remain one of the Group's core target markets. Visitation to Cambodia from South East Asian countries including Indonesia and Thailand increased by double digit growth rates of 22% and 25%, respectively in the first 11 months of 2019. In particular, international business-related travel from Thailand, Indonesia and Malaysia into Cambodia increased by 77%, 65% and 57%, respectively.

The strong growth in business-related travel (whereby such visitors tend to have higher disposal incomes and longer average length of stays) into Cambodia augurs well for the Group's future growth, in particular the Mass Market segment, which has always been the Group's key focus market. This is also in line with the Naga 3 development, whereby around 92% of total gross floor area will be allocated for non-gaming activities.

Flight connectivity between Cambodia and regional countries continues to improve. Direct weekly flights into Cambodia has increased from 877 (December 2018) to 894 (December 2019). As part of commemorating the 60th anniversary of diplomatic relations between Indonesia and Cambodia, direct flights between Phnom Penh and Jakarta was established in June 2019, with a total of 7 direct weekly flights. With the anticipated robust growth in visitation, the Cambodian Minister of Tourism (His Excellency Thong Khun) estimated that Cambodia will require 100,000 extra hotel rooms by 2028, of which 60,000 are required for the luxury high-end segment (Source: Khmer Times, 6 September 2018). Given the close geopolitical relationship between Cambodia and China and the continued influx of business-related travel from South East Asian countries, the Group sees good prospects ahead and will continue to be well-positioned as a notable emerging integrated resort in Asia.

The vision of the Group is to build the largest comprehensive, multi-entertainment riverine integrated resort in the world and position the Group as a competitive gaming powerhouse with a firm footing in the Asia Pacific region. Currently, the Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region.

Since the inception of the business in 1995, the group has been growing steadily with its market capitalisation multiplying more than 18 times from US$441 million since the listing of the Company in October 2006 to approximately US$8 billion as at 20 November 2019. Since listing, the Company has paid out more than US$1.2 billion in dividends. The Group has raised the international economic profile, attracted FDI, enhanced tourism and contributed to the socio-economic development of Cambodia. In 2019, the Group contributed approximately 27% of local GDP tourism growth and approximately 1.2% of national GDP in Cambodia (Source: National Institute of Statistics of Cambodia classification of hotels and restaurants compared with the Group's 2018 Annual Report). Cambodia's GDP for the next 5 years can be maintained at 6.5-6.8% as projected by the International Monetary Fund (Source: International Monetary Fund World Economic Outlook October 2019). NBC also forecasts the inflow of FDI into the country will rise 10% in 2020, reaching US$3.95 billion (Source: Macroeconomic and Banking Progress 2019 Report and 2020 Outlook, NBC).

Some of the key features of the Group's casino license include no restrictions on the number of gaming tables, EGM and gaming space, no restrictions on gaming promoters' commission and rebates, etc. Having considered the uniqueness of a casino license, monopoly rights in the heart of a capital city, and after having operated successfully for the past 24 years in a region with political stability and consistent tourism and economic growth, the Group's vision of building Naga 3 paves the way for more success for the Group, greatly enhancing its competitiveness and its footing as an Asian gaming powerhouse. Upon the expected successful completion of Naga 3 by 2025, Naga 3 shall increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld Complex together with Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGMs and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Company's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

Management Discussion and Analysis

In consideration of the Group's contribution to the socio-economic development of Cambodia and the Group's commitment to invest up to approximately US$3.5 billion to construct and develop the Naga 3 integrated entertainment complex and the resultant economic value of thousands of jobs creation and incremental increase in tourist's visitation generated during and at the completion of Naga 3, the RGC has extended the Group's exclusive rights to operate a casino license in Phnom Penh for an additional 10 years effective from 1 January 2036 until 31 December 2045. This is expected to further enhance the Group's ability to attain steady growth and deliver impressive and consistently improving financial performance.

Management is optimistic about the Group's future business prospects. Naga 1, Naga 2 and Naga 3 are sited in the city of Phnom Penh next to one of Asia's biggest rivers, the romantic and mystic Mekong River. This inspires and encourages the Company to develop the biggest riverine integrated resort in the world, thereby enhancing the competitiveness of the Group as one of Asia's gaming powerhouses, with high quality standards set to rival other established integrated resorts in the region.

Having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 24 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) are expected to position the Group as one of the regional sizable gaming resorts in the Asia Pacific area and is expected to generate steady recurrent revenue for the benefits of the Company and the Shareholders.

INTERIM AND FINAL DIVIDEND

Regardless of the coronavirus outbreaks which the Company is of the opinion that this event will be short-lived, the Company is pleased to decide to recommend a 80% payout of the net profit generated for the second half of 2019 as final dividend and payment. Accordingly, the Board recommends the payment of a Final Dividend of US cents 5.09 per Share (or equivalent to HK cents 39.45 per Share) for the Year to Shareholders whose names appear on the Company's register of members on Tuesday, 19 May 2020. Subject to the approval of the Shareholders at the 2020 AGM, the final dividend warrant is expected to be sent to Shareholders by post on or about Monday, 1 June 2020.

The proposed Final Dividend together with the interim dividend for the six months ended 30 June 2019 of US cents 3.39 per Share (or equivalent to HK cents 26.27 per Share) paid on Tuesday, 20 August 2019, amounts to a total dividend declared for the Year of US cents 8.48 per Share (or equivalent to HK cents 65.72 per Share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the following entitlements:–

1. **2020 AGM**

   The register of members of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 April 2020.

2. **Proposed Final Dividend**

   The register of members of the Company will be closed on Tuesday, 19 May 2020, on which no transfer of Shares will be registered. The ex-dividend date will be Friday, 15 May 2020. In order to qualify for the Final Dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020.

Timothy Patrick McNally

Non-executive Director and Chairman

Timothy Patrick McNally, aged 72, joined the Company in February 2005 as chairman of the Board. He also serves as the chairman of the AML Oversight Committee of the Board. 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 is the chairman of B2G Global Strategies headquartered in California. Mr. McNally was a Special Agent of the Federal Bureau of Investigation ("FBI") for almost 25 years. His career focused on the investigation and prosecution of serious crimes including organized crime, drug trafficking, public corruption and fraud matters.

During his career with the FBI, Mr. McNally was assigned for two years as a legislative counsel by the FBI to handle issues arising with the US Congress. Mr. McNally held several senior positions within the FBI and was the head of the FBI's Los Angeles Office at the time of his departure. During the period 1993 through 1999, he was cited on numerous occasions for exceptional leadership and meritorious performance by the director of the FBI, Attorney General, and President of the United States.

Mr. McNally is a member of the Asian Society of Southern California, the National Executive Institute and the Society of Former Special Agents of the FBI. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He received a Juris Doctorate (JD) degree from Marquette University Law School in 1973 and was admitted to the State Bar of Wisconsin.

Tan Sri Dr Chen Lip Keong

Executive Director, Founder, Controlling Shareholder and Chief Executive Officer

Tan Sri Dr Chen Lip Keong, aged 72, appointed as an executive director of the Company in April 2003. Dr Chen is the founder, controlling shareholder, chief executive officer, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Board. Dr Chen is also a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited which is a substantial shareholder of the Company. Mr. Chen Yiy Fon, an executive director of the Company, is a son of Dr Chen.

Dr Chen has many years of entrepreneurial, business and managerial experiences and in Malaysia, is currently the controlling shareholder of each of Karambunai Corp Bhd ("KCB"), FACB Industries Incorporated Berhad ("FACBI") and Petaling Tin Berhad ("PTB"). Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa Malaysia Securities Berhad ("Bursa") has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa.

Philip Lee Wai Tuck

Executive Director and Executive Deputy Chairman

Philip Lee Wai Tuck, aged 57, is a Certified Public Accountant in Malaysia and Australia. Mr. Lee has experience in various industries before joining the Group in 2009 and was appointed as an executive director of the Company in May 2010. He has previously worked in or held directorships in various companies listed on the Bursa. Mr. Lee took on senior management positions in financial and management functions with wide experience in accounting, finance, treasury and corporate finance. He was the chief financial officer of the Company and is presently an executive deputy chairman of the Board and a director of various wholly-owned subsidiaries of the Company.

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

Chen Yiy Fon

Executive Director

Chen Yiy Fon, aged 38, was appointed as an executive director of the Company on 1 June 2015. He is also a member of the AML Oversight Committee of the Board. Mr. Chen graduated with a Bachelor of Arts Degree in Economics from the University of Southern California, Los Angeles in 2003. In 2003, he interned at Morgan Stanley, Los Angeles, California and in 2004 he interned at Credit Suisse First Boston, Singapore.

Mr. Chen was a non-executive director of the Company from May 2009 to February 2011 and is currently a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited which is a substantial shareholder of the Company.

Mr. Chen is also the chief executive officer and executive director of KCB and PTB. He also serves as an executive director of FACBI. All these three companies are controlled by Dr Chen, the controlling shareholder in each of the companies. Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa.

Mr. Chen is a son of Dr Chen.

Directors' Profile

Lim Mun Kee

Independent Non-executive Director

Lim Mun Kee, aged 52, has been appointed as an independent non-executive director of the Company in September 2007. Mr. Lim is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Board.

Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants since year 1997.

Mr. Lim started his career with KPMG Peat Marwick, Malaysia in 1989. He has more than 20 years of valuable experiences gained through his working career in various fields including auditing, financial, corporate and management level. Currently, Mr. Lim is also managing his own business in Malaysia.

Mr. Lim is also an independent non-executive director of FACBI and KCB. Mr. Lim was an independent non-executive director of PTB from 1 August 2007 to 18 September 2018 and re-joined as an independent non-executive director on 27 September 2019. Except for PTB and KCB which have been privatized and the listing of their shares on the Bursa has been withdrawn with effect from 16 August 2018 and 21 November 2019 respectively, FACBI is currently listed on the Bursa. All of FACBI, KCB and PTB are controlled by Dr Chen.

Michael Lai Kai Jin

Independent Non-executive Director

Michael Lai Kai Jin, aged 50, was a non-executive director of the Company from 31 May 2010 to 5 April 2011 and was re-designated as independent non-executive director of the Company on 6 April 2011. He is also the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee and the AML Oversight Committee of the Board. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in Singapore, Shanghai, Hanoi and Ho Chi Minh. Mr. Lai's practice focused on marine and admiralty law and has handled numerous legal disputes in the area of international trade and transport. Mr. Lai was formerly the chairman of the Advisory Body Legal Matters, FIATA and the legal counsel for the Singapore Logistics Association.

Mr. Lai was formerly the group general counsel for Ezra Holdings Limited, an integrated offshore support provider for the oil and gas industry which executes a full spectrum of life of field engineering, construction, marine and production services throughout the world.

He was also an independent director of Interlink Petroleum Ltd until 3 January 2018, the securities of which are listed on the Mumbai Stock Exchange.

Leong Choong Wah

Independent Non-executive Director

Leong Choong Wah, aged 51, was appointed as an independent non-executive director of the Company on 10 September 2018. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

Mr. Leong has more than 30 years of working experience in a wide range of industries such as property development, plantation and manufacturing, including cross border working experience in Indonesia and China encompassing operations, accounting, financial management and corporate finance and planning in both public listed and private companies.

Mr. Leong started his career with Price Waterhouse in 1989 and is presently the chief financial officer of Inmagine Group, a leading global creative ecosystem and technology group since May 2019. Prior to joining Inmagine Group, Mr. Leong was the group executive director of HCK Capital Group Berhad ("HCK"), a property development company listed on the Bursa from May 2015 to April 2019. He also served as an executive director of HCK from October 2015 to April 2019. He also had working experience as a senior business controller of Agrindo, an Indonesian palm oil plantation group based in Jakarta, Indonesia from February 2013 to December 2014. Mr. Leong's other notable past working experience includes serving as the chief executive officer of PTB from 2008 to 2010, chief financial officer of FACBI from 2000 to 2008 and holding senior positions in several other companies listed on the Bursa.

Mr. Leong is currently a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia, respectively.


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Miss Tourism Metropolitan
INTERNATIONAL
RUSSIA


NAGAWORLD

Sustainability Report

At NagaCorp, we believe that we have an important role to play as a corporate citizen that is fully involved in the community where we do business. Our process of continual evaluation and improvement ensures that achieving sustainable growth goes beyond generating profits, and includes a positive impact on our environment and our community. Since the inception of the business in 1995, we have been committed to creating long-term value in a sustainable way for all our stakeholders.

The Board provides oversight of our sustainability strategy and risks, including our approach to managing these risks. The President Committee, supported by our Corporate Social Responsibility department and relevant business units, is responsible for the approval, development and implementation of the sustainability strategy objectives. The President Committee provides the Board with periodic updates on our sustainability strategy and initiatives.

Our stakeholders

We engage with our key stakeholders, including employees, customers, business partners, government and regulators, shareholders and investors, and communities, in order to understand their primary concerns and address them accordingly.

Reporting scope

This report covering the Year is prepared in accordance with the requirements of the Environmental, Social and Governance ("ESG") Reporting Guide in Appendix 27 of the Listing Rules. In the following sections we explain our ESG philosophy to ingrain corporate social responsibility ("CSR") into the Group's long term projects to support Cambodia's development. The topics discussed in this report are determined to be material to the operations of the Group and are important to our key stakeholders. This report is compiled in accordance with the "comply or explain"' provisions and, where applicable, the "recommended disclosures" set out in the ESG Reporting Guide of the Stock Exchange during the Year. A list of the required and recommended disclosures and how we meet the requirements can be found at the end of this report.

This report provides an overview of the management approach of NagaCorp and its ESG performance principally relating to the policies, initiatives and performance of our flagship NagaWorld hotel and entertainment complex in Phnom Penh, Cambodia[1].

1. Where 2017 comparables are provided, our reporting scope includes Naga 2 since its opening in November 2017.

Sustainability Report

This report focuses on the following five areas:

Protecting our environment

We have always sought to operate in a responsible, transparent and sustainable way. While delivering the highest quality of services and products to our customers, we aim to minimise risk and our impact on the environment. NagaCorp is in compliance with all relevant Cambodian laws and regulations in regards with environmental protection and natural resource management.

Since 2016, NagaWorld, our flagship property in Phnom Penh, Cambodia, has been certified by the ASEAN Tourism Forum and recognized as an ASEAN Green Hotel. The ASEAN Green Hotel Standard is an initiative dedicated to promote sustainable tourism in ASEAN through the adoption of environmental-friendly and energy conservation practices.

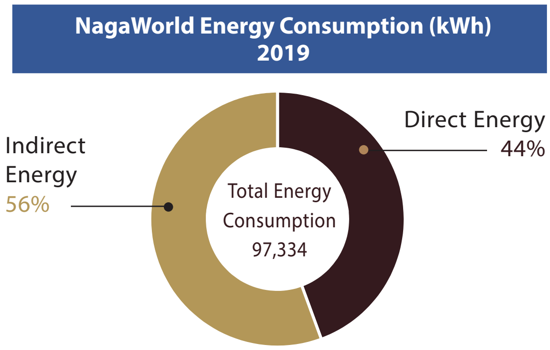
Education and awareness

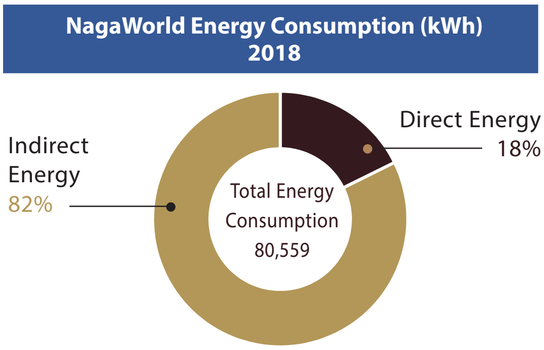
At NagaWorld, we believe in protecting our environment and valuing the importance of waste pollution prevention, biodiversity, resource preservation and reforestation. In recent years, rising population and rapid urbanisation have put significant pressures on Cambodia's civil infrastructure and environmental management systems. Being a responsible member of the Cambodian community, we continue to play an active role, working alongside the government, non-governmental organizations ("NGOs") and others in the Cambodian business community, in promoting green initiatives and raising environmental awareness. We believe knowledge leads to positive change. We share with government, business partners, and wider community best practices and information about sustainable options through workshops. We also organise activities to support local communities' effort in maintaining a green living environment.

Use of resources

Energy usage

NagaWorld sources its energy from the Phnom Penh city electricity grid since October 2015. Prior to that, NagaWorld relied solely on diesel electric generators. Electricite Du Cambodge ("EDC"), the company managing the electricity supply to Phnom Penh, which sources its electricity from a mix of hydropower, coal, fossil fuel and biomass. We now use diesel electric generators for back-up only. This has reduced our energy consumption and greenhouse gas ("GHG") emissions significantly. We also use liquid petroleum gas ("LPG") in our kitchens.





Energy consumption and intensity	2017	2018	2019
Energy consumption ('000 kWh)	56,823	80,559	**97,334**
Energy intensity (kWh/m^2 of floor space)	344	334	**384**

Note: Figures in the above charts and table do not include fuels consumed by the vehicles owned by the Company.

We opened our phase two expansion Naga 2 in November 2017, doubling capacity and significantly increasing total floor space at the NagaWorld complex. As a result, total energy consumption increased in 2018. However, energy intensity improved slightly in 2018, primarily as a result of Naga 2's more energy efficient systems, such as a centralised heat pump hot water system and a water-cooled centralised air-conditioning system.

Due to the rapid expansion and population growth in recent years and an unusually hot summer, the city of Phnom Penh experienced an electricity shortage during June and July 2019. NagaWorld had to resort to the backup diesel electric generators during the blackout periods to maintain around the clock operations. Additional portable chillers were put in place in guest areas during the hottest period of the summer to maintain a constant temperature. This, combined with the increased business volumes, resulted in a higher energy usage and intensity in 2019.

However, the energy saving initiatives introduced in 2018 as part of an ongoing programme for reviewing lighting and equipment and replacement of inefficient devices have delivered some savings. These initiatives include replacing most of the halogen bulbs in Naga 1 with more efficient LED lights, installing air handling units to monitor and optimise the air-conditioning operating hours and a more efficient variable speed drive kitchen exhaust fan serving our halal kitchen and main banquet kitchen. Thirteen of the 15 initiatives have now been implemented and the remaining two are ongoing. Overall, these initiatives are expected to reduce our annual energy consumption by 8% once fully implemented.

Water usage

All water at NagaWorld is provided by the Phnom Penh Water Supply Authority according to the World Health Organization and national drinking water standards. We had no issue in sourcing water that is fit for purpose during the Year. NagaWorld is in compliance with the relevant Cambodian rules and regulations in relation to water management. Bottled drinking water provided to our customers is also sourced from Cambodia.

We are committed to using water in a responsible manner and have developed strategies to reduce our water consumption by improving mechanical systems and processes, with water consumption monitored and benchmarked on a monthly basis. Effective preventive maintenance, such as regularly cleaning the ventilation filters and condenser tubes, optimising the operation and scheduling of the chiller systems and air conditioning units, further reduces our water consumption.

Waste water is treated in conformance with the British Royal Commission Standard of Quality before being released into the sewers. The remaining solid waste is taken away by tankers for responsible disposal.

Water consumption and intensity	2017	2018	2019
Water consumption (m^3)	458,030	694,614	**699,571**
Water intensity (m^3/m^2 of floor space)	2.8	2.8	**2.8**

Total water consumption, like energy usage, increased in 2018 due to the opening of Naga 2. However, with the water saving technology in Naga 2 such as low-flow faucet aerator, sensor taps and more efficient cooling systems in public and private bathrooms, water intensity remained constant in both 2018 and 2019.

In March 2019, we replaced all faucet aerator in Naga 1 public toilets with low-flow ones. This has reduced water consumption in the public toilets by 75% between March and December 2019. The roll-out of the low-flow faucet aerator continued throughout 2019 and early 2020 as hotel rooms in Naga 1 underwent a major renovation. Water intensity was reduced during the Year as a combined result of the implementation of water saving initiatives and fewer hotel rooms in service due to Naga 1 room renovation. To improve efficiency, in April 2019 we brought in house laundry services and created a central laundry function. The additional water usage for the central laundry partly offset the benefits from the water saving initiatives. On a like for like basis, i.e. excluding the central laundry, total water consumption and intensity in 2019 were 2% and 4% lower than the prior year at 681,721m^3 and 2.7m^3/m^2 of floor space, respectively.

We are also educating our customers and our employees on the importance of saving water by providing water saving signs and information in each hotel room and toilet in public areas and offices about how they may contribute.

Emissions

We seek to minimise our environmental footprint by reducing both direct and indirect emissions without compromising customer satisfaction and operational efficiency.

Direct emissions are emissions from sources that are within our control and activities that are related to our immediate operations. Energy consumption, such as the LPG used in the kitchens and fuels consumed by our owned vehicles, are the major source of direct GHG emissions for NagaWorld. We have adopted the ISO 14064-1 guidelines for measuring and reporting our GHG emissions. The principal component of our GHG emissions is carbon dioxide ("CO_2"), with a small quantity of other gases, such as hydrocarbons, carbon monoxide ("CO"), nitrogen oxides ("NO_x"), and sulphur oxides ("SO_x").

The significant increase of floor space and business volume accompanied by the opening of Naga 2 have driven up overall energy usage, leading to a higher volume of emissions. However, the more energy-efficient design and systems of Naga 2 have resulted in lower energy consumption and emission on a per square metre basis for the overall NagaWorld Complex in 2018. The energy saving initiatives introduced in 2018 has also helped to reduce overall GHG emissions, compensating the one-off impact of the use of the diesel electric generators during the blackout period in June and July 2019. The reduction, however, was offset by the emissions generated from the additional energy required by the aforementioned central laundry function. Excluding the central laundry, the Group's CO_2 emissions were 1% lower than the prior year in spite of the one-off impact of the diesel electric generator.

Energy consumption and emissions	Energy consumption ('000 kWh)	CO_2 emissions (kg)	NO_x emissions (kg)	SO_x emissions (kg)	PM emissions (kg)
2019					
Hot water boiler and backup generators – diesel	**33,240**	**7,898,998**	**206,793**	**16,852**	**14,603**
Kitchen – LPG	**9,994**	**2,216,967**	**145**	**1**	**–**
Vehicle – diesel, petrol, kerosene	**–**	**1,503,042**	**3,072**	**372**	**86**
Total – Scope 1	**43,234**	**11,619,007**	**210,010**	**17,225**	**14,689**
Purchased Electricity – Scope 2	**54,101**	**27,337,083**	**–**	**–**	**–**
Total – Scope 1 & 2	**97,335**	**38,956,090**	**210,010**	**17,225**	**14,689**
2018					
Hot water boiler and backup generators – diesel	3,572	848,769	4,809	501	357
Kitchen – LPG	10,681	2,369,360	145	1	–
Vehicle – diesel, petrol, kerosene	–	2,043,251	4,372	515	126
Total – Scope 1	14,253	5,261,380	9,326	1,017	483
Purchased Electricity – Scope 2	66,307	33,504,715	–	–	–
Total – Scope 1 & 2	80,560	38,766,095	9,326	1,017	483

Note: Scope 3 emissions, i.e. those from guests travel to and from NagaWorld and those from its supply chain are not available due to lack of or unreliable data from our supply chain.

Indirect emissions are those produced outside of our immediate operations as the consequence of our activities. These include purchased electricity, guest travel, sourced goods and materials, and waste. To reduce indirect emissions, we source local products and materials whenever possible and work closely with our suppliers to develop local supply chains.

Air quality

We take air quality seriously at NagaWorld and strive to provide a safe and comfortable environment for our employees and customers. Regular monitoring is carried out in accordance with the American Society of Heating, Refrigerating and Air-Conditioning Engineers ("ASHRAE") standards. This includes a monthly indoor air quality test that is based on a range of key indicators including temperature, relative humidity, CO_2, carbon monoxide etc. to identify any potential issues. All readings during the reporting period were within permitted levels.

In 2019, we implemented several initiatives to improve air quality in our premises. These included adding additional air handling units in the gaming areas of both Naga 1 and 2 to increase air circulation and cooling capacity; installing exhausts and fresh air systems in Naga 2 casino; installing new ecology units in Naga 2 parking area to remove the cooking smell from the kitchen. We also created non-smoking zones in the NagaWorld Complex, such as NagaCity Walk.

In the next two years, we plan to install an indoor air quality filtration system that can remove pollutants such as PM2.5 and gases such as NO_x and SO_x in our buildings, as well as air quality monitors in our hotel rooms.

NagaWorld is in compliance with the Cambodian rules and regulations in relation to air pollution.

Waste management

Our sustainability policy encourages the use of goods that have low environmental and social impact, and seeks to instil product life cycle thinking into our decision making process. We go beyond the compliance with local rules and regulations by embracing the "5R" strategic approach in our waste management: Refuse, Reduce, Reuse/Replace, Recycle and Remind. The aim is to minimise the use of resources and maximise reuse, recycling and recovery in business operations.

As a service business, we do not produce material amounts of hazardous waste, nor any waste relating to product packaging. Most of our waste produced in NagaWorld is from the hotel and F&B operations. We segregate the waste into recyclable, organic and non-recyclable, and work with local companies to ensure they are handled appropriately.

- Recyclable waste – shredding playing cards from our casinos, carton boxes and plastic bottles are taken by a contractor for recycling.
- Organic waste – restaurant and kitchen organic waste is taken and used as animal feed in local farms. All used cooking oil is taken by a contractor for recycling/reuse.

