NAGACORP

金界控股有限公司

NAGACORP LTD.// 金界控股有限公司

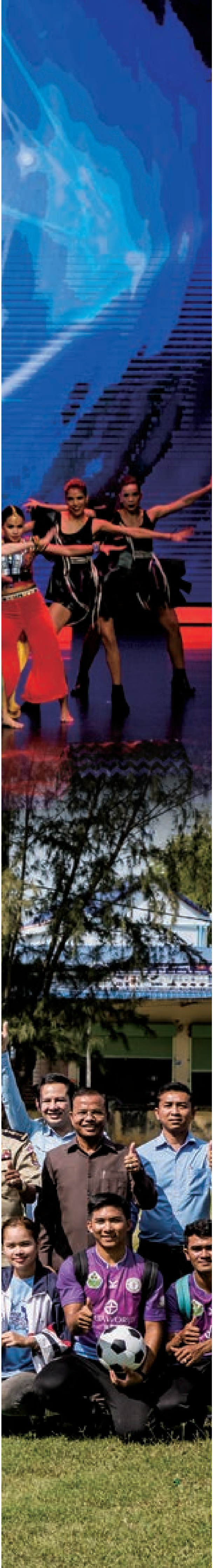
(Incorporated in Cayman Islands with limited liability)

STOCK CODE: **3918**

2018 Annual Report


NAGAWORLD


កម្មវិធីអភិវឌ្ឍន៍កីឡាបាល់ទាត់ក្នុងខេត្តកំពង់ស្ពឺ
FOOTBALL DEVELOPMENT PROGRAMME AT KAMPONG SPEU
NAGAWORLD KIND HEARTS



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Corporate Information

NagaCorp Ltd. ("NagaCorp" or the "Company", together with its subsidiaries, the "Group") is the largest hotel, gaming and leisure operator in Cambodia, and 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 public listed entity and the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh's only integrated hotel-casino entertainment complex and we enjoy a 70-year casino licence that will run until 2065, as well as a 41-year monopoly within a 200-km radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) that expires in 2035.

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

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Lim Mun Kee
Michael Lai Kai Jin
Leong Choong Wah

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

Freshfields Bruckhaus Deringer

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.

2018 Annual Report

This annual report, in both English and Chinese, is available in printed form and on the Company's website - 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

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, Middle East & Africa)