Waste produced	2018	2019
Waste recycled (tonnes)	304	309
Organic waste (tonnes)	274	273
Non-recyclable waste (tonnes)	5,936	5,936
Total waste produced (tonnes)	**6,514**	**6,518**

Note: In November 2019, the RGC terminated the licence of waste management company Cintri (Cambodia) Ltd. which was contracted by the government to collect and dispose of urban waste. Waste collection and disposal have been conducted by government appointed groups since the end of 2019. This has resulted in a lack of reliable waste collection data. The 2019 figures were based on our internal best estimates.

We continue to look for ways to recycle while producing less waste. In December 2018, we withdrew single-use plastic straws and take-away plastic cutlery and containers and replaced them with 100% biodegradable and recyclable alternatives in all our F&B outlets. As such, we anticipate to eliminate around four million plastic straws every year.

The initiative launched in 2017 in collaboration with Indochina Starfish Foundation to recycle hotel soap bars is still going strong, with a total of 474kg of soap bars (2018: 476kg) being sanitized and distributed to local families in 2019. The provision and access of clean soap encourage better hygiene practices, which help to prevent germs and infectious diseases from spreading.

Nurturing our people

Legislative labour requirements in Cambodia are aligned with international standards, including matters such as prohibition of child and forced labour, the right of employees to organise unions and engage in collective bargaining, non-discrimination and civil and political rights.

As an employee of choice in Cambodia, NagaCorp complies with all relevant laws and regulations, and invests heavily in the training and development of our people.

Equality and diversity

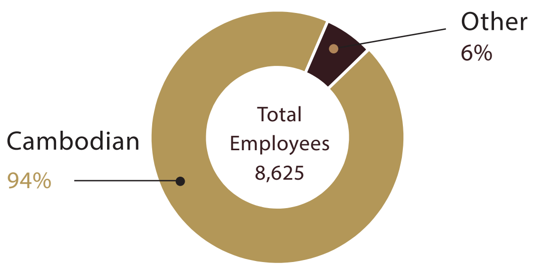
We pride ourselves on providing a safe, fair and healthy work environment with equal opportunities for all our employees. Our employees are treated fairly and equally irrespective of their gender, social status, sexual orientation, religion or belief, marital status, age, colour, nationality, disability or trade union affiliation.

As at 31 December 2019, the Group had a total of 8,625 employees (2018: 8,551), representing 37 nationalities. We prioritise the development of our Cambodian workforce, recruiting locals where possible, with 94% of our workforce being Cambodian.

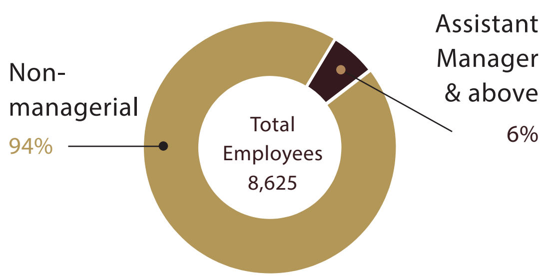
Whilst aiming to create a diverse and inclusive workplace, we ensure that the recruitment of entry level candidates are done on a combination of attitude and best fit for the role. Internal promotions are done on a performance based approach. In 2019, the number of female managers increased by 5% from 193 to 203, representing 39% of total management (2018: 37%). Senior female executive (director level and above) increased from 8 to 10 in 2019. Increasing our female management members remain a focus for the Group.

Gender diversity as at 31 December 2019	Female	Female	Male	Male
Assistant Manager & above	203	39%	312	61%
Non-managerial	4,453	55%	3,657	45%
Group workforce	**4,656**	**54%**	**3,969**	**46%**

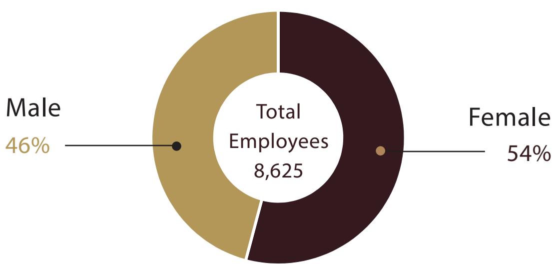
Employees by nationality



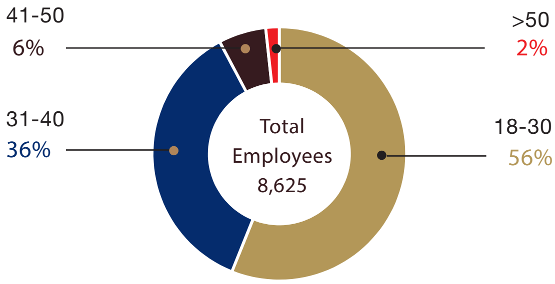
Employees by seniority



Employees by gender



Employees by age group

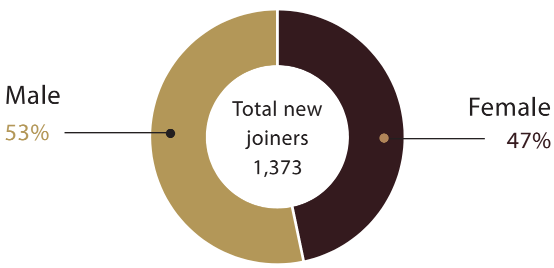


Attracting talent

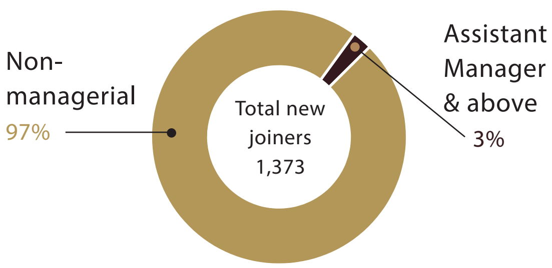
The ability to attract and retain talent is crucial to our growth and development strategy. We are committed to ensuring equal opportunity to all qualified individuals, irrespective of gender, age, marital status, ethnicity, sexual orientation or religion.

We seek talent from both local and global audience through conventional channels as well as social media platforms. We reach out to potential candidates through roadshows and university visits, providing them with opportunities to get to know more about NagaWorld.

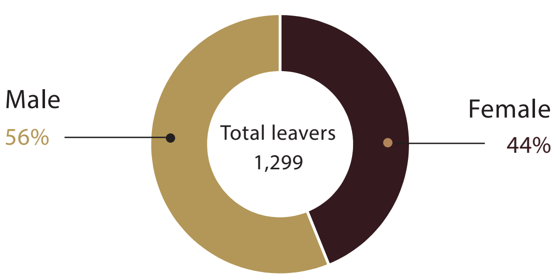
Recruitment by gender



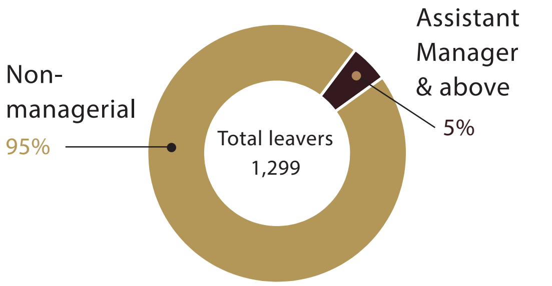
Recruitment by seniority



Employee turnover by gender



Employee turnover by seniority



Furthermore, we attract talent by offering internship and training programmes, such as the Executive Trainee Programme ("ETP") launched in October 2019. It aims to provide young people, particularly those who are underprivileged, with an opportunity to develop and achieve their potential.

Since 2012, Naga Academy, a vocational education institute founded by NagaCorp, has been a source of providing talent and a skilled workforce for the Group. Its Internship Programme aims to equip trainees with gaming or hospitality skills, as well as to empower them with the right attitude and knowledge to succeed in today's dynamic social and economic environment. More details about Naga Academy can be found on page 61.

As at 31 December 2019, the Group had 1,373 new joiners (including 490 ETP trainees) and 1,299 leavers. The Group's net turnover ratio was 15%, which was below the average turnover rate of 19% amongst the large companies in Cambodia (source: HRINC Cambodia) and well below the national average of 22.5% in the country's hotel industry (source: National Employment Agency).

Executive Trainee Programme

We continue our commitment to developing local talent. In October 2019, we launched an Executive Trainee Programme which aims to provide young Cambodians with an opportunity to develop a career with NagaWorld. As one of our key CSR initiatives, we are changing our approach for recruiting junior positions, focusing more on provinces in the aim of increasing our talent pool as well as providing the underprivileged with an opportunity to improve their lives.

The three-year programme will see the trainees through a series of on-job training in different operations. During the training period, they are entitled to the same company benefits enjoyed by the full time employees, such as annual leave, unlimited free meal allowance, medical care etc., in addition to optional accommodations provided by the company. Those who complete the programme will be awarded a certificate and offered a permanent employment opportunity. Since launch in October 2019, over 1,000 trainees have been selected and commenced the programme.

Learning and development

We invest heavily in employee training and development with a specific emphasis on language skills and service excellence in order to provide better experience to our customers.

To reflect our international customer base and the increasing number of Chinese visitors, we provide both English and Mandarin training to our frontline employees. The language development programmes use a two-prong approach – classroom instructions and on the job toolbox briefing sessions. Toolbox briefings, which are department specific, provide regular practice and short learning sessions covering regular phrases and product knowledge.

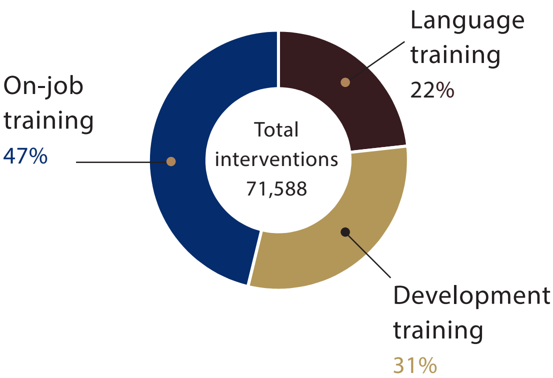
More and more visitors to Cambodia and NagaWorld come from China each year. According to the Ministry of Tourism, Chinese visitors exceeded 2.3 million in 2019 (2018: 2.0 million), accounting for 37% of total international arrivals. The Ministry of Tourism expects the number of Chinese visitors to China to reach 5.5 million by 2025. As part of the private-public partnership initiatives to promote tourism growth to Cambodia, we implemented a Mandarin Incentive Scheme in October 2019 to encourage our employees to acquire Mandarin proficiency. 190 participants have achieved basic level of proficiency since launch. Currently we have a further 353 employees registered and participating at the various levels of the Mandarin language programme.

To promote service excellence, we host annual contests for employees to showcase their skills, such as bartending, culinary, and card dealing. Winners are recognised with a service excellence award and cash incentives.

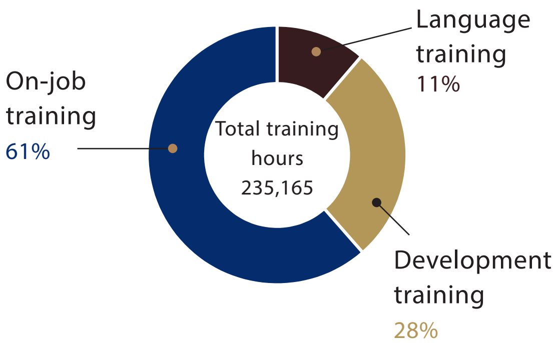
We have a clearly defined framework that serves as a foundation and guide for competency development in NagaWorld. The framework was further refined to include competency in corporate and support services. To encourage continuous development, we provide financial supports, such as sponsorship, and study leave, for employees in managerial positions who would like to pursue further education and professional qualifications.

In 2019, the Group recorded 71,588 (2018: 68,298) training interventions for a total of 235,165 (2018: 493,500) training hours. This represented that each of our employee received an average of 27.3 hours of training during the Year. The higher number of training hours in 2018 was primarily because of a two year service improvement programme that was completed at the end of 2018.

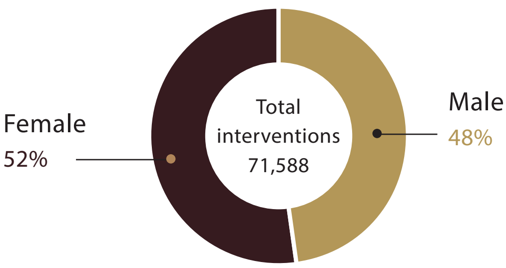
Number of interventions



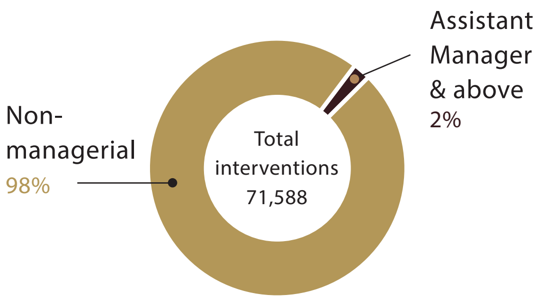
Number of training hours



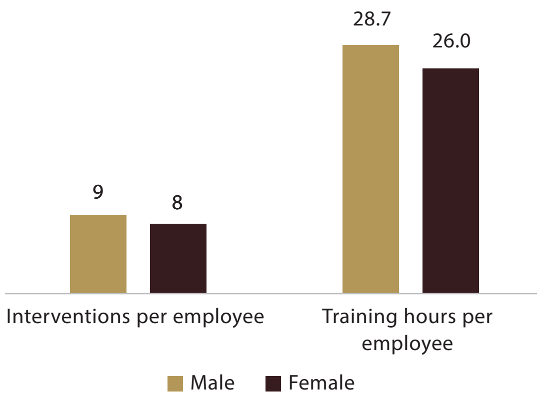
Number of interventions by gender



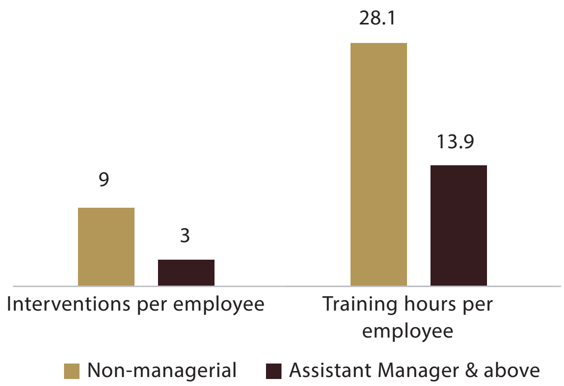
Number of interventions by seniority



Average interventions and training hours by gender



Average interventions and training hours by seniority

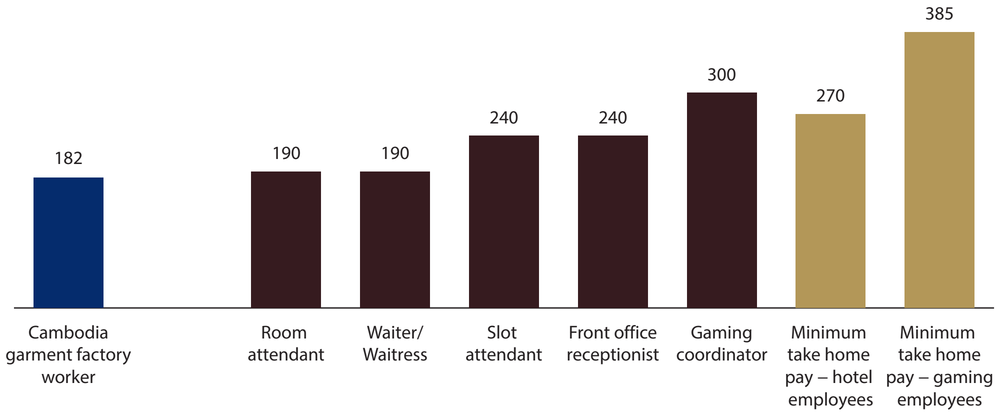


We continue our commitment to developing local talent through a succession plan that focuses on "local first", promoting local employees where and when possible to management positions. As at 31 December 2019, local employees represented 42% of all managerial positions at NagaWorld (31 December 2018: 40%).

Compensation and benefits

We continue to provide competitive compensation and benefits to attract, motivate and retain talented people, and we regularly benchmark them against local, regional and global industry standards.

Monthly starting wage comparison (US$)



Note: In 2019, the RGC set a monthly minimum wage of US$182 for those who work in the garment industry. It does not specify a national minimum wage.

The chart above provides a comparison of monthly starting wages received between garment factory workers in Cambodia and entry-level employees in NagaWorld. Including service charge, tips and allowance, the lowest monthly take home pay for the Group's entry-level hotel and casino employees are US$270 and US$385, respectively. We believe that our salary offer is one of the best and if not the highest in Cambodia. Furthermore, our employees are required to work 12.5% fewer hours per week than employees at other comparably sized consumer service or lodging companies in Cambodia. Salary increases are being planned for January 2020 which will increase the aforementioned starting wages to well above the local market rates.

In addition to our high pay relative to other companies in Cambodia, employees are entitled to discretionary performance bonuses ranging from 1 to 1.5 times of their monthly salary based on the achievement of business objectives and completion of key priorities and milestones. We also offer generous benefits designed to improve the quality of life for our employees. These include:

- incremental 1.5 days of paid annual leave for every month of service rendered. Annual leave pay increases based on length of service;
- other paid leave entitlements including sick leave, maternity, paternity leave and marriage leave;

- free medical care through a dedicated in-house clinic. Given the relatively high medical costs in Cambodia, many of our employees take advantage of this service. In 2019, 6,507 employees used the clinic, making a total number of 60,637 visits to the facility;

- free laundry and dry cleaning services for work attire;

- health insurance;

- 300% pay for working on public holidays, well above the statutory requirement of 200%;

- attendance bonus of US$200 per annum;

- monthly language incentive up to US$100.

In recognising the impact of rising cost of living in Phnom Penh, we launched two new initiatives in 2019 to support our employees, helping to lower their living expenses.

- **Nagamart** – opened on 16 October 2019, Nagamart is a not-for-profit market place where our employees can purchase daily staple, such as rice and cooking oil, and household goods at cost online or at an in-house retail shop. NagaWorld employees can also enjoy discount and free membership with a number of NagaWorld's retail partners. 4,271 employees have so far taken advantage of this service. Within the two and half months from launch to 31 December 2019, our employees bought 1,541kg of sugar, 545kg of rice and 888 litres of cooking oil through Nagamart.

- **Unlimited free meal allowance** – since August 2019, NagaWorld employees, irrespective of on or off duty, can enjoy unlimited free meals in any of the Group's canteen throughout the day. In the five months after launch, the Group provided on average over 320,000 free meals to its employees each month, costing the Group more than US$3.5 million during the period.

The Company has adopted a share option scheme on 20 April 2016 for the purpose of providing incentive or reward to the eligible participants for their contribution to, and continuing efforts to promote the interest of the Group. The Board may, at its discretion, invite employees of the Group including directors of any company in the Group, to take up options to subscribe for Shares subject to the terms and condition of such scheme.

Employee engagement

Employee engagement is paramount to our success – happy employees lead to happy customers. We strive to maintain a healthy relationships with our employees and industrial union through open two-way communication that advocates feedback and constructive suggestions.

As required by Cambodian Labour Law, employees are represented by elected Shop Stewards and all employees are free to join or form a union. The Labour Rights Supported Union of Khmer Employees of NagaWorld ("LRSUKE" or the "Union") is an independent internal union, and represented 50.4% of employees as of 31 December 2019. On 25 April 2018, the LRSUKE renewed its registered mandate with the Ministry of Labour for a further four years.

The roles of Shop Stewards are to:

- present to the employer any individual or collective grievances;
- inform the Labour Inspector of complaints and criticism relating to enforcement of the labour legislation and labour regulations;
- ensure the enforcement of the provisions relating to occupational safety and health administration ("OSHA"); and
- suggest useful measures that would contribute to protecting the health and improving the safety and working conditions of employees.

The law requires that Shop Stewards must be consulted on drafting and modification of internal regulations and must also be consulted on any planned measures for lay-offs due to a reduction in activities or internal reorganisation.

The Shop Stewards Election for the 2018-2020 mandate was held in August 2018 in the presence of representatives from the Ministry of Labour, the Union and the Group's Human Resources ("Group HR") department. With the endorsement of the Ministry of Labour, 87 Official Shop Stewards and 43 Assistant Shop Stewards were appointed from 130 employee-elected candidates.

As of 31 December 2019, there were 114 active Shop Stewards comprised of 84 Official Shop Stewards and 30 Assistant Shop Stewards. Of these 114 Shop Stewards, 76% were members of the Union.

Apart from the election, the Company also facilitated Shop Steward conferences on a monthly basis. Representatives from management and Group HR attend the conferences to provide various updates and address employee related issues, which can be grouped into four key areas: 1) employee welfare; 2) internal rules; 3) OSHA; and 4) working conditions. In addition to the monthly conferences, ad-hoc meetings are held with Shop Stewards to address employee concerns. During the Year, the Company facilitated ten Shop Steward conferences. The Company also coordinated discussions amongst the Union representatives, senior management, departments and other employees.

We also engage with our employees through various rewards and recognition, such as the Employee of the Month and Honesty Award. Employees who have served the Company for a long period are recognised with a long service award.

Fostering a responsible culture

Health and safety

We are committed to providing a healthy, hazard free and safe environment for our employees, guests, visitors, suppliers and contractors. To achieve this, we have implemented a systematic approach to identify and assess health and safety risks and to allocate appropriate resources to manage those risks. We maintain an effective communication system on OSHA and continuously monitor and review our performance. NagaWorld is in compliance with all relevant laws and regulations on health and safety.

Since 2017, we have been reviewing all our OSHA policies and operating procedures, developing a management approach that is in line with the International Labour Organisation. Each manager is accountable for achieving their OSHA objectives. An OSHA committee, consisting of representatives from key departments, meets regularly. Awareness training is provided to all employees, and safety standards of daily operations are monitored and maintained. As a result, work related lost time injury ("LTI") and the LTI frequency rate ("LTIFR") were much lower in 2019 than in the previous two years. Work related lost time injury is defined as an injury or illness caused, contributed or significantly aggravated by events or exposures in the work environment. At NagaWorld, such injuries occur more often in the kitchen, such as burns and cuts, or slips.

There was no work-related fatality in NagaCorp and its subsidiaries in 2019.

Lost time injury (work-related)	2017	2018	2019
Number of injuries	25	45	16
Man-hours ('000)	60,132	111,005	104,944
LTIFR	**0.41**	**0.41**	**0.15**
Lost days due to work-related injuries	**Not available**	**Not available**	**140**

Notes:

(1) LTIFR = number of LTI x 1,000,000/total man-hours.

(2) "Lost days from work related injuries" was a new measure in 2019. There was no comparable data for 2017 and 2018.

Supply chain management

Our suppliers are our business partners and we aim to maintain a long term relationship with them to continuously improve the quality of products and services we offer.

All our suppliers must meet the requirements of NagaWorld's standards. This is monitored on a regular basis through factory visits and engagement programmes. Through these programmes, we ensure the quality of the products we receive and also help our suppliers to improve their processes and standards.

Our sustainability policy is fully embedded in our supply chain management. To reduce our environmental footprint and support the Cambodian economy, we prioritise local suppliers where possible. Over the years, we have built a strong local supply chain which also gives us greater control and flexibility, as well as cost benefits. In 2019, 84% of our 643 frequent suppliers were based in Cambodia and the rest were located in neighbouring countries such as Thailand and Vietnam, or in the Asia Pacific region.

We continue to work with our suppliers and partners to ensure that products and raw materials are from sustainable sources. For example, all paper in our hotel rooms are certified by Forest Stewardship Council (FSC) and Programme for Endorsement of Forest Certification (PEFC).

We also work tirelessly to ensure all our suppliers and partners are fully compliant with Cambodia Labour Law. During the Year, we developed an engagement programme that helps to increase awareness about child labour among our suppliers, and ensure that they adhere to our No Child Labour policy.

Product responsibility

Being a service business, NagaWorld does not produce any physical products other than the food and beverage prepared for our F&B outlets. Policies and standards are in place to ensure these products and our services meet quality standards. NagaWorld is in compliance with all relevant laws and regulations relating to OSHA, advertising, labelling and privacy matters. We seek to continuously improve our standards.

Food safety

We take food safety very seriously and abide by relevant local and international standards and regulations.

We aim to serve food prepared to the highest standards, using only the best quality products and ingredients. We believe NagaWorld is one of the leading hotels in Cambodia in food safety and hygiene. To ensure best practices, we have developed a common set of operating standards and behaviours which is implemented in all our kitchens and F&B outlets. We also provide employees all necessary information, training and tools that enable them to do their job effectively and with good hygiene practices. Food quality and safety standards are consistently monitored and measured to ensure our customers enjoy an epicurean dining experience in the safest possible way.

The Ministry of Health of Cambodia conducts regular audits of F&B outlets. All restaurants in the NagaWorld Complex have been certified with an “A” rating that recognises the highest level of hygiene and cleanliness.

Fire safety

The safety of our guests and employees is paramount. NagaWorld has an in-house fire safety department ("FSD") that is managed by a team of experienced fire fighters and fire safety professionals who are specialised in different fields of emergency response and management. With 64 fire fighters and 15 officers, the team operates 24 hours a day, seven days a week to ensure around the clock emergency assistance and support.

Since 2012, all members of the FSD have completed and passed the NFPA (National Fire Protection Association) 1001 International Standard Training – a fire fighter professional qualification. All our fire fighters are also trained and certified by the Cambodian Red Cross in First-Aid and International SOS in administering medical oxygen and automated external defibrillator ("AED").

To raise fire safety awareness and ensure correct procedures are followed during an emergency, we have developed training programmes to teach employees how to use fire extinguishers and evacuate safely. Fire training and drills are conducted regularly in order to develop a safety first behaviour and culture among our employees. In 2019, 1,813 employees were trained on fire safety in a total of 2,486 hours.

As part of the CSR programmes, we have partnered with the Ministry of Education, Youth and Sports to deliver fire safety classes to raise fire safety awareness amongst school children and local communities. We also donate fire extinguishers to selected secondary and high schools.

Customer engagement

We strive to provide top quality experience and services to all our customers during their stay. We value customer feedback which provides a valuable information for our continuous improvement.

We engage with our customers through various channels, such as website, social media and loyalty programme. In addition to the conventional face to face engagement, customers are also encouraged to connect with us on social media, e.g. Facebook and Weibo, and through messaging apps, e.g. WeChat and WhatsApp. These digital platforms provide a direct channel for us to engage with our customers, dealing with issues and gathering feedback instantly. The Premier Club loyalty programme has also helped us to understand our customers' needs and preferences better, leading to higher customer satisfaction.

Privacy and data protection

We collect personal information of our hotel guests and members of the loyalty programme. This information is managed and securely stored in a central location, and used for marketing and promotion purposes only. All of these are done with customers' consent.

A multi-level control system is in place to ensure safe and secure transfer and storage of our customers' data electronically. Standard operating procedures must be followed in regards with handling sensitive information such as personal data, which is implemented and monitored on a departmental level.

Maintaining effective governance

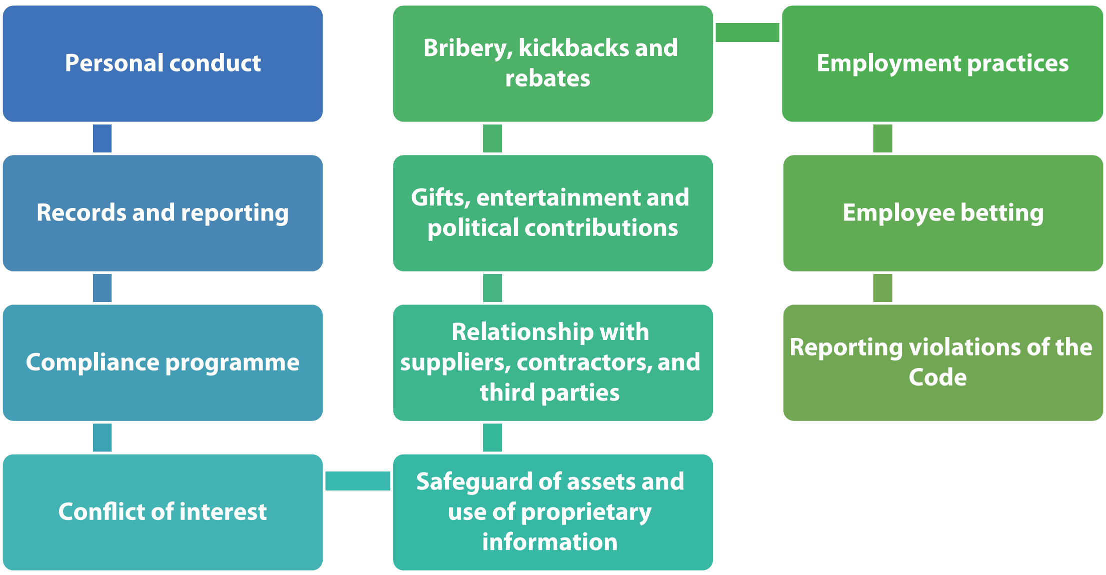
We are committed to maintaining high ethical standards, conducting our business with integrity, honesty and transparency to maintain the trust and confidence of our customers, employees, business partners and other stakeholders. It is our belief that good corporate governance and ethical processes provide an established framework to operate efficiently and provide first-rate risk management.

In June 2019 at the 9th Asian Excellence Awards organised by Corporate Governance Asia, NagaCorp was presented three awards – Asia's Best CEO (Investor Relations), Best Investor Relations Company, and Best Investor Relations Professional. This is an endorsement for our honest and transparent approach in communicating with Shareholders and investors, which is underpinned by our devotion to adopting and complying with the best international standards and practices in corporate governance matters.

Code of conduct

We have a clear set of standards and principles that are incorporated in the Company's Code of Conduct (the "Code"). The Code governs how all employees must behave and provides guidance for daily interactions with fellow employees, customers, suppliers, government officials and business partners. It outlines NagaCorp's expectations on employees with regard to conflicts of interests and encourages employees to report any malpractice and misconduct. The Code sets out our principles in the following 11 areas.

NagaCorp Code of Conduct



We have also devised and benchmarked our policies and procedures to ensure compliance with all relevant laws and regulations with respect to anti-corruption, anti-money laundering ("AML"), extortion, fraud and combatting terrorist financing. These policies are, in our view, industry leading. All employees are required to comply with all policies and the Code.

Anti-corruption

NagaCorp has a zero-tolerance policy with regards to involvement in corruption or bribery activities of any kind. An anti-corruption handbook is made available to all employees.

The Code lays out the legal and ethical responsibilities of, and the expected behaviour of our employees. It explicitly prohibits employees from soliciting, accepting, or offering bribes or any other form of advantage. In keeping with best practice, NagaCorp has also developed and implemented an Anti-corruption Policy which reinforces the Code and provides additional guidance regarding compliance with laws and regulations related to bribery and corruption. Both the Code and the Anti-corruption Policy play a critical role in defining our values and act as framework in guiding our operations and business practices.

Sustainability Report

"Cambodia's largest casino has implemented customer due diligence and record-keeping policies to mitigate its money laundering/terrorist financing risks, in line with the requirements of the Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Law and the Prakas on AML and CFT relating to all reporting entities not regulated by the National Bank of Cambodia."

APG Anti-money laundering and counterterrorist financing measures (Cambodia) mutual evaluation report, September 2017

NagaCorp is in compliance with the best international standards and practices in dealing with anti-corruption and anti-bribery issues which include, but are not limited to, Cambodian law, the Listing Rules, Guidelines published by the Organization for Economic Cooperation and Development, the United Nations Convention Against Corruption and the principles supporting the Foreign Corrupt Practices Act.

In consideration of NagaCorp's primary business as a gaming operator, which entails particular sensitivity to the risks of unsuitable associations and the need to fully comply with legal and regulatory requirements, diligence is required to avoid impropriety and the appearance of impropriety by employees engaged in business dealings. NagaCorp has developed a Compliance Programme to structure a process to review and report on certain areas of business activities and to identify the suitability of individuals and organisations to engage in joint business endeavours with NagaCorp.

During 2019, no legal case regarding corruption was brought against the Company or its employees.

Anti-money laundering

NagaCorp's long term sustainability and success is dependent on its integrity and transparency in its daily gaming operations in relation to world best practices on AML. The Board reviews and assesses the adequacy and effectiveness of the Group's internal control system on AML through the AML Oversight Committee and the reports made by an AML specialist firm. The AML Oversight Committee formulates policies and strategies on AML development and implementation programmes, ensures quality control and oversees AML matters.

In order to ensure that we maintain a high standard for compliance and integrity on AML, we have established a programme designed to protect our reputation and mitigate AML risks. The programme is underpinned by a four-tier AML control structure comprising:

Management Committee	Led by our Compliance Officer and supported by senior managers from various key operational departments, tasked with ensure compliance in day to day operations
Periodical Internal Audits	6-months internal audit of all relevant AML / anti-corruption matters
Board Oversight Committee	Quarterly board review to review the work and reports of the AML Management Committee and Internal Audit
Regular Review by External Auditor	Biannual external audit by AML specialist

We follow best practices and impose strict rules on AML controls in daily operations. A currency transaction report ("CTR") is filed for each transaction with the total amount exceeding US$5,000. CTRs for all transactions over US$10,000 and Suspicious Transaction Reports ("STRs") are submitted online to the Cambodian Financial Intelligence Unit ("CAFIU"). We believe NagaCorp is the first and the only Cambodian company that makes CTRs and STR filing electronically since the system was in place in July 2018. We also provide an AML Procedure Manual, available in both Khmer and English, to employees as guidance for dealing with money laundering matters in daily operations.

All new employees are required to undertake AML training before they start. The training ranges from how to identify fraudulent banknotes and IDs to fill out CTR and STR forms. In 2019, 1,201 employees underwent AML training with a total of 1,201 hours. From 2020, all employees will have to partake in a refresher training once a year.

We comply with the Financial Action Task Force ("FATF") recommendations. To further strengthen our AML practices, we appointed a dedicated ACAMS (Association of Certified Anti-Money Laundering Specialists) certified AML compliance officer in June 2019 to oversee all AML related compliances and reporting.

An AML specialist firm conducts a bi-annual review of our AML controls and produces reports for the Board to assess the adequacy and effectiveness of the Company's internal control system. The review includes site visits, as well as research work and external consultation. The review for the Year found that the Group to be in full compliance with all national and international laws and regulations on AML. A copy of the independent review report can be found on pages 106 to 108 of this annual report.

To the best of the knowledge, information and belief of the directors of the Company (the "Directors"), neither NagaCorp nor any of its employees is subject to any actual, pending or threatened cases regarding any corrupt practice or any allegation of corrupt practice during the Year.

Sustainability Report

Risk management

Sound risk management and internal control systems are vital to the achievement of the Group's strategic objectives. NagaCorp has an established risk framework under which it identifies risks relevant to the Group's operations and activities, and assesses risks in relation to their likelihood and potential impacts. Under the framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems. The Board and the Audit Committee oversee the implementation and monitor the effectiveness of these systems and to safeguard the Group's assets.

Our internal audit department conducts routine testing and an annual audit, during which the Audit Committee reviews the risk management and internal control system for the Year. The review includes, but is not limited to, financial, operational and compliance controls.

Our primary operations are located in Cambodia. To support the Board in assessing the investment risks in the country, the Company has commissioned an annual independent review to assess the political, social, investment and macro-economic risks associated with Cambodia. In the most recent review conducted by Political and Economic Risk Consultancy, Ltd. ("PERC") in January 2020, Cambodia was given a socio-political risk rating of 5.56 (of rating of 10 the highest risk). It has reduced from the prior year's rating of 5.58, and is on par with other Asian developing countries such as the Philippines (5.57), Thailand (4.83) and Indonesia (5.59). The full review can be found on pages 102 to 105 of this annual report.

Supporting our community

Cambodia has undergone a significant transition over the past two decades. Driven by garment exports and tourism, the Kingdom's economy has sustained an average 8% growth between 1998 and 2018, making it one of the fastest growing economies in the world.

NagaWorld was one of the very first foreign invested private companies in the Kingdom following the restoration of the constitutional monarchy after more than two decades of wars and depredation. We see ourselves as part of the fabric of the Cambodian community and believe we only thrive as the country prospers. In the past 25 years, NagaWorld has supported the development of Cambodia, including promoting tourism alongside the Ministry of Tourism and sharing best practices with government and business communities. Today, as one of Cambodia's largest private sector employers and economic contributors, NagaWorld has an important role to play in the well-being of the people whose lives we touch upon and of the community in which we operate.

In 2019, our comprehensive suite of corporate social responsibility ("CSR") initiatives – 'Nation Building Through NagaWorld in Cambodia' – was awarded a Silver Stevie Award at the prestigious International Business Awards held in Austria. The Stevie Award marks yet another milestone for our CSR initiatives after being recognised for the second consecutive year at the Global CSR Awards in Malaysia and at the Asia Responsible Enterprise Awards in Taiwan. Further details of the programmes can be found in the NagaWorld Kind Hearts section on pages 61 to 68.

Silver Stevie® Award at the 16th Annual International Business Awards for our comprehensive 'Nation Building Through NagaWorld in Cambodia' programme which encompasses a suite of CSR initiatives including education enhancement, community engagement, sports development and environmental care.

Comments from the Stevie Awards judges: *"An inspiring campaign that gauged the aspiration of the community well, and crafted a programme that resonates with the people."*

"Very complete initiative. Congratulations for such a long scarf!"

"NagaWorld's Nation Building approach uniquely combines education, community engagement, sports development and environmental care with employee engagement/ corporate contributions. The comprehensive attachments provides effective descriptions, metrics and support for these efforts."

Naga Academy

A fast growing and more diversifying economy requires an educated and skilled workforce. Cambodia has a young population with nearly 50% of the population under 24 years old. Most of them lack the necessary skills or training to participate in the formal economy. In order to maintain a sustainable source of talent and skilled workforce to meet the demand of the fast-growing hospitality industry, we created Naga Academy.

Founded in 2012, Naga Academy is a vocational education institute that provides comprehensive training for under- and unemployed youth looking to work in the hospitality sector. It is an important part of NagaWorld's corporate social responsibility programmes.

We work closely with NGOs and 14 universities and vocational schools on the selection process to identify and ensure good quality candidates. Since 2012, Naga Academy has trained 2,821 graduates and around 30% of the graduates have found permanent employment with NagaWorld.

In 2016, Naga Academy was certified by Cambodia's Ministry of Tourism to deliver the ASEAN Mutual Recognition Arrangement for Tourism Professionals (MRA-TP).

In 2019, 55 interns graduated with apprenticeship based vocational programmes of three months or longer duration, with a total of 36,555 hours of on job training, or on average 665 hours per intern.

NagaWorld Kind Hearts

Founded in 2014, NagaWorld Kind Hearts is a grassroots initiative with long-term contributions whereby our employees volunteer their personal time and energy towards the betterment of communities in Cambodia. Since inception till the end of 2019, NagaWorld Kind Hearts has conducted 522 such activities, benefiting 229,805 Cambodians. Charitable donations made by the Group during the Year totaled US$3.1 million, up 163% from US$1.2 million in 2018.

At the 11th Annual Global CSR Summit and Awards held in Malaysia, NagaWorld Kind Hearts was awarded the "Best Country Award for Overall CSR Excellence – Best in Cambodia" for the second consecutive year. In addition, NagaWorld Kind Hearts' comprehensive CSR initiatives under 'Nation Building Through NagaWorld in Cambodia' was given the prestigious Silver Stevie Award in November 2019 for driving transformative changes in communities across the country. Regarded as the world's most-coveted accolade in industry and equivalent to Oscars for business performance and social impact, the award was another endorsement of our continuous efforts on improving the social, environmental and economic aspects of the country as well as its people's life. The award NagaWorld won was in the CSR Programme of the Year in Asia, Australia, and New Zealand category.

Best Country Award for Overall CSR Excellence 2019 – Best in Cambodia by the 11th Annual Global CSR Summit and Awards.

"Since inception in 1995, contributing to society, doing charity and helping nation building have always been synonymous with the way NagaCorp carries out its business in Cambodia. Through private and public sector participation programmes, NagaCorp's community, environmental, and national care encompass a wide sphere of activities from education, sports development, human resources development, promoting tourism, contributing to charitable causes, sustainability, green initiatives and benchmarking international industry best practices by adhering to global corporate governance programs."

NagaCorp Founder,
Tan Sri Datuk Dr Chen Lip Keong

In 2019 we continued to deliver nation building initiatives grouped under four pillars: education enhancement, community engagement, sports development, and environmental care.

Education Enhancement

We believe that investing in education is investing in the future of a nation. A population with full quality education and good health will raise a country's productivity as well as improve social mobility. However, for the two million people still living below the national poverty line these things are hard to come by. We support underprivileged children and youth in Cambodia through material and financial aid, in addition to the time and resources donated by our employees.

In collaboration with Cambodia Outreach, an NGO, we launched the Children@Risk programme in 2018. The programme aims to bring hope and opportunities to ten underprivileged children and orphans by supporting them and their families until they graduate from high school. Now two years into the programme, the students, who were previously lagging behind, have all achieved astounding results, with five of them emerging in top five of their classes and the remaining achieving top ten.

To support schools in rural areas, we launched the school outreach programme in 2014. With five years of history and investment, the programme is still going strong in supporting the educational needs of over 229,000 students. During the Year, we distributed much needed study materials, including 8,505 school bags, 173,105 books, 59,350 pens and 6,616 pencils, to 24,124 children in 60 primary schools. Over 236 NagaWorld Kind Hearts volunteers contributed almost 3,040 hours of their personal time to the programme. They also organised competitions to help the children improve their language skills.

In order to raise fire safety awareness amongst school children and local communities, we have partnered with the Ministry of Education, Youth and Sports to deliver fire safety classes and donate fire extinguishers to selected secondary and high schools, benefitting 3,086 children in total.

Community Engagement

We work closely with local and international NGOs on a number of programmes to help those in need, with a special focus on underprivileged children and youth.

In 2019, in conjunction with local NGO Teen Challenge Cambodia we launched a one-year residential programme called 'Teen Challenge Project'. In line with Cambodian government's objectives to promote higher education and vocational training, the programme intends to help those teenagers whose lives are ravaged by drugs and alcohol to reintegrate into society. NagaWorld is providing financial support to six teenagers who are going through rehabilitation and vocational skill training that will enable them to find employment or to create their own businesses.

Being computer literate means a better life and employment prospects in today's increasingly digitalised world. To enable children in rural areas to learn how to use a computer, we donated 45 desktop computers along with training course manuals to five selected NGOs which deliver the hardware and lessons to the communities most in need.

Relationship with Cambodian Red Cross

The Cambodian Red Cross is the largest NGO in Cambodia and is officially recognised by the Cambodian Government as the primary auxiliary for humanitarian services throughout the country. Apart from contributing in nation building, NagaWorld has been a long-standing contributor to the Cambodian Red Cross – giving back to the community and working toward building Cambodia's social welfare.

Since 2017, NagaWorld Kind Hearts has been celebrating Khmer New Year with the underprivileged. In 2019, 32 Kind Hearts volunteers brought festive joy to 120 underprivileged children, including orphans from two local NGOs, with gifts donated by NagaWorld employees. The volunteers spent time with them and played Khmer traditional games.

In 2019, NagaWorld Kind Hearts brought 760 underprivileged children from different NGOs and communities in Phnom Penh to enjoy a live show at the NABA Theatre in Naga 2. The theatre is equipped with state-of-the-art 3D video mapping projection technology, a first in Cambodia. The initiative is intended to encourage the children to pursue studies in art.

Sports Development

NagaCorp believes that participation in sports develops character, fosters teamwork and leadership and helps to revitalize the young and the disadvantaged in a sustainable way. NagaCorp continues to support Cambodian sports through partnership with the National Olympic Committee of Cambodia ("NOCC") and also through continuing support of both grassroots and international events. In addition to the US$2.0 million donation to the Union of Youth Federation of Cambodia ("UYFC") to support youth empowerment through sports, NagaCorp invested US$0.7 million in sports development alone in 2019 (2018: US$0.5 million).

Empowering sports

NagaWorld is the longest corporate supporter of Cambodian athletes, having been the first company sign a sponsorship agreement to support the Cambodian contingent for the 2011 SEA Games in Indonesia, the 2012 Olympic Games in London and the 2016 Olympic Games in Rio de Janeiro.

In 2015 we signed a four year partnership agreement with the NOCC to honour Cambodian athletes' success at major international sporting events. In early 2019, the agreement was extended for another four years to cover major sporting events including the SEA Games and ASEAN Para Games in 2020 and 2021, the 2020 Summer Olympics and Paralympics in Tokyo, the 2020 Asian Beach Games in Sanya, the 2022 Asian Games in Hangzhou and the 2022 Summer Youth Olympics in Dakar.

At the 2019 SEA Games held in the Philippines, NagaWorld again provided off-field attire for the entire Cambodian delegation. In addition, NagaWorld rewarded Cambodian gold medalists with cash incentives ranging from US$6,000 to US$10,000, doubling the rewards for the previous SEA Games. In total, the Group made US$36,000 cash awards to the Cambodian gold medalists and their coaches in 2019. NagaWorld presented the medalists and their coaches cash rewards in a ceremony held at NagaCity Walk on 16 December 2019, which was witnessed by His Excellency Dr Thong Khon, Minister of Tourism and President of the NOCC.

NagaWorld Football Club

Football is the most popular sport in Cambodia. NagaWorld Football Club ("NagaWorld FC") is one of the founding clubs of the Cambodia Premier League, which started in 2005, and also one of the best known clubs in the country.

Sustainability Report

As the reigning champion of the Cambodia Football League, NagaWorld Football Club competed in the international football tournament – the AFC Cup – organised by the Asian Football Confederation for the first time in 2019, which provided an international exposure to the NagaWorld brand.

Sports is a key pillar in NagaWorld Kind Hearts' programmes. As such, NagaWorld Kind Hearts and NagaWorld FC continue to use football to reach out to Cambodia communities to encourage a healthier nation through sports.

In November 2018, NagaWorld Kind Hearts, working with NagaWorld FC coaches, launched a two-year Football Development Programme. The programme will see 120 sports teachers from all 94 secondary and high schools across Kampong Speu province trained in professional coaching techniques, as well as the donation of sports equipment to enhance their school team training sessions. All teachers who completed the training will receive an official Coaching Certificate issued by the Football Federation of Cambodia ("FFC"). The programme stands to benefit more than 18,500 students, with football tournaments organised regularly to improve their skills and identify promising young talents for the national team.

Our Football Development Programme in Kampong Speu won the Asia Responsible Enterprise Award 2019 for Social Empowerment, a first win for Cambodia. It was awarded a Bronze Stevie® at the International Business Awards held in Austria in November 2019.

Comments from the Stevie Awards judges:

"This is a great social responsibility program. And it is fantastic that employees are so involved. Social and environmental painted well for education and awareness. Well documented output data."

"Impressive nation-wide projects with many features: donations; volunteers; planning; success metrics; future goals; and part of a laudable broader overall CSR program."

"Wide range of activities and good coverage – a solid, yet traditional campaign."

"It is an amazing CSR program. Moreover, it has impact not only for employees but for other people too and solves social problems."

To show continued support towards youth empowerment and sports development, NagaWorld donated US$2 million in November 2019 to the UYFC which has collaborated with NagaWorld Kind Hearts on a number of youth-centric initiatives, including the aforementioned Football Development Programme in Kampong Speu province.

Environmental Care

Through a collaboration with NGO Plastic Free Cambodia (also known as Plastic Free Southeast Asia), NagaWorld Kind Hearts organised an environmental sustainability workshop in August 2019. Its aim was to raise awareness of environmental damages from single-use plastic and to share best practices in reducing plastic waste with other workshop attendees. The workshop was attended by 75 NagaWorld employees and the principals from 28 high schools in Phnom Penh. NagaWorld employees who attended the workshop, referred to as the Green Ambassadors, are encouraged to share what they have learned with their families and friends, as well as school children through the 'School Outreach Programme'. Our Green Ambassadors visited 55 primary schools across 11 provinces through the programme in the past year, passing environmental messages to more than 12,500 school teachers and children.

Our effort to reduce plastic waste continues with the launch of the 'No Plastic Straws, Please!' campaign across the NagaWorld complex in January 2019. Through this campaign NagaWorld reduced the usage of and waste from around four million plastic straws in 2019 and replaced all single-use plastic straws, cutlery and containers with biodegradable and recyclable alternatives.

To support the global civic movement of combating solid waste, NagaWorld Kind Hearts teamed up with GoGreen Cambodia, a local social volunteering group, to launch a 'NagaWorld Cleanup Day' in Kampong Thom province in December 2019. The initiative saw more than 537 volunteers, including 57 NagaWorld employees, removing a total of 492 kilograms of rubbish from the streets of Baray and Stoung districts in Kampong Thom province. Two workshops were held at the same time to teach students about waste separation and reduction. NagaWorld Kind Hearts also provided recycling bin signage at the Kon Slaprea, Cambodia's largest food festival to promote sustainable waste management and to educate the general public about the 5R's – Refuse, Reduce, Reuse/ Replace, Recycle and Remind.

In collaboration with the Ministry of Environment and the Ministry of Education, Youth and Sport, NagaWorld Kind Hearts launched the 'Green Cambodia: Environmental Awareness & Tree Planting' programme in December 2018. During the Year, NagaWorld Kind Hearts conducted an Environmental Care Seminar for all students of selected schools to raise awareness on environmental conservation. 1,000 trees will be planted in the selected schools through the programme. NagaWorld has planted over 3,300 trees since 2014.

NagaWorld has supported the WWF Earth Hour every year since 2016 to help spread awareness on climate change and energy conservation. Earth Hour began in Australia in 2007 and reached Cambodia in 2012. It has grown to engage more than 162 countries and territories worldwide, and has achieved a massive impact, including legislative changes by harnessing the power of the crowd. Power-down initiatives at NagaWorld on 30 March 2019 saved an estimated 600kWh of electricity, equivalent to an average Cambodian household's annual electricity consumption.