David Ellis

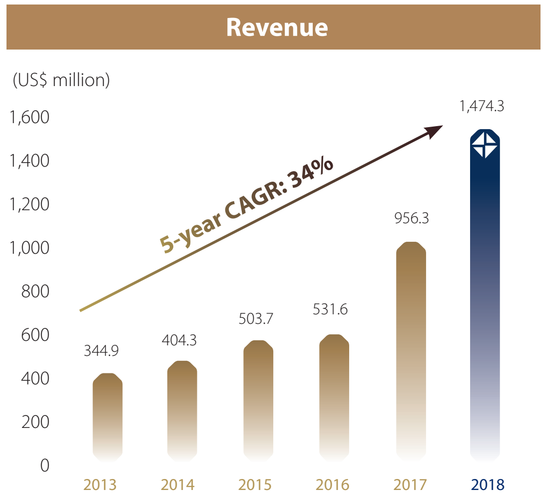
Company Website

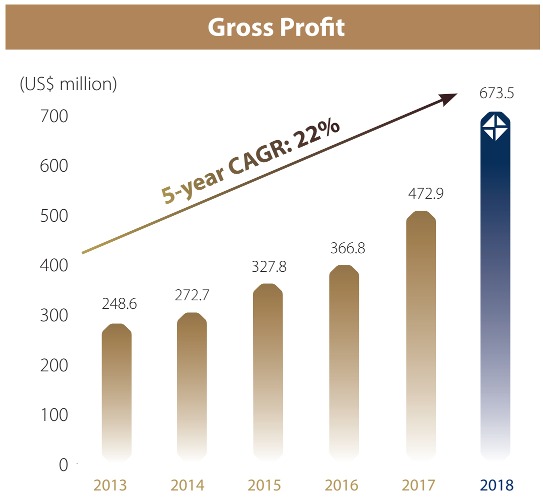
www.nagacorp.com

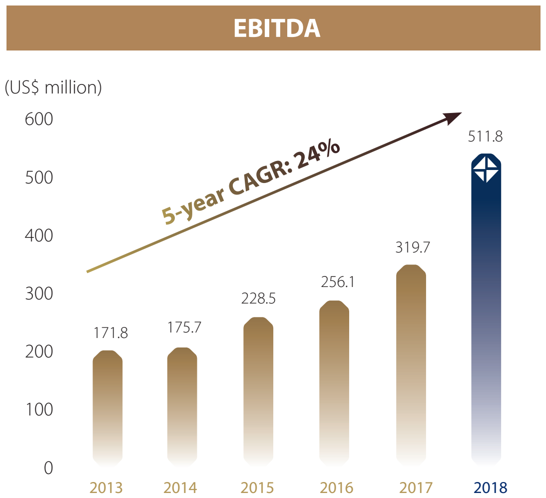
Share Information

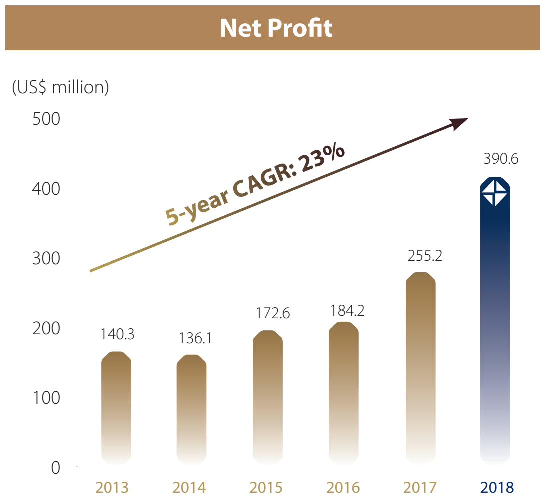
Board lot: 2,000 Shares
Issued Shares as at 31 December 2018: 4,341,008,041 Shares

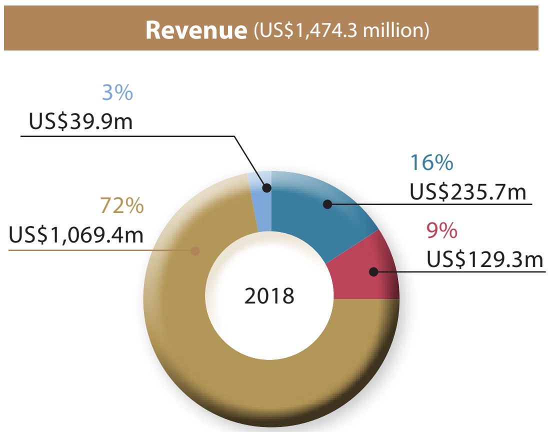
Financial Highlights

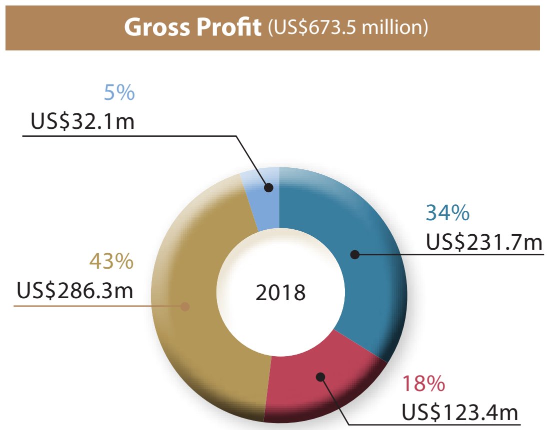












VIP Market
Mass Market: Public Floor Tables
Mass Market: Electronic Gaming Machines
Non-Gaming


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") during the year ended 31 December 2018 (the "Year") with net profit of US$391 million, a 53% increase over last year. Gross Gaming Revenue ("GGR") for the Year increased by 55% to US$1.4 billion. We continued our trajectory of supply driven growth, making us the best performing gaming stock globally in 2018 in terms of share price appreciation.

Our growth and 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 Naga2 in November 2017 has significantly increased the appeal, capacity, quality, range and reach of our VIP, mass gaming and non-gaming offerings. Naga2 has been transformative and provided us with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.