HKEX ESG Reporting Guide Index

A. Environmental

Name	Description	Page, reference and additional comment
A1. Emissions		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 37, 39, 40, 42, 43 We aim to meet international standards and adopt best practices regarding environmental protection and natural resources management wherever possible. In situations where such matters are beyond our control, such as the lack of recycling facilities in the country, we work with our partners to find appropriate solutions.
KPI A1.1	The types of emissions and respective emissions data.	Page 40
KPI A1.2	GHG emissions in total (in tonnes) and where appropriate, intensity.	Page 41 Energy consumption and emissions table.
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity.	Page 42 As a service business, we do not produce material amount of hazardous waste, nor any waste relating to product packaging.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	Page 43
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Pages 39, 41 Our primary source of emissions is energy. Reducing energy consumption helps to lower emissions. 15 energy saving initiatives were launched in 2018 and 13 were implemented in 2019.

Name	Description	Page, reference and additional comment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Pages 42, 43 As the amount of waste produced depends on business volume, which is affected by external factors, it is difficult to set internal targets on waste reduction. However, we have in place several measures to reduce waste e.g. the withdrawal of single-use plastic straws and replacement plastic take-away cutlery and containers with 100% biodegradable and recyclable alternatives.
A2. Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Pages 37, 39
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Pages 38, 41
KPI A2.2	Water consumption in total and intensity.	Page 40
KPI A2.3	Description of energy use efficiently initiatives and results achieved.	Page 39
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Pages 39, 40
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not applicable to NagaCorp as a service business.
A3. Environment & Natural Resources		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Page 37
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	There were no activities of significant impact on the environment and natural resources in 2019.

B. Social

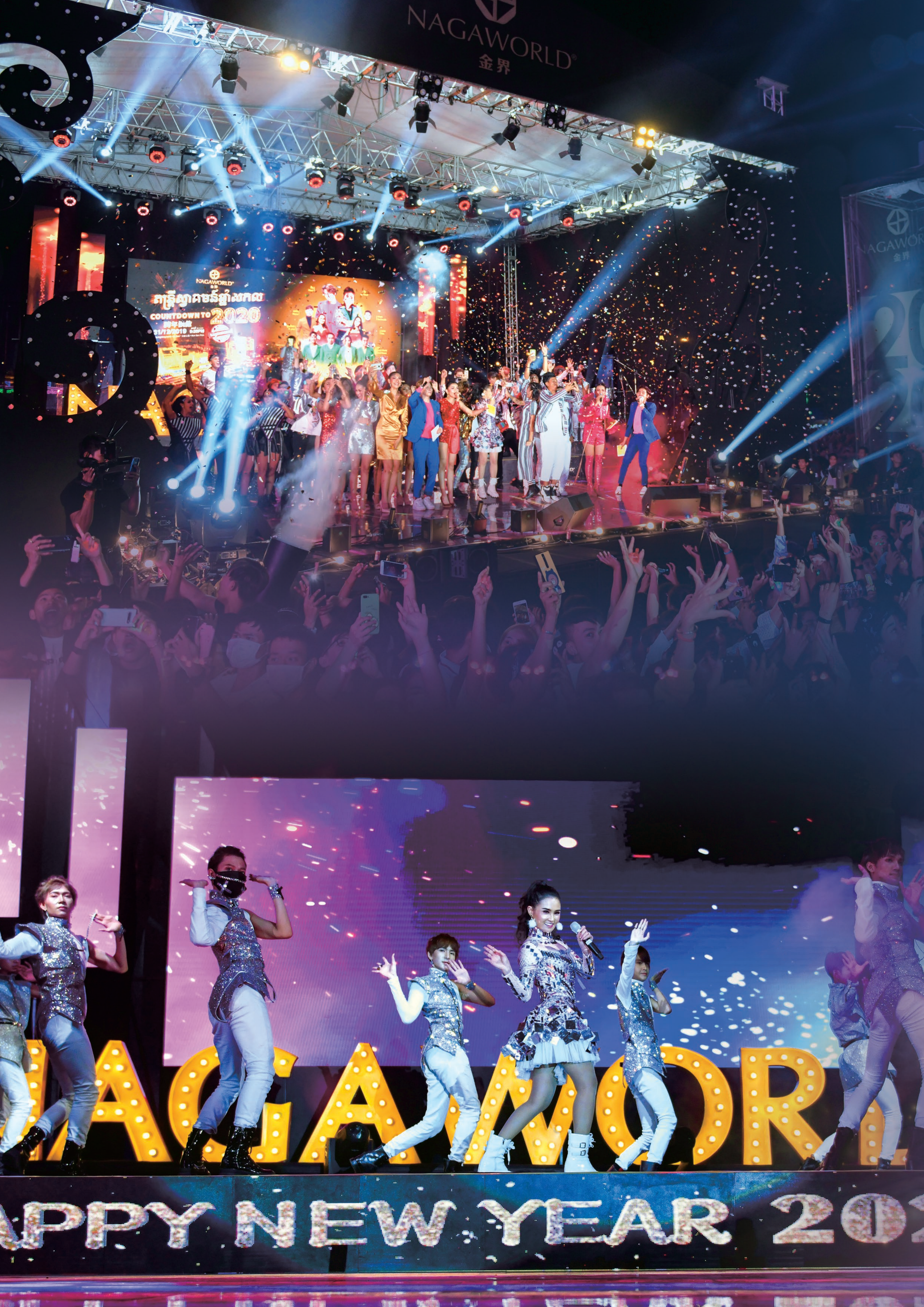
Name	Description	Page, reference and additional comment
B1. Employment		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 44
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 45 See charts.
KPI B1.2	Employee turnover rate by gender, age, group and geographical region.	Page 46 See charts.
B2. Health and Safety		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 44
KPI B2.1	Number of rate of work-related fatalities.	Page 53
KPI B2.2	Lost days due to work injury.	Page 53 See table. We started to record data on lost days due to work-related injuries since 2019, hence there is no comparable data in previous years.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 52

Name	Description	Page, reference and additional comment
B3. Development & Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 47, 48
KPI B3.1	The percentage of employees trained by gender and employee category.	Page 49 See charts.
KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 49 See charts.
B4. Labour Standards		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that a significant impact on the issuer relating to preventing child and forced labour.	Page 44
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Pages 44, 53, 54 Naga Corp complies with all relevant labour laws and regulations requirements in Cambodia, which are aligned with international standards, including matters such as prohibition of child and forced labour. We also work tirelessly to ensure all our suppliers and partners are fully compliant with Cambodian Labour Law. During the Year, we developed an engagement programme that helps to increase awareness about child labour among our suppliers, and ensure they adhere to our No Child Labour policy. This is monitored on a regular basis through factory visits and engagement programmes with our suppliers. To the Company's best knowledge, no case of child and/or labour was found in the Company's premises and its supply chain in 2019.

Name	Description	Page, reference and additional comment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	To the Company's best knowledge, no case of child and/or forced labour was found in the Company's premises and its supply chain in 2019.
B5. Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Pages 37, 53
KPI B5.1	Number of suppliers by geographical region.	Page 53
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Pages 53, 54 All our suppliers must meet the requirements of NagaWorld's standards to identify environmental and social risks. This is monitored on a regular basis through factory visits and engagement programmes. We also continue to work with our suppliers and partners to ensure that products and raw materials are from sustainable sources to identify the environmental risks. For example, all paper in our hotel rooms are certified by Forest Stewardship Council (FSC) and Programme for Endorsement of Forest Certification (PEFC). For social risk, please refer to the comments in ESG B4.

Name	Description	Page, reference and additional comment
B6. Product Responsibility		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 52, 54, 55, 56 Policies and compliance information are provided in each of the relevant sections.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to NagaCorp as a service business.
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	Not applicable to NagaCorp as a service business.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable to NagaCorp as a service business.
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable to NagaCorp as a service business.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 56
B7. Anti-Corruption		
General disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Pages 57, 58
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 58 During 2019, no prosecution, law suit or claim regarding corruption was brought against the Company or its employees.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Pages 57, 58

Name	Description	Page, reference and additional comment
B8. Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Pages 60, 61
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 61-68
KPI B8.2	Resources contributed to the focus area.	Pages 34, 61-68 We have a dedicated CSR team of 4 supporting the NagaWorld employee volunteering group NagaWorld Kind Hearts' initiatives relating to the four pillars of focus.


NAGAWORLD
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COUNTDOWN TO 2020


ពិធី
MEMORANDUM OF UNDERSTANDING SIGNING CEREMONY
STATIONERY SET DISTRIBUTION & FIRE SAFETY AWARENESS PROGRAMMES
PHNOM PENH, 1 JULY 2019
NAGAWORLD®
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Corporate Governance Report

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

Corporate Governance Practices

In the opinion of the Directors having considered, amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as discussed below), the Company has applied the principles of and complied with, all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code") during the Year.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Directors in respect of transactions in securities of the Company. Following specific enquiry by the Company of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the Year.

The Board

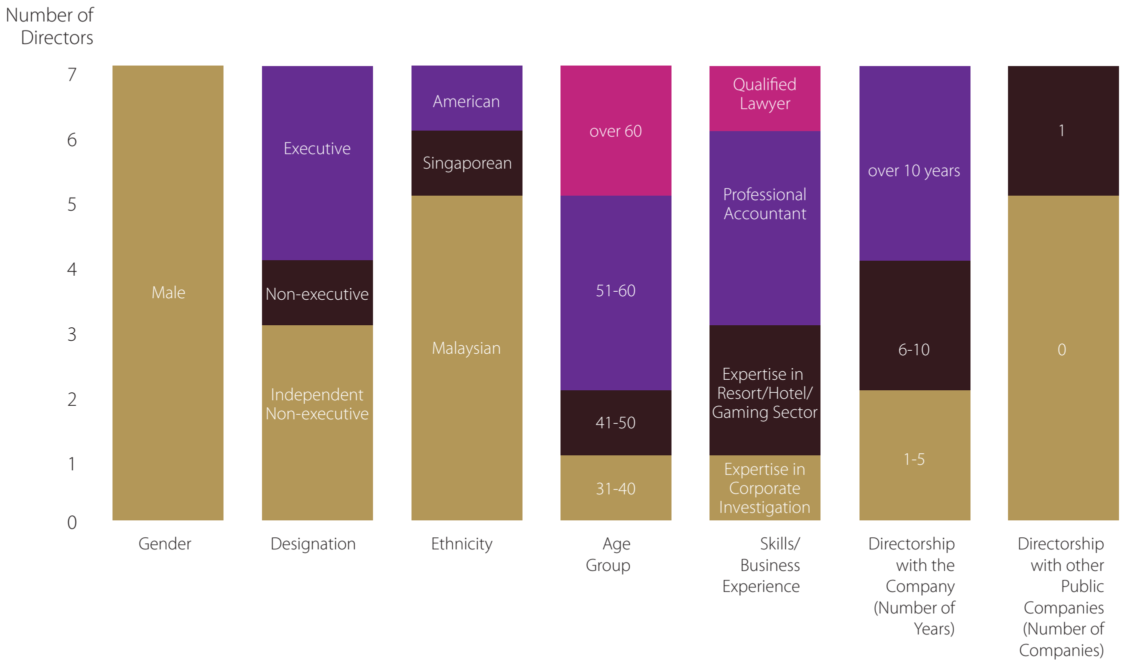
The Company has a Board with a balanced composition of executive and non-executive directors to provide for leadership, control and management of the Company's business and affairs. The Board is committed to making decisions objectively in the interests of the Company.

The Board currently consists of three executive Directors, namely Tan Sri Dr Chen Lip Keong (chief executive officer), Mr. Philip Lee Wai Tuck (executive deputy chairman) and Mr. Chen Yiy Fon; one non-executive Director, namely Mr. Timothy Patrick McNally (chairman); and three INEDs, namely Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah.

The composition, structure and size of the Board are reviewed at least once annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group.

Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the section headed "Directors' Profile" in this annual report.

An analysis of the current Board composition is set out in the following chart:



Throughout the Year, the Company has complied with the requirements of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board, with at least one independent non-executive director possessing the appropriate professional qualifications, accounting or related financial management expertise. The Company has received from each of the INEDs his latest annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

Save for the fact that Mr. Chen Yiy Fon 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 of the Directors' knowledge, there is no financial, business, family or other material/ relevant relationship among members of the Board and between the chairman and the chief executive officer. All of the Directors are free to exercise their independent judgment.

Board Process

The Board meets regularly for at least four times a year. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are given. Papers for Board meetings and committee meetings together with all relevant information are normally sent to all Directors or committee members at least three working days before each meeting, enabling them to make informed decisions with adequate information.

In order to have an effective Board, Directors are provided with information on activities and developments in the Group's business on a regular and timely basis to keep them apprised of the latest developments of the Group. The Directors have full access to information on the Group and are able to seek independent professional advice when they consider it necessary.

The company secretary of the Company (the "Company Secretary") is responsible for maintaining minutes of all meetings of the Board and its committees. Draft minutes are circulated to the Directors for comments within reasonable time after each meeting and the final version thereof, as approved formally by the Board or the relevant committee, is filed for record purposes. All Directors have access to the minutes of the Board and its committee meetings.

According to the current Board practice, each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at Board meetings. The Company's articles of association (the "Articles of Association") also contain provisions requiring the Directors to abstain from voting for resolutions approving transactions in which such Directors or any of their associates have a material interest.

During the Year, five Board meetings and two general meetings were held. Details of the attendances of the Board meetings and the general meetings are set out below:

Directors	Number of Meetings Attended/Held During Term of Office Board Meetings	 General Meetings
Executive Directors		
Tan Sri Dr Chen Lip Keong *(Chief Executive Officer)*	3/5	0/2
Mr. Philip Lee Wai Tuck *(Executive Deputy Chairman)*	5/5	2/2
Mr. Chen Yiy Fon	3/5	1/2
Non-executive Director		
Mr. Timothy Patrick McNally *(Chairman)*	5/5	2/2
Independent Non-executive Directors		
Mr. Lim Mun Kee	5/5	2/2
Mr. Michael Lai Kai Jin	4/5	2/2
Mr. Leong Choong Wah	4/5	2/2
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(retired at the conclusion of the 2019 AGM)*	2/2	0/1 (Note 1)

Note 1: Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji has not attended the annual general meeting held on 26 April 2019 (the "2019 AGM") due to other prior business commitment and he was retired as an independent non-executive Director with effect from the conclusion of the 2019 AGM.

Board Diversity

The Company acknowledged that diversity was important for the effective functioning of the Board and made progress in shaping the Board for the future by adopting the Board Diversity Policy in August 2013, which ensures diversity in its broadest definition. Under the policy:

(a) the Company recognises and embraces the benefits of having a diverse Board, and sees diversity at the Board level as an essential element in achieving a sustainable and balanced development of the Company;

(b) all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria (including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service), having due regard for the benefits of diversity; and

(c) the ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

While the Board does not think specific quotas on any objective criteria are appropriate and considers that the opportunities should be made on merit, it does believe that a diverse mix of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service is important.

The Chairman and the Chief Executive Officer

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

Non-executive Directors

The non-executive Director has been appointed for a term of three years and each of the INEDs has been appointed for a term of one year.

Directors' Responsibilities

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

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that corporate governance functions are carried out in accordance with the CG Code, including continuously reviewing and improving the corporate governance practices within the Group.

Directors' Commitment

Each Director is expected to give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Each Director is also requested to provide confirmation to the Company semi-annually and notify the Company Secretary in a timely manner of any change of such information.

Induction, Familiarisation and Training

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

To ensure effective fulfilment of the respective roles of the Directors on the Board, various steps are taken to ensure that all Directors would continuously update and refresh their knowledge and skills, as well as familiarize themselves with the Company through gaining access to its operations and employees.

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

Directors' training is an ongoing process. Directors have attended briefings from time to time provided by the Company to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the Year, Mr. Timothy Patrick McNally, Tan Sri Dr Chen Lip Keong, Mr. Philip Lee Wai Tuck, Mr. Chen Yiy Fon, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah received and read materials on ESG Governance and Reporting. Directors were also kept informed on the changes and developments on the Group's business and on legislative and regulatory environment in which the Group operates in order to develop, refresh and update their knowledge and skills.

Training records of all Directors have been maintained by the Company Secretary.

The Board also recognizes the importance of ongoing professional development of senior management so that they can continue to contribute to the Company. To keep them abreast of the market developments and applicable rules and regulations for the fulfilment of their duties and responsibilities, all members of senior management are encouraged to attend briefings and seminars as appropriate. The training and continuous professional development of Directors and senior management has been reviewed by the Board on an annual basis.

Delegation by the Board

The Board has established various Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the AML Oversight Committee, and delegated authority to oversee these aspects of the Company's affairs. Pursuant to the respective terms of reference, the Board committees are required to report to the Board regularly on their decisions and recommendations. The day-to-day management of the operations of the Company is delegated to the divisional heads.

Audit Committee

The Company has established written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. In December 2015, the terms of reference of the Audit Committee were updated to reflect the additional responsibilities of the Audit Committee arising from the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods beginning on or after 1 January 2016. Such terms of reference were further updated on 31 December 2018 so as to be in line with the amendments to the Listing Rules which came into effect on 1 January 2019. The Audit Committee consists of three INEDs, namely Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah. 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, assuring adequate risk management and internal control systems are in place and following and maintaining an appropriate relationship with the external auditor of the Company.

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

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

During the Year, four Audit Committee meetings were held and details of the attendance of the Audit Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
Independent Non-executive Directors	
Mr. Lim Mun Kee *(Chairman)*	4/4
Mr. Michael Lai Kai Jin	3/4
Mr. Leong Choong Wah *(appointed as a member with effect from the conclusion of the 2019 AGM)*	2/3
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(ceased to be a member with effect from the conclusion of the 2019 AGM)*	1/1

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

During the Year, the Audit Committee had considered, reviewed and discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditor including the terms of engagement; (3) the annual and interim financial statements and the relevant results announcements and give recommendation to the Board for approval; (4) reports on the Group's internal audit; (5) reports on the Group's internal control with a focus on AML issued by an independent professional party; and (6) the effectiveness of the Group's risk management and internal control systems. Each member of the Audit Committee has unrestricted access to the independent auditor and all senior staff of the Group.

The Audit Committee recommended to the Board that, subject to the approval of the Shareholders at the 2020 AGM, BDO Limited be re-appointed as the independent auditor of the Company.

Remuneration of Directors and Senior Management

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

Nomination and Appointment of Directors

A nomination policy concerning the selection criteria and procedures for the appointment and re-appointment of Directors has been formally adopted. Details of selection criteria and nomination procedure are set out in the Nomination Committee Report.

Risk Management and Internal Control

The Board considers that sound risk management and internal control systems are vital to the achievement of the Group's strategic objectives and acknowledges its responsibility to establish, maintain and review the effectiveness of such systems.

The Board plays a key role in overseeing risks undertaken by considering risks as part of the strategy setting process. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under the framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and its Audit Committee oversee the actions of management and monitor the effectiveness of these systems and to safeguard the Group's assets. This risk management and internal control framework is reviewed annually by the Audit Committee on behalf of the Board.

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

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

Internal Controls on Anti-Money Laundering

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

Tier 1 – An AML Management Committee, led by the compliance officer and supported by senior managers from various key operational departments, tasked with ensuring that the Company adopts policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.

Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.

Tier 3 – AML Oversight Committee established at the Board level, chaired by the chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation.

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

Independent Review of Investment Risks in Cambodia

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

AML Oversight Committee

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

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

Directors	Number of Meetings Attended/Held During Term of Office
Executive Directors	
Tan Sri Dr Chen Lip Keong	3/4
Mr. Chen Yiy Fon	3/4
Non-executive Director	
Mr. Timothy Patrick McNally *(Chairman)*	4/4
Independent Non-executive Director	
Mr. Michael Lai Kai Jin	3/4

During the Year, the AML Oversight Committee had considered, reviewed and discussed (1) reports from the independent professional party on AML internal controls; (2) re-appointment of the independent professional party as internal control consultant; (3) report from its sub-committee AML Management Committee; and (4) the revised terms of reference of the AML Management Committee.

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

Inside Information

With respect to procedures and internal controls for handling dissemination of inside information, the Company:

– is aware of its obligations under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to the attention of the Board and/or it is the subject of a decision unless it falls within the safe harbours as provided in the SFO;

– conducts its affairs with close regard to the applicable laws and regulations and the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

– has established a Corporate Disclosure Policy for monitoring, reporting and disseminating inside information to our Shareholders, investors, analysts and media; and

– has communicated to all relevant staff regarding the implementation of the Corporate Disclosure Policy and relevant trainings are also provided.

Management Functions

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

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

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

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

Company Secretary

The Company Secretary is responsible for facilitating the Board process as well as communications among the Board members, with Shareholders and management. The Company Secretary also provides professional advice to the Board on corporate governance and other matters. During the Year, the Company Secretary, Ms. Lam Yi Lin, undertook no less than 15 hours of professional training to update her skills and knowledge.

Independent Auditor's Remuneration

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

	2019 US$'000
Audit services	
– Current year	**416**
– Over-provision for prior year	**(31)**
Non-audit services	
– Carrying out review on interim financial information and acting as the reporting accountants for the Group's very substantial acquisition transaction	**330**

Changes in Directors' Information pursuant to Rule 13.51B(1) of the Listing Rules

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

Timothy Patrick McNally, chairman and non-executive Director

– Director's fee has been increased from US$200,000 to US$240,000 per annum with effect from 1 July 2019

Tan Sri Dr Chen Lip Keong, chief executive officer and executive Director

– received the annual performance incentive of US$11,765,321 and US$18,569,569 for the financial years ended 31 December 2017 and 2018 respectively

Lim Mun Kee, independent non-executive Director

– Re-joined as an independent non-executive director of PTB, of which Dr Chen is the controlling shareholder, with effect from 27 September 2019

Dividend Policy

The Company has adopted a dividend policy which aims at enhancing transparency and facilitating Shareholders and investors to make informed investment decisions, by setting out the guidelines on the distribution of dividends to the Shareholders. The Board considered that the Company's core principle is to strive to create value and contribute favorable returns for Shareholders. In view of the profitability and ability to generate healthy cashflow, the Company is committed to maintaining its recurring dividend distribution to Shareholders, while preserving a solid balance sheet and financial flexibility to pursue future development opportunities. From 2006 to 2018, the Company's dividend payments were between 45% to 86% of net profit, whereby total dividend declared and paid was amounted to US$1.07 billion. The Company has continued to maintain high dividend payout of 60% to 70% from 2014 to 2018, with implied dividend yield ranging from 4.5% to 7.2%. Prospective dividend payout remains dependent upon the financial performance and future funding needs of the Company.

For this purpose, the Company's dividend policy should be based on a number of factors including but not limited to the actual and expected financial results of the Group, the Shareholders' interests, general business conditions and strategies, the Group's expected working capital requirements and future expansion plans and statutory and regulatory restrictions. In accordance with the dividend policy adopted by the Company, the Board may propose the payment of dividends, if any, where it deems appropriate.

The distribution of dividends to Shareholders can be by way of cash or scrip or partly by cash or scrip or some other ways as determined by the Board from time to time.

The dividend policy is subject to the reviews of and the changes to be made by the Board after considering the earnings of the Group, its financial requirements and other factors from time to time.

Communication with Shareholders

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

During the Year, in addition to the 2019 AGM, the Company held one extraordinary general meeting on 8 August 2019. The chairman of the Board chaired both the 2019 AGM and the said extraordinary general meeting to answer any questions from Shareholders. In addition, the chairpersons of the respective Board committees, or in their absence, other members of the relevant committees and the Company's external auditor are available to answer questions at the meetings.

At the 2019 AGM and the said extraordinary general meeting, all the resolutions were voted by poll and were duly passed by the Shareholders. The results of the poll voting have been published on the respective websites of the Company and the Stock Exchange.

Procedures for Shareholders to convene General Meetings/put forward Proposals

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

1. One or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") may require the Board to convene an extraordinary general meeting of the Company by depositing a written requisition (the "Requisition") at the principal place of business in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.

2. The Requisition must clearly state the name(s) and shareholding in the Company of the Requisitionist(s), specify the purposes of the extraordinary general meeting and the details of the business proposed to be transacted in the extraordinary general meeting 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 Hong Kong branch share registrar and upon their confirmation that the Requisition is proper and in order, shall forthwith proceed duly to convene the extraordinary general meeting, and such extraordinary general meeting 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 extraordinary general meeting 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 extraordinary general meeting, the Requisitionist(s) may himself or themselves convene the extraordinary general meeting 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 extraordinary general meeting shall be given to all Shareholders entitled to attend the extraordinary general meeting 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 extraordinary general meeting; and

   - notice of not less than 14 clear days or 10 clear business days, whichever is the longer, in all other cases, provided that an extraordinary general meeting 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 extraordinary general meeting, being a majority together holding not less than 95% in nominal value of the issued Shares 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 in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary. In order for the Company to inform Shareholders of that proposal, the Notice must state the full name of the person proposed for election as a Director, include the biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the nominating Shareholder and such nominated person 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 person, 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 person can be despatched to Shareholders as soon as practicable without the need to adjourn the relevant general meeting.

Shareholders who have enquires about the above procedures may write to the Company Secretary at the principal place of business in Hong Kong of the Company at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Enquiries put to the Board

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

Shareholdings as at 31 December 2019

As at 31 December 2019, the Company had around 300 registered Shareholders. Details of Shareholders by aggregated shareholding are listed below:

Shares Held by Shareholders	Number of Shareholders	% of Shareholders	Aggregate Number of Shares	% of Total Issued Shares
1 – 1,000	98	29.79%	2,885	0.00%
1,001 – 10,000	184	55.93%	506,722	0.01%
10,001 – 100,000	22	6.68%	693,123	0.02%
100,001 – 500,000	13	3.95%	3,123,362	0.07%
Over 500,000	12	3.65%	4,336,681,949	99.90%
Total	329	100.00%	4,341,008,041	100.00%

According to publicly available information and as far as the Directors are aware, as at 31 December 2019, approximately 33.90% of the issued share capital of the Company was held by the public and the public float capitalization was approximately HK$59,037,709,358.

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

2019 Final Results Announcement	:	10 February 2020 (Monday)	
Closure of Register of Members	:	(i)	21 April 2020 (Tuesday) to 24 April 2020 (Friday) (for ascertaining Shareholders' entitlement to attend and vote at the 2020 AGM)
		(ii)	19 May 2020 (Tuesday) (for ascertaining Shareholders' entitlement to the 2019 Final Dividend)
2020 AGM	:	24 April 2020 (Friday)	
Record Date for 2019 Final Dividend	:	19 May 2020 (Tuesday)	
Payment of 2019 Final Dividend	:	1 June 2020 (Monday)	

Hong Kong, 10 February 2020

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 one executive Director, namely Tan Sri Dr Chen Lip Keong and three INEDs, namely Mr. Michael Lai Kai Jin, Mr. Lim Mun Kee and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin acts as the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management of the Company, and to make recommendations to the Board regarding the remuneration packages of executive Directors, non-executive Directors and senior management of the Company before the Board determines their remuneration based on the expertise, capability, performance and responsibility of the Directors and senior management. The Remuneration Committee also takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group in making its recommendation. In addition to salaries, the Group provides staff benefits such as medical insurance and contributions to provident schemes.

During the Year, work performed by the Remuneration Committee included (1) reviewing the Company's policy and structure for the remuneration of the Directors and senior management, including the remuneration packages of the newly recruited senior management; (2) making recommendation to the Board regarding the Directors' fee to be approved by Shareholders at the 2019 AGM; (3) reviewing the remuneration package of Mr. Timothy Patrick McNally, chairman of the Board and recommending the Board to adjust his remuneration package; (4) reviewing the performance incentive of Dr Chen and recommending the Board to approve the payment of his performance incentive entitlement for the years 2017 and 2018; (5) recommending the payment of incentive bonus to the Directors; and (6) reviewing and endorsing the Remuneration Committee Report included in the 2018 annual report of the Company and recommending to the Board for approval.

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

Directors	Number of Meetings Attended/Held During Term of Office
Executive Director	
Tan Sri Dr Chen Lip Keong	2/2
Independent Non-executive Directors	
Mr. Michael Lai Kai Jin *(appointed as the chairman with effect from the conclusion of the 2019 AGM)*	1/2
Mr. Lim Mun Kee	2/2
Mr. Leong Choong Wah *(appointed as a member with effect from the conclusion of the 2019 AGM)*	1/1
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(ceased to be the chairman and member with effect from the conclusion of the 2019 AGM)*	1/1

Remuneration of Directors

The Directors received the following remuneration for the Year:

	Annual Performance Incentive US$'000	Discretionary Bonus US$'000	Fees US$'000	Basic Salaries, Allowances and Benefits-in-kind US$'000	Total US$'000
Executive Directors					
Tan Sri Dr Chen Lip Keong	30,335	150	–	720	31,205
Philip Lee Wai Tuck	–	120	–	283	403
Chen Yiy Fon	–	30	–	144	174
Non-executive Director					
Timothy Patrick McNally	–	100	220	262	582
Independent Non-executive Directors					
Michael Lai Kai Jin	–	20	36	–	56
Lim Mun Kee	–	30	48	–	78
Leong Choong Wah	–	7	36	–	43
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(retired at the conclusion of the 2019 AGM)*	–	20	12	–	32
Total	**30,335**	**477**	**352**	**1,409**	**32,573**

Remuneration Committee Report

Remuneration of Senior Management

Pursuant to code provision B.1.5 of the CG Code, the emoluments of the members of the senior management (other than the Directors) for the Year by band are as follows:

	No. of Individuals
US$Nil – US$258,000	–
US$258,001 – US$323,000	–
US$323,001 – US$387,000	–
US$387,001 – US$452,000	1
US$452,001 – US$516,000	–
US$516,001 – US$581,000	–
US$581,001 – US$645,000	–
US$645,001 – US$710,000	–
US$710,001 – US$774,000	–
US$774,001 – US$839,000	1

Share Option Scheme

On 20 April 2016, the Company has adopted a share option scheme (the "Scheme") which has a life of ten years until 19 April 2026. The purpose of the Scheme is to provide incentive or reward to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. According to the terms of the Scheme, the Directors are authorized, at their discretions, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company.

No share options were granted, exercised, cancelled or lapsed under the Scheme since its adoption and during the Year.

Hong Kong, 10 February 2020

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 one executive Director, namely Tan Sri Dr Chen Lip Keong, and three INEDs, namely Mr. Michael Lai Kai Jin, Mr. Lim Mun Kee and Mr. Leong Choong Wah. Mr. Michael Lai Kai Jin acts as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review, from time to time, the structure, size and composition (including the skills, the knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes to the composition of the Board to complement the Company's corporate strategy. The Nomination Committee also undertakes to identify individuals suitably qualified to become a Director and nominate such individual to the Board for directorship. The Nomination Committee also assesses the independence of the INEDs, makes recommendations to the Board on the appointment, re-appointment and succession plans of Directors, reviews and monitors the implementation of the Board Diversity Policy.

Nomination Policy

In respect of the appointment and re-appointment of Directors, a nomination policy concerning the selection criteria and procedures was adopted in December 2018.

Selection criteria

Set out below is a summary of the factors that would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity
- qualifications, skills and experience that are relevant to the Group's businesses having regard to the corporate strategy
- commitment in respect of available time and relevant interest
- diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

In the case of nominating the candidate for appointment/re-appointment as an INED, in addition to the selection criteria to which the Nomination Committee would give due regard, the independence of the candidate would be assessed with reference to the independence criteria set out in the Listing Rules. If an INED serves more than nine consecutive years, particular attention would be given to reviewing the independence of such INED for determining his eligibility for nomination by the Board to stand for re-election at a general meeting.

Nomination Committee Report

Nomination Procedure and Process

The Nomination Policy includes the following procedure and process in respect of the nomination of Directors:

1. Nomination Committee shall invite nomination of candidates from Board members, if any, for its consideration. The Nomination Committee may also put forward candidates who are not proposed by Board members. External recruitment agencies may be engaged to assist in identifying and selecting suitable candidates, if considered necessary.

2. For appointment by the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to Shareholders.

3. Shareholders may also propose candidates for election as a Director in accordance with the procedures posted on the Company's website.

Board Diversity Policy

The Company recognizes that having a diverse Board can enhance the quality of its performance. In August 2013, a Board Diversity Policy was adopted by the Board which sets out the approach to achieve diversity among the Board members. A summary of the Board Diversity Policy is set out in the Corporate Governance Report on pages 81 to 82 of this annual report. When recommending suitable candidates to the Board, the Nomination Committee will take into consideration merits of the candidates, such as qualifications, work experiences, and time commitment, and against objective criteria, with due regard for the benefits of diversity (including, without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service).

Under its revised terms of reference as approved by the Board, the Nomination Committee is delegated with the task of reviewing and implementing the Nomination Policy concerning the selection criteria and procedures for the appointment and re-appointment of Directors. It is also responsible for reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing the Board Diversity Policy, and monitor the progress on achieving these objectives.

Appointment and Re-election of Directors

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

In accordance with the Articles of Association, Mr. Timothy Patrick McNally, Mr. Philip Lee Wai Tuck and Mr. Lim Mun Kee shall retire from office at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election.

Other than Mr. Timothy Patrick McNally who is appointed for a specific term of three years, each of the INEDs is appointed for a term of one year. The appointment may be renewed at the discretion of the Board but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

Summary of Work Done

During the Year, work performed by the Nomination Committee included (1) reviewing and recommending to the Board that the retiring Directors to stand for re-election at the 2019 AGM; (2) reviewing the structure, size and composition of the Board; (3) reviewing the Board Diversity Policy, measurable objectives for implementing this policy and the progress on achieving objectives; (4) assessing and arranging for confirmation of independence of each INEDs pursuant to Rule 3.13 of the Listing Rules; (5) considering the renewal of appointment letters of a non-executive director and three INEDs and recommending to the Board for approval; (6) considering the renewal of the service agreement of Dr Chen for a period of 3 years and recommending to the Board for approval; and (7) reviewing and endorsing the Nomination Committee Report included in the 2018 annual report of the Company and recommending to the Board for approval.

During the Year, two Nomination Committee meetings were held. Details of the attendance of the Nomination Committee members are set out below:

Directors	Number of Meetings Attended/Held During Term of Office
Executive Director	
Tan Sri Dr Chen Lip Keong	2/2
Independent Non-executive Directors	
Mr. Michael Lai Kai Jin *(appointed as chairman with effect from the conclusion of the 2019 AGM)*	1/2
Mr. Lim Mun Kee	2/2
Mr. Leong Choong Wah *(appointed as a member with effect from the conclusion of the 2019 AGM)*	1/1
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(ceased to be the chairman and member with effect from the conclusion of the 2019 AGM)*	1/1

Subsequent to the end of the Year, the Nomination Committee reviewed the current Board composition against the objective criteria set out in the Board Diversity Policy. An analysis of the current Board composition based on these criteria is set out in the Corporate Governance Report on page 79 of this annual report. The Nomination Committee considers that the existing members of the Board possess a diverse mix of skills, knowledge and experience in light of the current business needs of the Company.

Hong Kong, 10 February 2020

Independent Review of Investment Risks in Cambodia

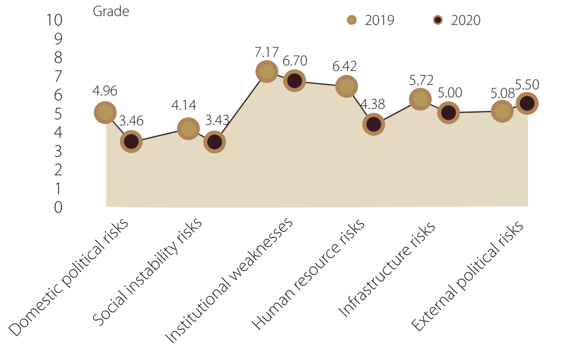
Political and Economic Risk Consultancy, Ltd.
("PERC")
20/F, Central Tower
28 Queen's Road, Central
Hong Kong

TO THE BOARD OF NAGACORP LTD.

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

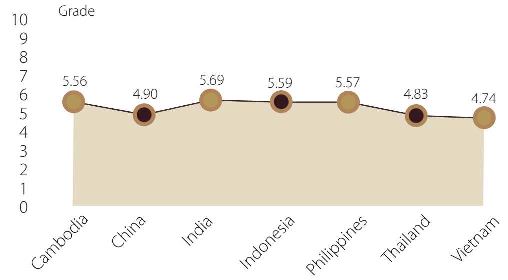
Based on the assessments and reviews carried out between late November 2019 and the end of December 2019 we summarised our findings below:

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.

Summary

Cambodia's risk profile going into 2020 is much the same as it was at the start of 2019 with respect to domestic political risks, social disorder risks, and systemic risks. The country's overall risk rating at the end of 2019 was 5.56, which was slightly better than at the end of 2018, when the risk score was 5.58. Most of the problems that exist or are building relate to side effects from rapid growth like labor shortages, pollution and other strains on the environment.

Cambodia is coming off yet another strong year in 2019. Real GDP grew 7% or better in real terms. Exports and tourism both contributed to the expansion, but the most powerful engine last year was construction. Private consumption and investment were both buoyant, and foreign direct investment continued to flow into the country.

On the negative side, the official consumer price inflation (CPI) rate is low, but costs for business are rising much faster than the CPI due to higher labor and land costs. In addition to pushing up labor costs, the robust growth of the economy has strained the supply of labor for a number of critical positions. The luxury condominium market is feeling the effects of heavy speculation and could be vulnerable to a correction. Facing this possibility, banks are showing more caution in their mortgage lending. There is likely to be an increase in non-performing loans in 2020, while the level of household debt is high enough to be a concern for both banks and microfinance institutions. If the flow of funds starts to slow, the implications could negative for both the rural and urban economies.

There are concerns about what will happen when there is a change in prime minister, since the system has never really been tested for leadership succession and the current prime minister, Hun Sen, plays such a central role in the current government. He shows no intention of leaving office for many years yet, nor does he face any serious rivals to his position. His health, although a matter of speculation, appears to be good. He also seems to be making progress in grooming his eldest son as a likely successor. However, until this succession takes place, questions will remain.

The consensus view in Cambodia is that there is little risk of this succession happening over the next few years assuming the prime minister's health holds up. Moreover, the country's remaining political leaders are likely to sort out the succession when it does come without permitting social unrest or undermining the confidence of the local business and foreign investment communities.

Still, Cambodia faces more downside risks going into 2020 due mainly to external developments. The most immediate risk is that the European Union (EU) might fully or partially remove Cambodia's tax-free access under the "Everything But Arms" agreement. If Cambodia must deal with the full force of an EBA removal, it could result in thousands of manufacturing jobs being lost and cause exports to the EU to fall sharply. This would hurt Cambodia's GDP growth and force the government to divert scarce resources at its disposal to provide relief to those individuals and industries most affected.

A second external risk is that China's economy might slow. This could have a negative impact on outbound tourism flows from China. It could also prompt the government in China to adopt a more restrictive approach to capital outflows from China. This would not affect Chinese direct investment in Cambodia infrastructure projects, which are strongly supported by the government in China. However, it could make it more difficult for private Mainland Chinese to buy condominiums in Cambodia, hurting this end of the real estate market and the construction industry.

Because of the adverse external conditions, Cambodia's real GDP growth could slow in 2020. The deceleration will probably be only moderate, but if the external shocks turn out to be more severe, it would pose a new challenge for the government, since it lacks experience in managing through slower growth conditions in a highly-leveraged economy.

Independent Review of Investment Risks in Cambodia

Positive Developments

- Exchange rate risks are low. The large role played by the US dollar, along with the lack of restrictions on capital outflows, are positive features that are likely to continue and few other countries in Asia can match.

- Cambodia is in a fortunate position for a developing country insofar as the level of unemployment is very low and economic growth has been consistently rapid, which has helped to generate public support for the government and maintain social stability. People are satisfied with the rising standard of living.

- Cambodia has been one of the few Asia countries that has benefited from the US-China trade war. The impact has accelerated the shift of manufacturing production, particularly in garments and sports bags, from China to Cambodia and prompted US buyers to step up their purchases from Cambodia. Consequently, Cambodian exports to the US are growing rapidly.

- China and Cambodia have continued to strengthen their bilateral relationship through new agreements to increase trade, investment and other forms of cooperation. While the governments of China and Cambodia are cooperating to fight the recent rise in illegal/unlicensed activities by undesirable elements from China, Beijing remains solidly committed as a supporter of Cambodia's infrastructure development, of investments by Mainland companies in manufacturing in Cambodia, and of tourism flows from the Mainland to Cambodia.

- Tourism inflows from China and Vietnam, the first and second largest sources of foreign visitors to Cambodia, are likely to keep growing faster than visitor inflows from other major sources in 2020.

The Challenges

- The biggest risks Cambodia faces in the coming year are external. The most immediate on this list is the threat that the EU might withdraw or limit preferential market access for imports from Cambodia under the Everything But Arms (EBA) scheme. A full withdrawal of EBA would have a big negative impact on Cambodia's manufacturing sector, result is sizeable layoffs, and hurt exports.

- A second external risk is that a slowdown in Mainland China's economy could result in a weakening of visitor inflows from China and interfere with the boom in condominium construction in Cambodia being marketed to Mainland Chinese buyers.

- The National Bank of Cambodia and commercial banks in the country are having to adopt tougher screening procedures in response to the decision by the Financial Action Task Force (FATF) to place Cambodia on its money laundering watchlist. This has forced international correspondent banks to monitor money flows into and out of Cambodia more closely, adding to red tape for companies conducting international transactions and for individuals moving funds into and out of the country.

- The high level of household debt could increase the level of banks' and microfinance institutions' non-performing loans. The links between this debt and mortgages or loans collateralized by real estate are prompting banks to adopt a more cautious approach to real estate lending. Consequently, overall credit growth could slow.

- Small and medium-sized enterprises note that the tax authorities have become more difficult to work with. Due to the limitations that exist to raising income tax, the government is expected to focus more on raising certain indirect taxes and transaction levies, which could raise prices and business costs.

Robert Broadfoot
Managing Director
PERC
Hong Kong, 2 January 2020

About The Reviewer

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

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

Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.

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To The Board of NagaCorp Ltd

Hill & Associates Ltd. ("H&A") has conducted two independent reviews of the internal controls of NagaCorp Ltd. ("NagaCorp") with a focus on anti-money laundering ("AML"), covering the full year 2019. The review included site visits in July and December, as well as desktop work and external consultation on the progress of AML controls in Cambodia. In addition, regular contact was maintained with NagaCorp staff both in Hong Kong and Phnom Penh throughout 2019 alongside external consultation on the progress of AML controls in Cambodia.

With regard to the country environment, H&A noted in our report covering the first half of 2019 that there had been a considerable rise in gaming activity in Cambodia, particularly in Sihanoukville. This had raised certain negative coverage in international forums as despite the imminent new gaming law, the large number of licences and the obvious targeting of Chinese clients both in country and online was creating some uncertainty over the reaction of the Chinese government and the robustness of AML controls instituted by these new operators. Indeed, on 15th July, it was announced that a Chinese consulate would open in Sihanoukville. The stated aim of this was to ensure that the large number of Chinese citizens both based in Sihanoukville and visiting were aware of Cambodian laws and customs. H&A analysts considered it likely that this move would actively discourage online operators from illegally targeting PRC based customers from Sihanoukville based businesses.

The situation has progressed from there with the Prime Minister declaring in August that no more online gambling licenses would be issued and that all online gambling would be banned from January 1, 2020. The licenses expire at the end of this year. Any hope the measure would be delayed or quashed was firmly stamped out when Hun Sen spoke at the 8th Sea Festival in Kampot province recently and confirmed the ban as starting on the first of January.

H&A notes that NagaCorp continues to operate in accordance with all laws and regulations. The company purely targets customers visiting the company's two Phnom Penh properties and AML controls are stringently applied considerably beyond the industry norm in any other jurisdiction.

During the site visits, H&A examined all relevant documentation. Our principal points of contact were Mahendran Supramaniam who has long term experience in AML controls supervision in NagaCorp and also the recently hired Director of Compliance, Mr. Jason Ooi who joined the company in May 2019. H&A considers Mr. Mahendran Supramaniam to be an ideal point of contact due to his in depth and long-term experience in NagaCorp and also due to his understanding of internal procedures in his role as Head of Internal Audit. With the addition of Mr. Jason Ooi, the resilience of NagaCorp's AML controls has been further enhanced. H&A also conducted interviews with management as well as maintaining regular communication with Timothy McNally, the non-executive Chairman of NagaCorp and Chairman of the AML Oversight Committee.

NagaCorp continues to apply the controls required in the AML Manual which was produced by NagaCorp in the first half of 2014 to reflect the requirements of both the Cambodian 2010 AML Prakas and also the updated 2012 FATF Recommendations. As previously reported, there were no substantive changes to the FATF Recommendations.

During the site visits H&A also reviewed records on the ongoing AML training of relevant NagaCorp staff. In 2019 all new staff underwent AML training. The training provided by NagaCorp is currently being updated and reviewed and this has meant that a lower number of staff have undergone refresher training in this period. As of December 31, one thousand two hundred and one employees had undergone training in 2019. However, all front line staff shall undergo such training once the materials have been updated. The training has been based on the Company's Training Manual which was previously evaluated by Hill & Associates as a particularly useful training tool. It is not envisaged that the updates shall result in any significant material changes. This ongoing process is recognized by H&A as providing substantial understanding of AML issues at all levels of NagaCorp. NagaCorp, as of December 2019, has a total of seven CAMS (Certified Anti-Money Laundering Specialists) trained personnel including senior staff in Compliance, Finance, Internal Audit and Casino Operations.

The Chief Financial Officer, Sean Tan had been serving as the Compliance Officer since July 2018. In addition, Jason Ooi, the new Director of Compliance at NagaCorp further strengthens the AML oversight within NagaCorp. Mr. Jason Ooi has significant relevant experience having most recently been employed in similar roles at two of the major gaming operators in Macau.

H&A recognizes the continued significant emphasis placed on AML controls by NagaCorp. There has been no deterioration whatsoever in the diligence applied in the adherence to all laws and regulations concerning AML in NagaCorp. Discussions with Mr. Mahendran Supramaniam and Mr. Jason Ooi focused on the comprehensive nature of record keeping and also on the interaction with the Financial Investigation Unit ("FIU") of the National Bank of Cambodia. The role of the NagaCorp Compliance Officer has been further defined in conversations with the FIU.

H&A notes that the Suspicious Incident Records (SIRs) continue to record all necessary and relevant information and that there is cross-checking between surveillance, operations and AML compliance staff within a large number of these reports. The majority of the SIRs refer to incidences of small note transactions or counterfeit notes with no significant AML issue being identified in 2019. The most significant procedural development in 2018 was the commencement in July of submission to the FIU of both Cash Transaction Reports and Suspicious Transaction Reports online. This process had been some time in development and has functioned efficiently in 2019.

The AML Oversight Committee met four times in 2019. The review team is satisfied NagaWorld maintains full control of the gaming operations and these operations remain compliant with all relevant FATF recommendations. As previously mentioned, H&A maintains regular contact with Timothy McNally, the Chairman of the AML Oversight Committee. H&A notes that the Managing Director Finance & Operations, Chen Cherchi, the Director of Compliance, Jason Ooi and the Chief Security Officer, Anthony Betz have been added to the AML Management Committee further emphasizing the commitment at all levels to maintaining a strong AML regime within NagaCorp.

Independent Review of Anti-Money Laundering Internal Controls at NagaCorp Ltd.

As H&A noted in our previous reviews, the most recent assessment of Cambodia by Financial Action Task Force ("FATF") in February 2015 resulted in the recognition of the progress made by the country with respect to anti-money laundering controls. Continuing the assessment process, the Asia/Pacific Group on Money Laundering ("APG") conducted a Mutual Evaluation of Cambodia in December 2016 as reported in our full year review of 2016. The Mutual Evaluation Report was issued in the third quarter of 2017 and H&A notes the considerable improvement recognised by the APG. The report has confirmed our opinion of the overall improvement in the country albeit with some concern that the FIU has more work to do with the non-banking businesses. NagaCorp was identifiable, although not named, a number of times in the APG report as a business that was driving AML compliance in Cambodia.

H&A also notes that there has been some reinforcing of the 2007 AML Law through the issuing of further Prakas which clarify certain identifiers and increase the sanctions for breaches of AML law or indeed, breaching of any of the confidentiality conditions and reporting requirements.

H&A recognizes that NagaWorld 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. Sources within the National Bank of Cambodia and also external sources consulted by H&A acknowledge that NagaWorld remains at the forefront of AML compliance efforts in Cambodia.

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

John Bruce
Managing Director

Hong Kong, 30 December 2019

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

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

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 February 2003 and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Suite 2806, 28/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activity of the Group is the management and operation of a hotel and entertainment complex, NagaWorld, at NagaWorld, Samdech Techo, Hun Sen Park, Phnom Penh, Kingdom of Cambodia. Other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year. An analysis of the Group's performance for the Year by business segment and its geographical segment information is set out in note 14 to the consolidated financial statements.

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 10 to 27 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report and the Independent Review of Investment Risks in Cambodia on pages 78 to 95 and 102 to 105, respectively of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 29 to the consolidated financial statements. The Board has not identified any important events affecting the Group that have occurred after the end of the Year. The Group has set up proper procedures to ensure adherence to the relevant laws and regulations which have a significant impact on the Group in conduct of its business, including but not limited to all relevant FATF recommendations. The Group also complies with the Listing Rules, the applicable companies laws and the SFO. During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

An analysis of the Group's performance for the Year using financial key performance indicators is provided in the Financial Highlights on page 4 of this annual report. In addition, the Group understands the importance of sound environmental management practices and sustainable business operations. The Group has in place a sustainability policy and is committed to minimize adverse impact that its operations may have on the environment. The Group has implemented a number of environment-friendly measures and continuously endeavours to promote environmental and social responsibility to employee and contribute to the community. For details, please refer to the Sustainability Report on pages 34 to 75 of this annual report.

All references herein to other sections or reports in this annual report form part of this Report of the Directors.

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

A review of our employees and management culture is contained in the Sustainability Report on pages 34 to 75 of this annual report.

Apart from providing quality services and improved products to our players during their stay in NagaWorld, the Group via its Golden Edge Rewards Club loyalty program continues to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

The Group believes in the power of positive partnerships to consolidate its position as the entertainment centre of the Mekong Region. By collaborating with quality business associates, NagaCorp will be able to consistently deliver quality and sustainable products and services. NagaWorld has a policy of prioritising local suppliers whenever possible. Further details in this regard are set out in the Sustainability Report on pages 34 to 75 of this annual report.

Major Junket Operators

NagaCorp continues to maintain strong working relationships with junket operators. Regular events showcasing renowned international stars are held to assist the junket operators to develop their business for mutual benefit.

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

	Percentage of the Group's total	
	Revenue	Cost of sales
The largest junket operator	47%	73%
Five largest junket operators in aggregate	62%	92%

To the best knowledge of the Directors, none of the Directors or their close associates (as defined in the Listing Rules) or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the issued Shares) had any interest in the five largest junket operators for the Year.

Major Customers and Suppliers

The aggregate amount of operating revenues attributable to the Group's five largest customers (excluding junket operators) represented less than 30% of the Group's total operating revenues for the Year. The aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers (excluding junket operators) represented less than 30% of the Group's total purchases for the Year.

Results and Appropriations

The financial performance of the Group for the Year is set out in the consolidated statement of income on page 126.

An interim dividend of US cents 3.39 per Share (2018: US cents 2.49 per Share) for the six months ended 30 June 2019 was declared in July 2019 and paid in August 2019. The Directors recommended the payment of a final dividend of US cents 5.09 per Share (2018: US cents 2.91 per Share) for the Year. The proposed final dividend for the Year represented a 80% payout of the net profit generated for the second half of 2019.

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 211.

Transfer to Reserves

The profit attributable to equity shareholders of the Company, before dividends, of US$521,278,000 (2018: US$390,578,000) have been transferred to the reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 130 of this annual report.

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$3,096,000 (2018: US$1,175,000), all of which were donated in Cambodia.

Share Capital

There was no movement in the share capital of the Company during the Year.

Reserves

Movements in the reserves of the Company and of the Group are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity on page 130 of this annual report respectively.

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately US$619,381,000.

Remuneration

In compliance with the CG Code, 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 10 to the consolidated financial statements.

Tax Relief

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

Directors

The Directors during the Year and up to the date of this report are:

Chairman and Non-executive Director:

Timothy Patrick McNally [M]

Executive Directors:

Tan Sri Dr Chen Lip Keong [R/N/M]
(Chief Executive Officer)
Philip Lee Wai Tuck
(Executive Deputy Chairman)
Chen Yiy Fon [M]

Independent Non-executive Directors:

Michael Lai Kai Jin [A/R/N/M]
Lim Mun Kee [A/R/N]
Leong Choong Wah [A/R/N]
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(retired on 26 April 2019)*

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

In accordance with Article 87 of the Articles of Association, Mr. Timothy Patrick McNally, Mr. Philip Lee Wai Tuck and Mr. Lim Mun Kee shall retire from office by rotation at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election.

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

The Directors who held office as at 31 December 2019 had the following interests in the Shares and underlying Shares at that date as recorded in the register of directors' and chief executive's interests required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Interests in Shares and underlying Shares

Directors	Capacity	Number of Shares and underlying Shares held	% of Total Issued Shares (Note 1)
Dr Chen	Founder of a discretionary trust (Note 2)	951,795,297 (L)	21.93 (L)
Dr Chen	Beneficial owner	1,917,807,166 (L)	44.17 (L)
Dr Chen	Interest of controlled corporation (Note 3)	1,142,378,575 (L)	26.32 (L)

Notes:

(1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2019.

(2) Dr Chen is the founder of a discretionary family trust named ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited, a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr Chen is deemed to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation and LIPKCO Group Limited are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.

(3) Such interest is held by ChenLipKeong Fund Limited. By virtue of the 100% interest held by Dr Chen in ChenLipKeong Fund Limited, Dr Chen is deemed to be interested in the Shares held by ChenLipKeong Fund Limited. These 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) will be issued to ChenLipKeong Fund Limited upon the completion of the DBA and the Subscription Agreement. Details of the interests in the Company held by ChenLipKeong Fund Limited is set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.

(4) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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

So far as the Directors or the chief executive of the Company are aware of, as at 31 December 2019, the Shareholders, other than a Director or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Shareholders	Capacity	Number of Shares held	% of Total Issued Shares (Note 1)
ChenLa Foundation	Interest of controlled corporation (Note 2)	951,795,297 (L)	21.93 (L)
LIPKCO Group Limited	Beneficial owner	789,534,854 (L)	18.19 (L)
ChenLipKeong Fund Limited	Beneficial owner (Note 3)	1,142,378,575 (L)	26.32 (L)

Notes:

(1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2019.

(2) Such interests are held by LIPKCO Group Limited and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr Chen is the founder.

(3) Upon the completion of the DBA and the Subscription Agreement, these 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) for the funding of the Naga 3 project will be issued to ChenLipKeong Fund Limited. ChenLipKeong Fund Limited is wholly owned by Dr Chen.

(4) 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 executive of the Company are aware of, as at 31 December 2019, no other party (other than a Director or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Summary of the Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") on 20 April 2016. The Board may, at its discretion, invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for Shares subject to the terms and condition of the Scheme.

(1) Purpose

The purpose of the Scheme is to provide incentive or reward to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Group.

(2) Eligible participants

Eligible participants include any employee (whether full-time or part time), executives or officers, directors of the Group or any invested entity and any consultant, business associates, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity.

(3) Total number of Shares available for Issue

The maximum number of Shares which may be issued upon the exercise of all options to be granted by the Company under the Scheme must not exceed in aggregate 10% of the Shares in issue of the Company as at its adoption date (being 226,998,887 Shares as at such date).

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

As at the date of this annual report, the total number of Shares available for issue under the Scheme is 226,998,887 Shares, representing approximately 5.23% of the Shares in issue (i.e. 4,341,008,041 Shares) as at the date of this annual report.

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

(4) **Total Maximum Entitlement of each Eligible Participant**

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

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

(5) **Option Period**

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

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

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

(7) **Payment on Acceptance of the Option**

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

(8) **Basis of Determining the Exercise Price**

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

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of such option, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of such option; and

(iii) the nominal value of the Shares.

(9) **The Remaining Life of the Scheme**

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

Since its adoption and up to 31 December 2019, no share option has been granted by the Company under the Scheme. Accordingly, there were no outstanding share options as at the date of this annual report. Apart from the Scheme, the Company has no other share option scheme currently in force as at the date of this annual report.

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

Sufficiency of Public Float

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

Directors' Interests in Competing Businesses

None of the Directors has interests in any business (apart from the Group's businesses) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year.

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Shareholders' Interests in Contracts of Significance

Other than as disclosed under the section "Equity-linked Agreements" and "Connected Transactions" below, no Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party during the Year.

Permitted Indemnity

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

Properties

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

Purchase, Sale or Redemption of Listed Securities

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

Equity-linked Agreements

On 14 April 2019, the Company as the issuer entered into the Subscription Agreement with ChenLipKeong Fund Limited, a special purpose vehicle wholly owned by Tan Sri Dr Chen Lip Keong, an executive director, the chief executive officer and the controlling shareholder of the Company, as the subscriber (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) at the price of HK$12.00 per Share (subject to adjustments under the terms of the Subscription Agreement) for the Subscription Sum (as defined in the circular of the Company dated 22 July 2019), which shall be paid by the Subscriber for the funding of Naga 3 pursuant to the terms of the Subscription Agreement (the "Subscription").

The Subscription is conditional upon the fulfilment or waiver of (a) the representation and warranties of the Company as per the terms of the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, the Issue Date (as defined in the circular of the Company dated 22 July 2019); (b) the Company having performed all of its obligations under the Subscription Agreement; (c) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on the Issue Date; (d) on or prior to the Subscription Payment (as defined in the circular of the Company dated 22 July 2019), the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant); (e) the Company having obtained resolutions of its independent shareholders at the extraordinary general meeting approving (i) the Subscription Agreement and the transaction(s) contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Settlement Shares or the Adjusted Settlement Shares (whichever is relevant); (f) the representation and warranties of the Subscriber in the transaction documents being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, the Issue Date; (g) the Subscriber having performed all of its obligations under the transaction documents to be performed on or before the Issue Date; and (h) the receipts or evidence of receipts by the Company of payments of the Subscription Sum paid by the Subscriber.

Given the limitations from external financing, development risk and based on the advice given by the financial advisers and in the best interest of minority Shareholders, the Company decided to approach and discuss with Tan Sri Dr Chen Lip Keong on the various method of financing as external capital funding will have its deficiencies. With the advices from the Company's financial advisers and the consent from Tan Sri Dr Chen Lip Keong, the Company believes that the most efficient method of funding for the development of Naga 3 is 50% funding to be provided by Tan Sri Dr Chen Lip Keong with the remaining balance to be funded from the Company's internally generated free cash flow.

The Subscription Agreement and all the transaction(s) contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting held on 8 August 2019.

Save as disclosed above and other than the share option scheme adopted by the Company as mentioned in the section headed "Summary of the Share Option Scheme" above, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

Disclosure under Rule 13.21 of the Listing Rules

On 21 May 2018, a written agreement (the "Indenture") was entered into among the Company as issuer of the senior notes (the "Senior Notes") of US$300 million, NagaCorp (HK) Limited, NAGAWORLD LIMITED, TanSriChen (Citywalk) Inc. and TanSriChen Inc., wholly-owned subsidiaries of the Company and collectively as guarantors and GLAS Trust Company LLC as trustee of the Senior Notes, pursuant to which the Senior Notes were issued. The Indenture provides that upon the occurrence of a Change of Control (as defined in the Indenture), the Company will make an offer to repurchase all outstanding Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Please refer to the announcements of the Company dated 30 April 2018, 8 May 2018, 15 May 2018 and 22 May 2018 for details about the Senior Notes.

Management Contracts

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

Connected Transactions

Save as disclosed in section headed "Equity-linked Agreements" above, on 14 April 2019, the Subscription Agreement was entered between the Company as the issuer and ChenLipKeong Fund Limited which is wholly-owned by Tan Sri Dr Chen Lip Keong as the Subscriber. Pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares at the price of HK$12.00 per Share (subject to adjustments under the terms of the Subscription Agreement) for the Subscription Sum, which shall be paid by the Subscriber for the funding of Naga 3 pursuant to the terms of the Subscription Agreement. The Subscription Agreement and the transaction(s) contemplated thereunder constitute a connected transaction of the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Details of the Subscription Agreement is included in the section headed "Equity-linked Agreements" above.

Events after Reporting Period

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

Material Related Party Transactions

Details of the material related party transactions undertaken in the normal course of business by the Group are set out in note 30 to the consolidated financial statements. None of the related party transactions constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

Auditor

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

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

By order of the Board

Timothy Patrick McNally
Chairman

Hong Kong, 10 February 2020

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

Opinion

We have audited the consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 126 to 210, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Accounting Standards Board's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Obligation payment

Refer to notes 11 and 33(ii) to the consolidated financial statements, and the accounting policy 4(h) on page 153.

The Group is a gaming and hotel and leisure operator in Cambodia. As explained in note 11 to the consolidated financial statements, the Group paid monthly obligation payments to the government of Cambodia in respect of its activities in Cambodia in accordance with practices as agreed with the Ministry of Economy and Finance of Cambodia ("MOEF") in the past and as the Casino Law which is to cover taxation of gaming activities in Cambodia, has yet to be promulgated. As disclosed in note 11 the Group paid additional obligation payments of $20.7 million during the year in addition to the monthly obligation payments.

Due to the inherent nature of this matter and as further explained in note 33(ii) to the consolidated financial statements, the measurement of a reliable estimate of such additional obligation payment (if any) required significant judgement and is dependent on future development of this matter.

Our responses:

– Inquiring the management of the Group and the local component auditor pertaining to this subject matter;

– Obtaining correspondences with the MOEF relevant to gaming and non-gaming obligation payments and evaluating the legal opinion of the Group obtained in the past to assess the Group's exposure to gaming and non-gaming obligation payments;

– Checking the payments of monthly obligation payments to supporting information that we considered relevant;

– Checking the payment of additional obligation payment to supporting information that we considered relevant and reviewing the acknowledgement of receipt for the additional obligation payment issued by the MOEF;

– Evaluating the management's accounting judgement and treatment of the additional obligation payment; and

– Evaluating the adequacy of disclosure of this matter under note 11 of the consolidated financial statements.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate Number P04434

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

Hong Kong, 10 February 2020

Consolidated Statement of Income

for the year ended 31 December 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 $'000
Revenue	6	**1,755,466**	1,474,287
Cost of sales		**(909,162)**	(800,806)
Gross profit		**846,304**	673,481
Other income	7	**10,806**	10,275
Administrative expenses		**(61,256)**	(79,307)
Other operating expenses		**(224,002)**	(185,588)
Profit from operations		**571,852**	418,861
Finance costs	8	**(20,210)**	(19,469)
Profit before taxation	9	**551,642**	399,392
Income tax	11	**(30,364)**	(8,814)
Profit attributable to owners of the Company		**521,278**	390,578
Earnings per share (US cents)			
Basic	13	**12.01**	9.00
Diluted	13	**12.01**	9.00

The notes on page 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 $'000	2018 $'000
Profit for the year	**521,278**	390,578
Other comprehensive income for the year		
Item that maybe reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	**555**	(797)
Total comprehensive income attribute to the owners of the Company for the year	**521,833**	389,781

The notes on pages 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment	15	**1,594,848**	1,275,596
Right-of-use assets	16	**85,758**	–
Interest in leasehold land held for own use under operating lease	15	**–**	26,634
Intangible assets	17	**70,631**	59,107
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	18	**129,523**	84,364
Promissory notes	19	**9,992**	9,372
		1,890,752	1,455,073
Current assets			
Consumables	20	**2,767**	2,051
Trade and other receivables	21	**126,772**	117,140
Certificates of deposit, fixed deposits and other liquid funds	22	**53,353**	76,441
Cash and cash equivalents	22	**273,377**	316,536
		456,269	512,168
Current liabilities			
Trade and other payables	23	**159,407**	79,711
Contract liabilities	24	**9,963**	10,023
Lease liabilities	16	**2,761**	–
Current tax liability		**2,968**	2,374
		175,099	92,108
Net current assets		**281,170**	420,060
Total assets less current liabilities		**2,171,922**	1,875,133
Non-current liabilities			
Other payables	23	**4,502**	–
Senior notes	25	**294,813**	291,118
Contract liabilities	24	**35,396**	44,146
Lease liabilities	16	**48,840**	–
		383,551	335,264
NET ASSETS		**1,788,371**	1,539,869

	Note	2019 $'000	2018 $'000
CAPITAL AND RESERVES	26		
Share capital		**54,263**	54,263
Reserves		**1,734,108**	1,485,606
TOTAL EQUITY		**1,788,371**	1,539,869

Approved and authorised for issue by the Board on 10 February 2020.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

The notes on pages 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in United States dollars)

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Merger reserve $'000	Capital contribution reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2018 as originally presented	54,263	751,356	151	(12,812)	55,568	(799)	534,818	1,382,545
Initial application of IFRS 15	–	–	–	–	–	–	(61,646)	(61,646)
Restated balance at 1 January 2018	54,263	751,356	151	(12,812)	55,568	(799)	473,172	1,320,899
Profit for the year	–	–	–	–	–	–	390,578	390,578
Other comprehensive income – exchange differences from translation of foreign operations	–	–	–	–	–	(797)	–	(797)
Total comprehensive income for the year	–	–	–	–	–	(797)	390,578	389,781
Dividend declared and paid	–	–	–	–	–	–	(170,811)	(170,811)
	–	–	–	–	–	(797)	219,767	218,970
Balance at 31 December 2018	54,263	751,356	151	(12,812)	55,568	(1,596)	692,939	1,539,869

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Merger reserve $'000	Capital contribution reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2019		**54,263**	**751,356**	**151**	**(12,812)**	**55,568**	**(1,596)**	**692,939**	**1,539,869**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**521,278**	**521,278**
Other comprehensive income – exchange differences from translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**555**	**–**	**555**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**555**	**521,278**	**521,833**
Dividend declared and paid	12	**–**	**–**	**–**	**–**	**–**	**–**	**(273,331)**	**(273,331)**
		–	**–**	**–**	**–**	**–**	**555**	**247,947**	**248,502**
Balance at 31 December 2019		**54,263**	**751,356**	**151**	**(12,812)**	**55,568**	**(1,041)**	**940,886**	**1,788,371**

The notes on page 133 to 210 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 $'000	2018 $'000
Operating activities		
Profit before taxation	**551,642**	399,392
Adjustments for:		
– Depreciation and amortisation	**96,369**	89,433
– Amortisation of casino licence premium	**3,478**	3,547
– Interest income	**(4,282)**	(3,272)
– Finance costs	**20,210**	19,469
– Unrealised exchange gain	**494**	(121)
– Impairment loss on trade receivables	**2,400**	2,200
– Gain on disposal of property, plant and equipment	**(50)**	(5)
– Write-off of property, plant and equipment	**23**	1,003
Operating profit before changes in working capital	**670,284**	511,646
Increase in consumables	**(716)**	(256)
Increase in trade and other receivables	**(14,374)**	(17,923)
Increase in trade and other payables	**73,604**	186
Decrease in contract liabilities	**(8,810)**	(8,750)
Cash generated from operations	**719,988**	484,903
Tax paid	**(29,770)**	(8,221)
Net cash generated from operating activities	**690,218**	476,682
Investing activities		
Interest received	**3,746**	2,808
Decrease/(increase) in certificates of deposit, fixed deposits and other liquid funds	**23,088**	(76,441)
Payment for the purchase of property, plant and equipment and for the construction cost of property	**(432,484)**	(243,275)
Payment for purchase of right-of-use assets	**(8,000)**	–
Premium paid for extension of exclusivity of casino licence	**(10,500)**	–
Proceeds from disposal of property, plant and equipment	**50**	5
Net cash used in investing activities	**(424,100)**	(316,903)

Consolidated Statement of Cash Flows

for the year ended 31 December 2019
(Expressed in United States dollars)

	2019 $'000	2018 $'000
Financing activities		
Interest paid	**(28,125)**	(14,062)
Payment for lease liabilities	**(7,821)**	–
Dividends paid	**(273,331)**	(170,811)
Net proceeds from issue of senior notes	**–**	288,836
Net cash (used in)/generated from financing activities	**(309,277)**	103,963
Net (decrease)/increase in cash and cash equivalents	**(43,159)**	263,742
Cash and cash equivalents at beginning of year	**316,536**	52,794
Cash and cash equivalents at end of year	**273,377**	316,536
Analysis of cash and cash equivalents		
Cash and bank balances	**273,377**	222,639
Non-pledged fixed deposits with original maturity of less than three months when acquired	**–**	16,000
Money market fund	**–**	77,897
Cash and cash equivalents as stated in the consolidated statement of cash flows	**273,377**	316,536

(Expressed in United States dollars)

1 General

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

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

Information about subsidiaries

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

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCorp (HK) Limited	Hong Kong	Hong Kong	HK$10	100%	–	Investment holding
Naga Russia Limited	Cayman Islands	Russia	$1	100%	–	Investment holding
Naga Russia One Limited	Cayman Islands	Russia	$1	–	100%	Investment holding
Naga Hotels Russia Limited	Cayman Islands	Russia	$1	–	100%	Investment holding
NAGAWORLD LIMITED ("NWL")	Hong Kong	Cambodia	HK$78,000,000	–	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd ("Ariston")	Malaysia	Malaysia & Cambodia	Malaysian Ringgit ("RM") 56,075,891	–	100%	Holding casino licence and Investment holding
Neptune Orient Sdn. Bhd.	Malaysia	–	RM250,000	–	100%	Inactive
ARISTON (CAMBODIA) LIMITED	Cambodia	–	Cambodian Riel ("KHR") 120,000,000	–	100%	Inactive
Naga Primorsky Entertainment Limited	Cyprus	Russia	Euro1,000	–	100%	Investment holding
Naga Primorsky Beach Resorts Limited	Cyprus	Russia	Euro1,000	–	100%	Investment holding
Naga Entertainment No.3 Limited	Cyprus	Russia	Euro1,000	–	100%	Investment holding
Naga Sports Limited	Hong Kong	–	HK$2	–	100%	Inactive
Naga Travel Limited	Hong Kong	Hong Kong	HK$2	–	100%	Investment holding
Naga Retail Limited	Hong Kong	Cambodia	HK$2	–	100%	Operation of retail business

(Expressed in United States dollars)

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
Naga Entertainment Limited	Hong Kong	–	HK$2	–	100%	Inactive
Naga Services Limited	Hong Kong	Hong Kong	HK$2	–	100%	Investment holding
Naga Media Limited	Hong Kong	–	HK$2	–	100%	Inactive
Naga Management Limited	Hong Kong	–	HK$2	–	100%	Inactive
Naga Services Company Limited	Vietnam	–	$50,000	–	100%	In liquidation
Naga Management Services Limited	Thailand	Thailand	Thai Baht 3,000,000	–	100%	Management consulting services
NagaJet Management Limited	Cayman Islands	Cambodia	$1	–	100%	Management of company aircraft
NAGA TRANSPORT LIMITED	Cambodia	Cambodia	KHR200,000,000	–	100%	Transportation support activities
GOLDEN PASSAGE DESTINATIONS CO., LTD.	Cambodia	Cambodia	KHR200,000,000	–	100%	Travel agency services
NagaWorld (Macau) Limitada	Macau	Macau	MOP25,000	–	100%	Marketing, sales, consultancy & services in connection with travelling, hotels and resorts
Primorsky Entertainment Resorts City LLC	Russia	Russia	RUB677,360,138	–	100%	Gaming, hotel and entertainment operations
Primorsky Entertainment Resorts City No.2 LLC	Russia	Russia	RUB10,000	–	100%	Inactive
NagaWorld Three Limited	British Virgin Islands	–	$1	–	100%	Inactive
Naga Lease Limited	Hong Kong	–	HK$1	–	100%	Inactive
Naga 2 Land Limited (formerly known as TanSriChen Inc.)	British Virgin Islands	Cambodia	$285,000,000	100%	–	Asset holding

1 General (continued)

Information about subsidiaries (continued)

Name of subsidiary	Place of incorporation	Place of business	Issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCity Walk Limited (formerly known as TanSriChen (Citywalk) Inc.)	British Virgin Islands	Cambodia	$95,000,000	100%	–	Investment holding
NAGACITY WALK LAND COMPANY LIMITED (formerly known as Tan Sri Chen Inc. (TSCI))	Cambodia	Cambodia	$1,000,000	–	100%	Management of NagaCity Walk Project
TALENT TREE MANPOWER SOLUTIONS CO, LTD.	Cambodia	Cambodia	KHR4,000,000	–	100%	Employment placement agencies
BASSAKA HOLDING COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	–	Investment holding and management consulting
NAGAi Limited	Cayman Islands	–	$1	100%	–	Inactive
NAGAHOTEL Limited	Cayman Islands	–	$1	100%	–	Inactive
NagaGroup Global Limited	Cayman Islands	–	$1	100%	–	Inactive
NagaGroup Global Limited	British Virgin Islands	–	$1	100%	–	Inactive
NAGAi Inc	British Virgin Islands	–	$1	100%	–	Inactive
NAGAHOTEL Limited	British Virgin Islands	–	$1	100%	–	Inactive
NAGA Limited	British Virgin Islands	–	$1	100%	–	Inactive
NAGA 3 COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	100%	–	Property development and property investment
NAGAWORLD FOOTBALL CLUB COMPANY LIMITED	Cambodia	Cambodia	KHR4,000,000	–	100%	Operating football club

The class of shares held is ordinary.

(Expressed in United States dollars)

2 Adoption of new or revised International Financial Reporting Standards

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

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

IFRS 16	Leases
IFRIC-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

Except for IFRS 16 Leases ("IFRS 16"), none of the new or revised standards and interpretations have had a material effect on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the Year. The impact of the adoption of IFRS 16 is summarised below.

IFRS 16

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

The effect of adoption of IFRS 16 is as follows:

Impact on the consolidated statement of financial position as at 31 December 2019 (increase/(decrease)):

	$'000
Assets	
Non-current assets	
Right-of-use assets	**85,758**
Interest in leasehold land held for own use under operating lease	**(34,198)**
Total non-current assets	**51,560**
Current assets	
Trade and other receivables	**(1,948)**
Total current assets	**(1,948)**
Total assets	**49,612**
Liabilities	
Current liabilities	
Lease liabilities	**2,761**
Total current liabilities	**2,761**
Non-current liabilities	
Lease liabilities	**48,840**
Total non-current liabilities	**48,840**
Total liabilities	**51,601**
Equity	
Retained profits	**(1,989)**
Total Equity	**(1,989)**

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

The effect of adoption of IFRS 16 is as follows: (continued)

Impact on the consolidated statement of income for the Year (increase/(decrease)):

	$'000
Operating lease expenses (included in administrative expenses)	**(7,867)**
Depreciation and amortisation expense (included in other operating expenses)	**4,449**
Net exchange loss (included in other operating expenses)	**23**
Profit from operations	**3,395**
Finance costs	**5,384**
Income tax	**–**
Profit attributable to owners of the Company	**(1,989)**

Impact on the consolidated statement of cash flows for the Year (increase/(decrease)):

	$'000
Net cash flows from operating activities	**7,821**
Net cash flows from financing activities	**(7,821)**

Impact on segment information disclosures for the Year:

	Casino operations $'000	Hotel and entertainment operations $'000
Segment results	**3,337**	**3,972**
Segment assets	**21,405**	**27,285**
Segment liabilities	**22,272**	**28,369**

The adoption of IFRS 16 has no significant impact on earnings per share for the Year.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, plant and equipment and interest in leasehold land. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low-value assets"). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 10%.

To ease the transition to IFRS 16, the Group applied a practical expedient at the date of initial application of IFRS 16 whereby it elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(a) Nature of the effect of adoption of IFRS 16 (continued)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of $82,969,000 were recognised and presented separately in the consolidated statement of financial position. This includes lease assets of $26,634,000 which were reclassified from interest in leasehold land held for own use under operating lease.

- Lease liabilities of $53,993,000 were recognised and presented separately in the consolidated statement of financial position.

- Prepayments included in trade and other receivables of $2,342,000 related to previous operating leases were derecognised.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	$'000
Operating lease commitments at 31 December 2018	118,986
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(879)
	118,107
Less: total future interest expense	(64,114)
Lease liabilities recognised at 1 January 2019	**53,993**

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2 Adoption of new or revised International Financial Reporting Standards (continued)

IFRS 16 (continued)

(b) Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

IFRIC-Interpretation 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2 Adoption of new or revised International Financial Reporting Standards (continued)

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 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. Intercompany transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Property, plant and equipment

(i) Owned assets

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

- 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(o));

- freehold land; and

- other items of property, plant and equipment.

Capital work-in-progress comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the capital work-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

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.

4 Principal accounting policies (continued)

(b) Property, plant and equipment (continued)

(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 freehold land and capital work-in-progress. Depreciation is provided for capital work-in-progress when it is completed and ready for its intended use.

(c) Intangible assets

Acquired intangible assets – Casino licence premium

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

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(g)).

(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.

4 Principal accounting policies (continued)

(e) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

Debt instruments (continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of income. The net fair value gain or loss recognised in the statement of income does not include any interest charged on these financial liabilities.

4 Principal accounting policies (continued)

(e) Financial instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and senior notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised 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.

(iv) Effective interest method

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

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) 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 IFRS 9.

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

4 Principal accounting policies (continued)

(f) 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.

(g) 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;

– Right-of-use assets (applicable since 1 January 2019)

– interest in leasehold land held for own use under operating lease (applicable until 31 December 2018); and

– intangible assets.

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

– Calculation of recoverable amount

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

4 Principal accounting policies (continued)

(g) Impairment of other assets (continued)

– 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.

(h) Income tax

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

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

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

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

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

The income tax in respect of the gaming and hotel operations of the Company's subsidiary, NWL, represents obligation payments ("Obligation Payments") (refer to note 11(a)).

4 Principal accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition and money market fund. 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.

(j) 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.

(k) Employee benefits

Short term employee benefits and contributions to defined contribution retirement scheme

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement scheme and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Any short term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are measured at undiscounted amounts.

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

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

4 Principal accounting policies (continued)

(l) Foreign currencies

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

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

(m) 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.

(n) 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.

4 Principal accounting policies (continued)

(n) Related parties (continued)

(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).

(viii) the entity or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4 Principal accounting policies (continued)

(o) Leasing

Accounting policies applied from 1 January 2019

(i) Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied from 1 January 2019 (continued)

(i) Accounting as a lessee (continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(ii) Accounting as a lessor

The Group has leased out the shops in its properties to certain tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied until 31 December 2018

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

(i) *Assets acquired under finance leases*

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

(ii) *Operating lease*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

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

4 Principal accounting policies (continued)

(o) Leasing (continued)

Accounting policies applied until 31 December 2018 (continued)

(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.

(p) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Casino revenue from gaming tables and electronic gaming machines represents net house takings arising from casino operations and is recognised in profit or loss at a point in time when stakes are received by the casino and the amounts are paid out to the players. The credit policy on gaming receivables is five to thirty days from the end of VIP tour. Other customers paid in advance before they wager.

(ii) Revenue from provision 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 accordance with the substance of the relevant agreements:

– The Group recognises its share of net wins from gaming machine operation at a point in time under joint operation with the third parties; or

– Revenue for services provided to the third parties, based on sharing of net wins from the gaming machine operations, is recognised over time when the Group acts an agent to the third parties.

(iii) Income from hotel operations including room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. Most of the customers pay for room rental in advance or upon departure from the hotel by cash or credit card. Other services are paid when services are rendered. Certain entity customers are granted with credit period of thirty days from end of month.

(iv) The Group operates a loyalty programme where customers accumulate points for money spent on gaming or hotel facilities which entitle them to acquire goods or services free of charge or at a discount. Revenue from the award points is recognised when the points are redeemed or when they expire.

4 Principal accounting policies (continued)

(p) Revenue recognition (continued)

(v) Licence fee is recognised at a point in time when the right to use exists at which the licensing right is assigned. All other licence fee income is recognised over the contract period. Payment is made when the relevant contract is signed.

(q) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(r) Other income

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

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

(s) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangement as joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

4 Principal accounting policies (continued)

(s) Joint arrangements (continued)

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(t) Capitalisation and borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

5 Casino licence (continued)

(b) Exclusivity (continued)

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.

On 19 November 2019, the Company entered into the agreement with the RGC to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of $10 million and annual fee of $3 million to be paid on annual basis for a period of 10 years beginning from January 2036 to January 2045.

(c) Casino complex

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

6 Revenue

Revenue represents net house takings arising from casino operations and income from other operations and is recognised from contracts with customers.

	2019 $'000	2018 $'000
Casino operations – gaming tables	**1,561,422**	1,305,138
Casino operations – electronic gaming	**158,054**	129,282
Hotel room income, food and beverage and others	**35,990**	39,867
	1,755,466	1,474,287

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019 $'000	2018 $'000
Trade receivables	**83,366**	75,136
Contract liabilities	**45,359**	54,169

7 Other income

	2019 $'000	2018 $'000
Interest income	**4,282**	3,272
Rental income	**6,389**	6,995
Others	**135**	8
	10,806	10,275

8 Finance costs

	2019 $'000	2018 $'000
Interest expenses and amortisation of transaction costs relating to senior notes (Note 25)	**31,820**	19,469
Interest on lease liabilities	**5,384**	–
	37,204	19,469
Less: Interest expenses capitalised into capital work in progress	**(16,994)**	–
	20,210	19,469

9 Profit before taxation

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

		2019 $'000	2018 $'000
(a)	Staff costs (including directors' remuneration):		
	Salaries, wages and other benefits	**125,168**	92,374
	Contributions to defined contribution retirement scheme[#]	**45**	45
	Total staff costs*	**125,213**	92,419
(b)	Other items:		
	Auditor's remuneration		
	– Current year	**746**	959
	– Over provision for prior year	**(31)**	(8)
	Amortisation of casino licence premium*	**3,478**	3,547
	Depreciation and amortisation*		
	– Own assets	**91,136**	89,433
	– Right-of-use assets	**5,233**	–
	Exchange (gain)/loss*	**(1,058)**	189
	Impairment loss on trade receivables	**2,400**	2,200
	Write-off of property, plant and equipment	**23**	1,003
	Gain on disposal of property, plant and equipment	**(50)**	(5)
	Operating lease charges for land lease rental[Φ]	**–**	2,629
	Operating lease charges for office and car park rental[Φ]	**–**	5,135
	Operating lease charges for hire of equipment[Φ]	**–**	4,214
	Short term lease expenses[Φ]	**3,085**	–

* included in other operating expenses in the consolidated statement of income

\# There were no forfeited contributions utilised to offset employers' contributions to retirement schemes during the Year.

Φ The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2.

10 Directors' remuneration and senior management remuneration

(a) Directors' remuneration

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

	Annual performance incentive $'000	Discretionary bonus $'000	Fees $'000	Basic salaries, allowances and benefits-in-kind $'000	**2019 Total $'000**
Executive directors					
Tan Sri Dr Chen Lip Keong	30,335	150	–	720	**31,205**
Philip Lee Wai Tuck	–	120	–	283	**403**
Chen Yiy Fon	–	30	–	144	**174**
Non-executive director					
Timothy Patrick McNally	–	100	220	262	**582**
Independent non-executive directors					
Michael Lai Kai Jin	–	20	36	–	**56**
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(retired on 26 April 2019)*	–	20	12	–	**32**
Lim Mun Kee	–	30	48	–	**78**
Leong Choong Wah	–	7	36	–	**43**
Total	30,335	477	352	1,409	**32,573**

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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

	Annual performance incentive $'000	Discretionary bonus $'000	Fees $'000	Basic salaries, allowances and benefits-in-kind $'000	**2018 Total $'000**
Executive directors					
Tan Sri Dr Chen Lip Keong	–	150	–	720	**870**
Philip Lee Wai Tuck	–	120	–	263	**383**
Chen Yiy Fon	–	30	–	144	**174**
Chen Yepern *(retired on 27 April 2018)*	–	30	–	84	**114**
Non-executive director					
Timothy Patrick McNally	–	100	200	337	**637**
Independent non-executive directors					
Michael Lai Kai Jin	–	20	36	–	**56**
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	–	20	36	–	**56**
Lim Mun Kee	–	30	48	–	**78**
Leong Choong Wah *(appointed on 10 September 2018)*	–	–	11	–	**11**
Total	–	500	331	1,548	**2,379**

During the Year, no contributions were made to defined contribution retirement scheme for any of the Directors (including past Directors) (2018: Nil).

(Expressed in United States dollars)

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Tan Sri Dr Chen Lip Keong ("Dr Chen") is entitled to an annual performance incentive based on the Group's consolidated profit before taxation and before the said annual performance incentive ("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 incentive is calculated in accordance with the following formula:

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

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the parties acknowledge and agree that Dr Chen is entitled to a performance incentive of $11,765,000 (the "2017 Performance Incentive Entitlement"), $18,570,000 (the "2018 Performance Incentive Entitlement") and $26,182,000 (the "2019 Performance Incentive Entitlement") for the financial years ended 31 December 2017, 2018 and 2019 respectively.

Pursuant to the resolution passed by the Board on 6 February 2018, the Board considered the matter relating to the 2017 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2017 Performance Incentive Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2017 Performance Incentive Entitlement to subsequent years until the achievement of certain key performance indicators ("KPIs") set for the year ended 31 December 2018. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Performance Incentive Entitlement should be extended to the financial year ended 31 December 2018 or beyond at the sole election of Dr Chen and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

Pursuant to resolutions passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2017 Performance Incentive Entitlement and the 2018 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlements. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2017 and 2018 Performance Incentive Entitlements to subsequent years until the achievement of certain KPIs in 2019. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Performance Incentive Entitlement and the 2018 Performance Incentive Entitlement should be extended to 2019 or beyond at the sole election of Dr Chen and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

As a result of the achievement of the said KPIs for the Year, the 2017 Performance Incentive Entitlement and 2018 Performance Incentive Entitlement amounting to $30,335,000 in total were recognised in profit or loss during the Year.

Pursuant to the resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2019 Performance Incentive Entitlement until the achievement of the KPIs in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total incentives of $18.6 million from the financial years 2010 to 2014.

10 Directors' remuneration and senior management remuneration (continued)

(b) Five highest paid individuals

Of the five individuals with highest emoluments, three (2018: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the two individuals for the Year (2018: three) are as follows:

	2019 $'000	2018 $'000
Salaries, wages and other benefits	**984**	1,526
Contribution to defined contribution retirement scheme	**–**	–
Discretionary bonus	**186**	160
Total	**1,170**	1,686

The emoluments of the two individuals (2018: three) with the highest emoluments are within the following bands:

	2019 Number of Individuals	2018 Number of Individuals
$Nil – $258,000 (approximately HK$ Nil – HK$2,000,000)	**–**	–
$258,001 – $323,000 (approximately HK$2,000,001 – HK$2,500,000)	**–**	–
$323,001 – $387,000 (approximately HK$2,500,001 – HK$3,000,000)	**–**	–
$387,001 – $452,000 (approximately HK$3,000,001 – HK$3,500,000)	**1**	–
$452,001 – $516,000 (approximately HK$3,500,001 – HK$4,000,000)	**–**	1
$516,001 – $581,000 (approximately HK$4,000,001 – HK$4,500,000)	**–**	1
$581,001 – $645,000 (approximately HK$4,500,001 – HK$5,000,000)	**–**	–
$645,001 – $710,000 (approximately HK$5,000,001 – HK$5,500,000)	**–**	1
$710,001 – $774,000 (approximately HK$5,500,001 – HK$6,000,000)	**–**	–
$774,001 – $839,000 (approximately HK$6,000,001 – HK$6,500,000)	**1**	–
	2	3

During the Year, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or in connection with the management of the affairs of any members of the Group. None of the Directors waived any emoluments during the Year.

11 Income tax

Income tax in profit or loss represents:

	2019 **$'000**	2018 $'000
Current tax expense		
– Current year	**30,364**	8,814

During the Year, the Group recognised an additional obligation payment to the Ministry of Economy and Finance (the "MOEF") of Cambodia of $20,770,000 (2018: Nil) which is included in the amounts above.

Reconciliation between tax and accounting profit at applicable tax rate:

	2019 **$'000**	2018 $'000
Profit before taxation	**551,642**	399,392
Profits tax using Cambodian corporation tax rate of 20% (2018: 20%)	**110,328**	79,878
Tax exempt profits from Cambodian operations (note (a))	**(110,328)**	(79,878)
Obligation Payments (note (a))	**30,364**	8,814
	30,364	8,814

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of $585,176 (2018: $520,157), monthly non-gaming Obligation Payment of $214,338 (2018: $214,338) payable to the MOEF by NWL Gaming Branch and NWL Hotel and Entertainment Branch, branches registered in Cambodia.

11 Income tax (continued)

Notes: (continued)

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

(i) Casino tax and licence fees

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

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

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

In May 2000, the MOEF levied an Obligation Payment of $60,000 per month on NWL Gaming Branch payable from January 2000 to December 2003 in respect of the gaming activities. The MOEF has also confirmed that gaming taxes and licence fees are not payable in respect of periods prior to January 2000. Legal opinion was obtained confirming that the Obligation Payment is not payable prior to January 2000. Since December 2003, the MOEF had been revising the Obligation Payment every year up to 2018. For the year ended 31 December 2018, the Obligation Payments was $520,157 per month.

Such payments were 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.

11 Income tax (continued)

Notes: (continued)

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

(i) Casino tax and licence fees (continued)

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.

The MOEF has yet to confirm the amount of the Obligation Payment for the Year. Base on all available information, NWL Gaming Branch continued to accrue and pay the Obligation Payment with increment rate of 12.5% on top of the 2018 Obligation Payment (i.e. $585,176 per month) during the Year.

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

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

11 Income tax (continued)

Notes: (continued)

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

(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 11(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 on 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 was obtained confirming that NWL will be exempt from the aforementioned taxes subject to the Obligation Payments being made.

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

11 Income tax (continued)

Notes: (continued)

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

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

In July 2002, the MOEF imposed a non-gaming Obligation Payment on NWL in respect of tax on non-gaming activities of a fixed sum of $30,500 per month for the six months ended 31 December 2002. The monthly rate of non-gaming Obligation Payment will be reviewed annually. For the year ended 31 December 2018, the estimated provision of non-gaming obligation payment is $214,338 per month (2018: $214,338 per month).

The above non-gaming Obligation Payment is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services. 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 11(a)(i) above.

During the Year, the Group paid an additional Obligation Payment of $20,770,000 (2018: Nil) to the MOEF. Additional Obligation Payments other than those paid during the Year or prior years (if any), are subject to the future development in this matter.

(iii) Other jurisdictions

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

(b) Taxes on other businesses

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

11 Income tax (continued)

Notes: (continued)

(c) Amendment to the Law on Investment and Law on 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 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.

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

	2019 **$'000**	2018 $'000
Interim dividend declared during the year:		
2018: US cents 2.49 per ordinary share	**–**	108,079
2019: US cents 3.39 per ordinary share	**147,063**	–
Final dividend proposed after the end of reporting period:		
2018: US cents 2.91 per ordinary share	**–**	126,268
2019: US cents 5.09 per ordinary share	**220,938**	–
	368,001	234,347

The dividends declared and paid during the Year comprise the 2018 final dividend of $126,268,000 which was paid in May 2019 and the 2019 interim dividend of $147,063,000 which was paid in August 2019.

13 Earnings per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of $521,278,000 (2018: $390,578,000) and the weighted average number of shares of 4,341,008,041 (2018: 4,341,008,041) in issue during the Year.

There were no dilutive potential shares during the Year (2018: Nil).

14 Segment information

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

- Casino operations: this segment comprises all gaming activities at Naga 1 and Naga 2.

- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

14 Segment information (continued)

(a) Segment results, assets and liabilities

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

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

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

	Casino operations $'000	Hotel and entertainment operations $'000	Total $'000
Segment revenue:			
Year ended 31 December 2018			
Timing of revenue recognition			
– At point of time	1,374,730	22,169	1,396,899
– Transferred over time	59,690	17,698	77,388
Revenue from external customers	1,434,420	39,867	1,474,287
Inter-segment revenue	(1,916)	14,273	12,357
Reportable segment revenue	1,432,504	54,140	1,486,644
Year ended 31 December 2019			
Timing of revenue recognition			
– At point of time	**1,632,133**	**17,009**	**1,649,142**
– Transferred over time	**87,343**	**18,981**	**106,324**
Revenue from external customers	**1,719,476**	**35,990**	**1,755,466**
Inter-segment revenue	**(1,338)**	**9,977**	**8,639**
Reportable segment revenue	**1,718,138**	**45,967**	**1,764,105**
Segment profit:			
Year ended 31 December			
2018	517,711	5,713	523,424
2019	**707,786**	**2,630**	**710,416**

14 Segment information (continued)

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

	Casino operations $'000	Hotel and entertainment operations $'000	Total $'000
Segment assets:			
As at 31 December			
2018	1,295,316	619,240	1,914,556
2019	**1,692,665**	**881,210**	**2,573,875**
Segment liabilities:			
As at 31 December			
2018	(104,205)	(183,252)	(287,457)
2019	**(190,733)**	**(388,874)**	**(579,607)**
Net assets:			
As at 31 December			
2018	1,191,111	435,988	1,627,099
2019	**1,501,932**	**492,336**	**1,994,268**
Other segment information Capital expenditure:			
Year ended 31 December			
2018	95,097	148,816	243,913
2019	**136,538**	**284,224**	**420,762**
Impairment loss on trade receivables:			
Year ended 31 December			
2018	2,200	–	2,200
2019	**–**	**2,400**	**2,400**

14 Segment information (continued)

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

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

	2019 $'000	2018 $'000
Revenue		
Reportable segment revenue	**1,764,105**	1,486,644
Elimination of inter-segment revenue	**(8,639)**	(12,357)
Consolidated revenue	**1,755,466**	1,474,287
Profit		
Reportable segment profit	**710,416**	523,424
Other revenue	**3,470**	2,627
Depreciation and amortisation	**(99,847)**	(92,980)
Unallocated head office and corporate expenses	**(42,187)**	(14,210)
Finance costs	**(20,210)**	(19,469)
Consolidated profit before taxation	**551,642**	399,392
Assets		
Reportable segment assets	**2,573,875**	1,914,556
Elimination of inter-segment assets	**(322,578)**	(157,124)
	2,251,297	1,757,432
Unallocated cash and bank balances, certificates of deposit and other liquid funds	**93,245**	206,938
Unallocated corporate assets	**2,479**	2,871
Consolidated total assets	**2,347,021**	1,967,241
Liabilities		
Reportable segment liabilities	**(579,607)**	(287,457)
Elimination of inter-segment payables	**322,578**	157,124
	(257,029)	(130,333)
Senior notes	**(294,813)**	(291,118)
Unallocated corporate liabilities	**(6,808)**	(5,921)
Consolidated total liabilities	**(558,650)**	(427,372)

14 Segment information (continued)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2019, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of $1,642,461,000 (2018: $1,311,409,000) and $238,299,000 (2018: $134,292,000), respectively.

(c) Information about major customers

During the current and prior year, there was no individual external customer contributing 10% or more of the Group's total revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2019 $'000	2018 $'000
Casino operations		
Junket A	**824,658**	667,961
Junket B	**191,717**	153,609

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

	Plant and equipment $'000	Buildings $'000	Capital work-in-progress $'000 (note)	Renovations, furniture and fittings $'000	Motor vehicles $'000	Aircraft $'000	Freehold land $'000	Total property, plant and equipment $'000	Interest in leasehold land held for own use under operating lease $'000
Cost:									
At 1 January 2018	149,791	688,682	58,682	395,795	6,734	55,990	–	1,355,674	27,551
Additions	12,535	76,701	123,535	1,143	65	–	30,000	243,979	–
Disposal	(24)	–	–	(194)	(287)	–	–	(505)	–
Written off	–	(1,054)	–	–	–	–	–	(1,054)	–
Transfer	6,168	11,587	(53,088)	35,333	–	–	–	–	–
At 31 December 2018	168,470	775,916	129,129	432,077	6,512	55,990	30,000	1,598,094	27,551
At 1 January 2019 as originally presented	**168,470**	**775,916**	**129,129**	**432,077**	**6,512**	**55,990**	**30,000**	**1,598,094**	**27,551**
Initial application of IFRS 16 (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,551)**
Restated balance at 1 January 2019	**168,470**	**775,916**	**129,129**	**432,077**	**6,512**	**55,990**	**30,000**	**1,598,094**	**–**
Additions	**10,875**	**56,064**	**263,364**	**485**	**161**	**29,462**	**50,000**	**410,411**	**–**
Disposal	**–**	**–**	**–**	**–**	**(419)**	**–**	**–**	**(419)**	**–**
Written off	**(463)**	**–**	**–**	**(13)**	**–**	**–**	**–**	**(476)**	**–**
Transfer	**396**	**13,438**	**(35,961)**	**22,127**	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**179,278**	**845,418**	**356,532**	**454,676**	**6,254**	**85,452**	**80,000**	**2,007,610**	**–**

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

	Plant and equipment $'000	Buildings $'000	Capital work-in-progress $'000 (note)	Renovations, furniture and fittings $'000	Motor vehicles $'000	Aircraft $'000	Freehold land $'000	Total property, plant and equipment $'000	Interest in leasehold land held for own use under operating lease $'000
Accumulated depreciation/ amortisation:									
At 1 January 2018	41,927	20,942	–	154,785	4,841	11,442	–	233,937	601
Charge for the year	27,500	15,154	–	42,985	657	2,821	–	89,117	316
Disposal	(24)	–	–	(194)	(287)	–	–	(505)	–
Written off	–	(51)	–	–	–	–	–	(51)	–
At 31 December 2018	69,403	36,045	–	197,576	5,211	14,263	–	322,498	917
At 1 January 2019 as originally presented	**69,403**	**36,045**	**-**	**197,576**	**5,211**	**14,263**	**-**	**322,498**	**917**
Initial application of IFRS 16 (note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(917)**
Restated balance at 1 January 2019	**69,403**	**36,045**	**-**	**197,576**	**5,211**	**14,263**	**-**	**322,498**	**-**
Charge for the year	**27,148**	**15,783**	**-**	**43,900**	**505**	**3,800**	**-**	**91,136**	**-**
Disposal	**-**	**-**	**-**	**-**	**(419)**	**-**	**-**	**(419)**	**-**
Written off	**(451)**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(453)**	**-**
At 31 December 2019	**96,100**	**51,828**	**-**	**241,474**	**5,297**	**18,063**	**-**	**412,762**	**-**
Net book value:									
At 31 December 2019	**83,178**	**793,590**	**356,532**	**213,202**	**957**	**67,389**	**80,000**	**1,594,848**	**-**
At 31 December 2018	99,067	739,871	129,129	234,501	1,301	41,727	30,000	1,275,596	26,634

Note:

Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.

16 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2. The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(o).

(a) The Group as lessee

The Group has four leasehold land with remaining leasehold period expiring on 31 July 2095, 10 January 2037, 31 July 2066 and 14 December 2110 respectively. The Group entered into lease agreements in respect of three leasehold land in Phnom Penh, Cambodia which forms the sites for the NagaWorld casino and hotel complex and aircraft ancillary facilities at the airport. The lease agreements are for a period of 99 years or 37 years and do not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are fixed and included in the lease agreements. The Group also entered into lease agreement in respect of the leasehold land for the construction of NagaCity Walk for a term of 50 years. Under the terms of the lease agreement, upon the expiry of the initial lease term of 50 years, the lease shall be automatically renewed at the option of the Group for another term in accordance with the laws of Cambodia. The Group expected to exercise the renewal option.

Lump sum payments were made upfront to acquire the interests in the leasehold land. For some of them, in addition to the lump sum payments, the Group was obliged to pay annual lease charge of approximately $322,000 (2018: $322,000), subject to increment for every 5 or 10 years. The lease payments are fixed over the lease terms.

Leases for properties, land owned by third parties, car park spaces and equipment have lease terms between 1 to 20 years. The Group has not capitalised leases of car park spaces and equipment with lease terms of 1 year or less by applying the short-term lease recognition exemption. The lease payments of most of these leases are fixed over the lease terms except few leases of equipment comprise solely variable lease payments during the lease terms.

16 Leases (continued)

(a) The Group as lessee (continued)

(i) Right-of-use asset

The movements of the carrying amounts of the Group's right-of-use assets during the Year are set out below:

	Leasehold land $'000	Buildings $'000	Equipment $'000	Total $'000
As at 1 January 2019	**43,789**	**26,915**	**12,265**	**82,969**
Additions	**8,022**	**–**	**–**	**8,022**
Depreciation expense	**(2,215)**	**(2,282)**	**(736)**	**(5,233)**
As at 31 December 2019	**49,596**	**24,633**	**11,529**	**85,758**

(ii) Lease liabilities

	$'000
As at 1 January 2019	**53,993**
Additions	**22**
Interest expense	**5,384**
Payments	**(7,821)**
Exchange difference	**23**
As at 31 December 2019	**51,601**
Less: Current portion	**(2,761)**
Non-current portion	**48,840**

16 Leases (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities (continued)

Future lease payments are due as follows:

	2019		
	Minimum lease payments $'000	Interest $'000	Present value $'000
Within 1 year	7,572	4,811	2,761
1 to 5 years	37,382	21,357	16,025
After 5 years	79,170	46,355	32,815
	124,124	72,523	51,601

(iii) Variable lease payments

The Group leased a number of electronic gaming machines which contain variable lease payment terms that are based on certain percentage of gross win generated from the electronic gaming machines. There are no minimum base rental arrangements in these leases. The amount of variable lease payments recognised in profit or loss for the Year for these leases is $15,636,000.

(iv) Information in relation to short term leases

	2019 $'000
Short term lease expenses	3,085
Aggregate undiscounted commitments for short term leases	449

16 Leases (continued)

(a) The Group as lessee (continued)

(v) Disclosures regarding operating lease commitment as at 31 December 2018 under IAS 17

	2018			
	Land lease $'000	Office, staff quarters and car park rental $'000	Equipment rental $'000	Total $'000
Within 1 year	2,306	1,860	4,014	8,180
1 to 5 years	9,236	5,458	16,056	30,750
After 5 years	30,743	8,227	41,086	80,056
As at 31 December 2018	42,285	15,545	61,156	118,986

(b) The Group as lessor

The Group has leased out the shops in its properties to certain tenants. The lease was negotiated for an original term of 10.5 years. The terms of the lease also provide for periodic rent adjustments according to the then prevailing market conditions. Rent is calculated at the higher of base rent or 8% on turnover generated from the tenant plus 5% on turnover generated from its licences, operator or sub-tenants. Contingent rental of $1,247,000 (2018: Nil) was recognised during the Year.

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

	2019 **$'000**	2018 $'000
Within 1 year	**2,531**	2,525
1 to 5 years	**13,844**	10,591
After 5 years	**2,010**	7,794
	18,385	20,910

17 Intangible assets

	2019 $'000	2018 $'000
Casino licence premium and extended exclusivity premium:		
Cost:		
At 1 January	**108,000**	108,000
Additions for year	**15,002**	–
At 31 December	**123,002**	108,000
Accumulated amortisation:		
At 1 January	**48,893**	45,346
Charge for year	**3,478**	3,547
At 31 December	**52,371**	48,893
Net book value	**70,631**	59,107

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

17 Intangible assets (continued)

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

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

– 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.

On 19 November 2019, the Company entered into the agreement with the Cambodian Government to extend the exclusivity of casino licence for an additional 10 years effective from 1 January 2036 to 31 December 2045 for a consideration of $10 million paid during the Year and annual fee of $3 million to be paid on annual basis for a period of 10 years beginning from 1 January 2036 till the end of December 2045.

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

18 Prepayments for acquisition, construction and fitting-out of property, plant and equipment

As at the end of the reporting period, prepayments for construction and fitting-out relate to advances made for various construction activities in NagaWorld and elsewhere.

19 Promissory Notes

On 6 September 2013, the Company entered into an investment agreement with certain Russian governmental authorities (the "Investment Agreement") pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately $350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately $8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC. This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, Primorsky Entertainment Resorts City LLC purchased these promissory notes in Rubles to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately $9,992,000) (2018: $9,372,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

20 Consumables

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

21 Trade and other receivables

	2019 **$'000**	2018 $'000
Trade receivables	**87,541**	82,705
Less: Allowance for impairment loss	**(4,175)**	(7,569)
	83,366	75,136
Deposits, prepayments and other receivables	**43,406**	42,004
	126,772	117,140

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:

	2019 **$'000**	2018 $'000
Current to within 1 month	**40,975**	67,931
1 to 3 months	**37,264**	343
3 to 6 months	**745**	638
6 to 12 months	**270**	3,095
More than 1 year	**4,112**	3,129
	83,366	75,136

22 Cash and bank balances, certificates of deposit and other liquid funds

	2019 $'000	2018 $'000
Cash and bank balances	**273,377**	222,639
Fixed deposits	**350**	16,350
Certificates of deposit	**–**	50,697
Money market fund	**–**	77,897
Short term investment	**53,003**	25,394
	326,730	392,977
Less: – Short term investment	**(53,003)**	(25,394)
– Fixed deposits and certificates of deposit with original maturity of more than three months when acquired	**(350)**	(51,047)
	(53,353)	(76,441)
Cash and cash equivalents	**273,377**	316,536

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

As at 31 December 2019, certificates of deposit and fixed deposits bear interest of 2.00% to 2.80% (2018: 2.00% to 2.88%) per annum and mature at various times up to April 2020 (2018: various times up to and including January 2019).

Short term investment represents a listed debt fund which was classified as debt instrument at FVTPL. Details of the investment are set out in note 29(g)(ii).

23 Trade and other payables

	2019 **$'000**	2018 $'000
Trade payables (note)	**7,548**	5,341
Unredeemed casino chips	**7,768**	12,279
Deposits	**73,756**	6,323
Construction creditors	**12,856**	6,764
Interest payable	**3,125**	3,125
Accruals and other creditors	**58,856**	45,879
	163,909	79,711
Less: current portion	**(159,407)**	(79,711)
Non-current portion	**4,502**	–

Note:

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

	2019 **$'000**	2018 $'000
Due within 1 month or on demand	**7,548**	4,992
Due after 1 month but within 3 months	**–**	277
Due after 3 months but within 6 months	**–**	72
Due after 6 months but within 1 year	**–**	–
Due after 1 year	**–**	–
Total	**7,548**	5,341

24 Contract liabilities

	2019 **$'000**	2018 $'000
Customer loyalty programme	**1,213**	1,273
Licence fee	**44,146**	52,896
	45,359	54,169
Less: current portion	**(9,963)**	(10,023)
Non-current portion	**35,396**	44,146

Typical payment terms which impact on the amount of contract liabilities are described in notes 4(p)(iv) and 4(p)(v) respectively.

Movement in contract liabilities

	Customer loyalty programme $'000	**Licence fee $'000**
Balance at 1 January 2018	1,273	61,646
Decrease as a result of recognising revenue during the year	(3,218)	(8,750)
Increase as a result of award points earned	3,218	–
Balance as at 1 January 2019	1,273	52,896
Decrease as a result of recognising revenue during the year	(2,307)	(8,750)
Increase as a result of award points earned	2,247	–
Balance as at 31 December 2019	1,213	44,146

The contract liabilities of $10,023,000 (2018: $10,023,000) included in the balance at the beginning of the Year has been recognised as revenue during the Year from performance obligations satisfied during the Year.

25 Senior notes

On 14 May 2018, the Company entered into a purchase agreement with two independent third party purchasers in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of $300,000,000 and mature on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be convertible into Shares.

The obligations under the Senior Notes are secured by guarantees given by certain subsidiaries of the Company.

26 Capital and reserves

(a) Share capital

(i) *Authorised:*

	2019 $'000	2018 $'000
8,000,000,000 ordinary shares of $0.0125 each	**100,000**	100,000

(ii) *Issued and fully paid:*

	2019 Number of shares	**2019 $'000**	2018 Number of shares	2018 $'000
Issued and fully paid:				
Ordinary shares of $0.0125 each				
At 1 January and 31 December	**4,341,008,041**	**54,263**	4,341,008,041	54,263

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

26 Capital and reserves (continued)

(a) Share capital (continued)

(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.

The capital structure of the Group consists of net debts and equity attributable to owners of the Company, comprising share capital and reserves. 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.

The Group monitors the capital structure using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes the Senior Notes less cash and bank balances, certificates of deposit and other liquid funds.

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

	2019 $'000	2018 $'000
Debt	**294,813**	291,118
Cash and bank balances, certificates of deposit and other liquid funds	**(326,730)**	(392,977)
Net debt	**N/A**	N/A
Equity	**1,788,371**	1,539,869
Net debt to equity ratio	**N/A**	N/A

26 Capital and reserves (continued)

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 130 of the consolidated financial statements.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

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

(iii) Capital contribution reserve

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

(iv) Capital redemption reserve

The capital redemption reserve arose from cancellation of 12,090,000 treasury shares during the year ended 31 December 2015. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, upon the cancellation, the par value of the cancelled treasury shares was transferred from share premium accounts.

(v) Exchange reserve

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

26 Capital and reserves (continued)

(d) Distributable reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to owners of the Company was $619,381,000 (2018: $671,698,000) within which $751,356,000 (2018: $751,356,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds and issued under placement in past years and $55,000,000 (2018: $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 for Shareholder of US cents 5.09 per Share amounting to $220.9 million (2018: final dividend for Shareholder of US cents 2.91 per Share amounting to $126.3 million). The final dividend has not been recognised as a liability at the end of the reporting period.

27 Capital commitments

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

	2019 **$'000**	2018 $'000
Hotel and casino complex – contracted but not incurred	**3,646,546**	361,739

28 Equity settled share-based transactions

The Company has adopted a share option scheme on 20 April 2016 (the "Scheme"). Under the Scheme, 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 (2018: Nil) and there are no outstanding share options at the end of the reporting period (2018: Nil).

29 Risk management

(a) Financial risk management objectives and policies

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

29 Risk management (continued)

(b) Political and economic risks

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

(c) Credit risk

The credit policy on gaming receivables is five to thirty days (2018: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2018: thirty days from end of month). Trade receivables relate mostly to Junket operators. At the end of the reporting period, the Group has a certain concentration of credit risk at 56% (2018: 53%) of the total trade and other receivables that were due from the five largest operators.

The Group recognises impairment losses on trade and other receivables in accordance with the policy in note 4(e)(ii) during the Year. The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators. Credit evaluations are performed on all customers requesting credit facilities.

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix which is based on days past due for groupings of various customer segments that have similar loss patterns.

29 Risk management (continued)

(c) Credit risk (continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

2019	**Expected loss rate %**	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**0.07**	**41,014**	**28**
1 to 3 months past due	**1.22**	**37,711**	**459**
3 to 6 months past due	**2.82**	**767**	**22**
6 to 12 months past due	**1.61**	**275**	**4**
More than 1 year past due	**47.11**	**7,774**	**3,662**
		87,541	**4,175**

2018	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.07	68,060	46
1 to 3 months past due	0.53	509	3
3 to 6 months past due	0.72	1,134	8
6 to 12 months past due	3.47	2,446	85
More than 1 year past due	70.36	10,556	7,427
		82,705	7,569

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

29 Risk management (continued)

(c) Credit risk (continued)

The following table reconciles the impairment loss of trade receivables arising from contracts with customers for the year:

	2019 $'000	2018 $'000
At 1 January	**7,569**	5,369
Impairment loss recognised	**2,400**	2,200
Bad debt written-off	**(5,794)**	–
At 31 December	**4,175**	7,569

During the Year, increase in the gross carrying amounts of trade receivables past due over 1 year net of written off of trade receivable balances in the same age bracket have resulted in a decrease in loss allowance of $3,765,000. For the year ended 31 December 2018, increase in the gross carrying amounts of trade receivables past due over 1 year net of those settled resulted in an increase in loss allowance of $2,101,000.

The Group's short term investment in debt fund is highly liquid and quoted on a recognised stock exchange. The credit risk of the fund is low as the underlying investments are guaranteed by insurance companies with average credit rating of A+ by international credit-rating agencies. The directors also consider the credit risk on certificates of deposit, fixed deposits and cash and bank balances are limited because the counterparties are banks with high-credit rating.

29 Risk management (continued)

(d) Liquidity risk

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

2019	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade and other payables	**163,909**	**189,407**	**159,407**	**–**	**–**	**30,000**
Senior Notes	**294,813**	**341,406**	**28,125**	**313,281**	**–**	**–**
	458,722	**530,813**	**187,532**	**313,281**	**–**	**30,000**

2018	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Trade and other payables	79,711	79,711	79,711	–	–
Senior Notes	291,118	369,531	28,125	28,125	313,281
	370,829	449,242	107,836	28,125	313,281

(e) Interest rate risk

The Group's fair value interest-rate risk mainly arises from the Promissory Notes, certificates of deposit and Senior Notes as disclosed in notes 19, 22 and 25 respectively. These financial instruments bear interest at fixed rates which expose the Group to fair value interest-rate risk. The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates and the interests from cash and bank balances are insignificant. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rate and terms of the Promissory Notes, certificates of deposit and Senior Notes are disclosed in notes 19, 22 and 25 to the consolidated financial statements respectively.

29 Risk management (continued)

(f) Foreign currency risk

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

(g) Fair values

(i) Financial instrument not mentioned at fair value

Financial instruments not measured at fair value include Promissory Notes, cash and bank balances, certificates of deposit, trade and other receivables, trade and other payables and the Senior Notes. The carrying values of these financial instruments approximate their fair values.

(ii) Financial instruments measured at fair value

The debt fund included in the Group's consolidated financial statements requires measurement at fair value as details in note 22. The fair value measurement of which utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of the fund is determined based on quoted market price. The fair value of the fund is a level 1 fair value measurement.

There were no transfers between levels during the Year (2018: Nil).

30 Related party transactions

In addition to the information disclosed in the notes 21 and 23 to the consolidated financial statements, significant transactions entered into between the Group and its related parties are as follows:

(a) Compensation of key management personnel

	2019 **$'000**	2018 $'000
Basic salaries, housing and other allowances and benefits in kind	**8,558**	7,585
Bonus	**31,384**	898
	39,942	8,483

(b) Balances with related parties

As at 31 December 2019, amounts due from related companies of $390,000 (2018: $352,000) are included in trade and other receivables as disclosed in note 21 to the consolidated financial statements. The maximum balance during the Year was $390,000 (2018: $352,000).

As at 31 December 2019, amount due to a director, Dr Chen of $1,906,000 (2018: $1,959,000) is included in trade and other payables as disclosed in note 23 to the consolidated financial statements.

The balances with the related companies and the director are unsecured, interest free and repayable on demand.

31 Ultimate controlling party

At 31 December 2019, Dr Chen owned equity interests in 2,869,602,463 (2018: 2,869,602,463) ordinary shares out of the 4,341,008,041 (2018: 4,341,008,041) issued ordinary shares of the Company, of which 1,917,807,166 (2018: 1,917,807,166) ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 (2018: 951,795,297) ordinary shares were indirectly held by a discretionary trust named ChenLa Foundation. By virtue of being the founder of ChenLa Foundation, Dr Chen was taken to be interested in the 951,795,297 (2018: 951,795,297) ordinary shares held by ChenLa Foundation.

(Expressed in United States dollars)

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2019

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 2019, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to IFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2019 (continued)

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. Except as described above, the directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

33 Key sources of estimation uncertainty

(i) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECLs for the trade receivables. The expected loss rates are based on actual loss experience over the past 3 years as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables are disclosed in note 29(c).

(ii) Obligation payments

As mentioned in note 11 to the consolidated financial statements, a Casino Law which is to govern gaming activities in Cambodia has yet to be promulgated. Management judgement is therefore required in determining the relevant amounts. The Group has carefully evaluated its exposure to transactions occurred during the Year and observes the development of the Casino Law in exercising such judgement.

(iii) Estimation the incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

34 Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, an executive director and the Chief Executive Officer of the Company, both parties acknowledge and agree that Dr Chen is entitled to the 2019 Performance Incentive Entitlement of $26,182,000.

Pursuant to a resolution passed by the Board on 10 February 2020, the Board considered the matter relating to the payment of the 2019 Performance Incentive Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2019 Performance Incentive Entitlement until the achievement of the KPIs in 2020. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2019 Performance Incentive Entitlement should be extended to 2020 or beyond at the sole election of Dr Chen, and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total performance incentive entitlement of US$18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional obligation payment as described in note 11, there were no other contingent liabilities as at 31 December 2019.

35 Reconciliation of liabilities arising from financing activities

	Senior Notes (Note 25) $'000	Interest payable (Note 23) $'000	Lease liabilities (Note 16) $'000
At 1 January 2018	–	–	–
Changes from cash flows:			
Net proceeds from Senior Notes	288,836	–	–
Interest paid	–	(14,062)	–
	288,836	(14,062)	–
Other changes:			
Finance costs	2,282	17,187	–
At 31 December 2018 and 1 January 2019 as originally presented	**291,118**	**3,125**	**–**
Initial application of IFRS 16 (Note 2)	**–**	**–**	**53,993**
Restated balance at 1 January 2019	**291,118**	**3,125**	**53,993**
Changes from cash flows:			
Interest paid	**–**	**(28,125)**	**–**
Lease payments	**–**	**–**	**(7,821)**
	–	**(28,125)**	**(7,821)**
Other changes:			
Finance costs	**3,695**	**28,125**	**5,384**
Additions	**–**	**–**	**22**
Exchange difference	**–**	**–**	**23**
	3,695	**28,125**	**5,429**
At 31 December 2019	**294,813**	**3,125**	**51,601**

36 Statement of financial position of the Company

	2019 $'000	2018 $'000
Non-current assets		
Property, plant and equipment	**9,650**	303
Right-of-use assets	**922**	–
Investments in subsidiaries	**394,391**	394,391
	404,963	394,694
Current assets		
Deposits, prepayments and other receivables	**612**	1,219
Amounts due from subsidiaries	**475,924**	419,648
Certificates of deposit, fixed deposits and other liquid funds	**53,003**	76,091
Cash and cash equivalents	**40,243**	130,847
	569,782	627,805
Current liabilities		
Accruals and other payables	**5,322**	5,414
Amounts due to subsidiaries	**7**	6
Lease liabilities	**467**	–
	5,796	5,420
Net current assets	**563,986**	622,385
Total assets less current liabilities	**968,949**	1,017,079
Non-current liabilities		
Senior Notes	**294,813**	291,118
Lease liabilities	**492**	–
	295,305	291,118
NET ASSETS	**673,644**	725,961
CAPITAL AND RESERVES		
Share capital	**54,263**	54,263
Reserves (Note)	**619,381**	671,698
TOTAL EQUITY	**673,644**	725,961

Approved and authorised for issue by the Board on 10 February 2020.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

36 Statement of financial position of the Company (continued)

Note:

Reserves of the Company

	Share premium $'000	Capital redemption reserve $'000	Capital contribution reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2018	751,356	151	55,000	(106,209)	700,298
Profit for the year	–	–	–	142,211	142,211
Dividend declared and paid	–	–	–	(170,811)	(170,811)
At 31 December 2018	751,356	151	55,000	(134,809)	671,698
At 1 January 2019	**751,356**	**151**	**55,000**	**(134,809)**	**671,698**
Profit for the year	**–**	**–**	**–**	**221,014**	**221,014**
Dividend declared and paid	**–**	**–**	**–**	**(273,331)**	**(273,331)**
At 31 December 2019	**751,356**	**151**	**55,000**	**(187,126)**	**619,381**

Five-year Financial Summary

(Expressed in United States dollars)

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	**2019** **$'000**
Consolidated statement of income					
Revenue	503,655	531,558	956,349	1,474,287	**1,755,466**
Profit attributable to owners of the Company	172,623	184,159	255,186	390,578	**521,278**
Basic Earnings per share (US cents)	7.58	7.89	7.94	9.00	**12.01**
Diluted Earnings per share (US cents)	7.58	7.04	5.88	9.00	**12.01**
Dividend					
Interim dividend declared	60,612	62,938	90,379	108,079	**147,063**
Final dividend proposed after the end of reporting period	42,962	20,051	62,732	126,268	**220,938**
Total dividend attributable to the year	103,574	82,989	153,111	234,347	**368,001**
Dividend per share (US cents)	4.56	3.59	3.53	5.40	**8.48**
Consolidated statement of financial position					
Property, plant and equipment and interests in leasehold land held for own use under operating lease	408,388	837,415	1,148,687	1,302,230	**1,594,848**
Right-of-use assets	–	–	–	–	**85,758**
Intangible assets	69,748	66,201	62,654	59,107	**70,631**
Other non-current assets	54,577	102,105	94,927	93,736	**139,515**
Net current assets	153,863	245,260	76,277	420,060	**281,170**
Employment of capital	686,576	1,250,981	1,382,545	1,875,133	**2,171,922**
Represented by:					
Share capital	28,375	30,750	54,263	54,263	**54,263**
Reserves	658,201	1,220,231	1,328,282	1,485,606	**1,734,108**
Shareholders' funds	686,576	1,250,981	1,382,545	1,539,869	**1,788,371**
Other non-current liabilities	–	–	–	335,264	**383,551**
Capital employed	686,576	1,250,981	1,382,545	1,875,133	**2,171,922**
Net assets per share in open market (US cents)	30.25	50.85	31.85	35.47	**41.20**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting of NagaCorp Ltd. (the "Company") will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 24 April 2020 at 10:00 a.m. for the following:

1. To consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors of the Company (the "Directors") and independent auditor for the year ended 31 December 2019 (the "Year").

2. To approve the payment of a final dividend in respect of the Year.

3. i. To re-elect Mr. Timothy Patrick McNally as a non-executive Director.

   ii. To re-elect Mr. Philip Lee Wai Tuck as an executive Director.

4. To re-elect Mr. Lim Mun Kee, who has served the Company for more than nine years, as an independent non-executive Director.

5. To authorise the board of Directors (the "Board") to fix the Directors' remuneration for the year ending 31 December 2020.

6. To re-appoint BDO Limited as the independent auditor of the Company and to authorise the Board to fix its remuneration.

7. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

   (A) "**That**:

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

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

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

(iv) the Company may not issue securities convertible into new Shares for cash consideration unless the initial conversion price of such convertible securities is not lower than the Benchmarked Price (as hereinafter defined) of the Shares at the time of the relevant placing, and the Company may not issue warrants, options or similar rights to subscribe for (i) any new Shares; or (ii) any securities convertible into new Shares, for cash consideration pursuant to the approval in paragraph (A)(i) above; and

(v) for the purpose of this resolution:

(a) "Benchmarked Price" means the higher of:

(1) the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the relevant placing agreement or other agreement involving the proposed issue of securities pursuant to the approval in paragraph (A)(i) above; and;

(2) the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately prior to the earliest of:

(i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities pursuant to the approval in paragraph A(i) above;

(ii) the date of the placing agreement or other agreement involving the proposed issue of securities pursuant to the approval in paragraph A(i) above; and

(iii) the date on which the placing or subscription price of the securities to be issued in paragraph A(i) above is fixed;

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

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

(2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or

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

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

(B) “**That**:

(i) subject to paragraph (B)(ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong (the “Commission”) and the Stock Exchange and, subject to and in accordance with all applicable laws, the Code on Share Buy-backs issued by the Commission and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), be and is hereby generally and unconditionally approved;

(ii) the aggregate number of the Shares, which the Company is authorised to repurchase pursuant to the approval in paragraph (B)(i) above shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution, and the said approval shall be limited accordingly;

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

(iv) for the purpose of this resolution:

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

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or

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

(C) "**That** conditional upon the resolutions numbered 7(A) and 7(B) as set out in the notice convening this meeting being passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares and to make or grant offers, agreements and options which may require the exercise of such powers pursuant to the ordinary resolution numbered 7(A) above be and is hereby extended by the addition to the aggregate number of Shares which may be allotted by the Directors pursuant to such general mandate of the aggregate number of Shares repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 7(B) as set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution."

By Order of the Board of Directors of
NagaCorp Ltd.
Lam Yi Lin
Company Secretary

Hong Kong, 23 March 2020

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

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

Notes:

(i) A Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in accordance with the Articles of Association. A proxy need not be a Shareholder.

(ii) 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.

(iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, 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 later than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof). The completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the meeting (or any adjournment thereof) if they so wish.

(iv) The Company's register of members will be closed during the following periods for ascertaining the respective entitlements of the Shareholders:

    (a) from Tuesday, 21 April 2020 to Friday, 24 April 2020, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 April 2020; and

    (b) on Tuesday, 19 May 2020, for the purpose of ascertaining Shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020. The Shares will be traded ex-entitlement from and including Friday, 15 May 2020.

(v) In respect of the ordinary resolution numbered 7(A) above, the Directors state that they have no immediate plans to issue any new Shares. Approval is being sought from the Shareholders as a general mandate for the purposes of the Listing Rules.

(vi) (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the meeting, the meeting will be postponed and Shareholders will be informed of the date, time and venue of the postponed meeting by a supplemental notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

(b) If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled three hours before the time appointed for holding the meeting and where conditions permit, the meeting will be held as scheduled.

(c) The meeting will be held as scheduled when a tropical cyclone warning signal No. 3 or below or an amber or red rainstorm warning signal is in force.

(d) After considering their own situations, Shareholders should decide on their own whether or not they would attend the meeting under any bad weather condition and if they choose to do so, they are advised to exercise care and caution.

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

Executive Directors
Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck and Chen Yiy Fon

Non-executive Director
Timothy Patrick McNally

Independent Non-executive Directors
Lim Mun Kee, Michael Lai Kai Jin and Leong Choong Wah