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 2018. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years (source: International Monetary Fund – World Economic Outlook Database October 2018).

NagaWorld, operating in a region that is home to half of the world's population, continues to benefit from the region's robust travel and tourism trends. In the first 11 months of 2018, visitation to Cambodia continued to grow with international arrivals increasing 11% to 5.4 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 69% to 1.8 million visitors in the first 11 months of 2018. China (34%), Vietnam

(13%) and Laos (7%) were the top three sources of arrivals, collectively accounting for 54% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 36% over the same period (source: Ministry of Tourism, Cambodia). Overall visitation growth continues to be the key driver of growth for the Group.

Cambodia continues to attract visitors from Asia and other nations, benefiting from its appeal as a tourism destination and the abundance of business opportunities that exist in an emerging economy with political and social stability. The Ministry of Tourism of Cambodia ("MOT") targets to attract 7.0 million visitors by 2020, of which 2.0 million will be Chinese visitors (source: Khmer Times, 4 January 2017).

Sound Strategy, Positioned for Growth

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins and electronic gaming machines ("EGM") bills-in increased by 57% and 22% respectively. This business volume growth is attributable to the increasing visitation at both Naga1 and Naga2 as a result of the tourism growth into Cambodia, particularly from China which recorded 69% growth in the first 11 months of 2018.

The Company's loyalty program, the Golden Edge Rewards Club, continues 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 comprises players brought in by junkets, who are either under a commission or incentive program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continues to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continues to register strong growth, as a result of increasing market acceptance of the combined NagaWorld complex as an integrated gaming and entertainment destination. During the Year, the Group also opened new fixed base VIP rooms at Naga2 with two junket operators, contributing to the increase in number of higher end VIP players from the region and rollings. Overall, the VIP Market segment has seen a 69% increase in rollings to US$35.7 billion with a win rate of 3.0%. This has translated into a 71% increase in VIP Market revenue to US$1.1 billion during the Year.

Non-gaming revenue increased by 31% to US$39.9 million, primarily contributed by increase in room nights sold with the opening of Naga2, as well as better performance across all the food and beverage ("F&B") outlets in line with the overall increase in visitation to the combined NagaWorld complex. The 2,000-seat theatre in Naga2 has also attracted local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volume.

Chairman's Statement

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on schedule for completion in 2019. 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 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 2.91 per Share (or equivalent to HK cents 22.55 per Share) for the Year (the "Final Dividend"). The proposed Final Dividend, together with the interim dividend, the sum of which is US cents 5.40 per Share (or equivalent to HK cents 41.85 per Share) represent a dividend payout ratio of 60%, based on the net profit generated for the Year. The Company will pay the Final Dividend on or about Friday, 17 May 2019.

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 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, 13 February 2019

Market Overview

The Cambodian economy continued to register stable growth in 2018. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years (source: International Monetary Fund – World Economic Outlook Database October 2018).

In the first 11 months of 2018, visitation to Cambodia continued to grow with international arrivals increasing by 11% to 5.4 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 69% to 1.8 million visitors in the first 11 months of 2018. China (34%), Vietnam (13%) and Laos (7%) were the top three sources of arrivals, collectively accounting for 54% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 36% over the same period (source: Ministry of Tourism, Cambodia). Overall visitation increase contributes to the growth of the Group.

The Group achieved an increase in GGR of 55% to US$1.4 billion and an increase in net profit of 53% to US$390.6 million for the Year. For purposes of comparison, net profit for the Year would have increased by 100%, excluding the impact of the US$60.0 million fee earned in 2017 in respect of the assignment of licensing right to certain investors to operate a number of EGM. The Company has ready demand but did not opt for similar transaction in 2018.

Riding on the successful opening of Naga2 in November 2017, the Group continues its supply driven growth trajectory. The strong business volume growth across all segments of the business can be explained by the following:

1. The conclusion of the Cambodia General Election held on 29 July 2018, and the official and smooth formation of the new Royal Government of Cambodia on 6 September 2018 has contributed to the continued political stability of the operating environment. Subsequently, S&P Global Ratings upgraded the Group's credit rating to B+ on reduced operating risk in Cambodia. The Group is confident that it will continue to enjoy long term win-win private public partnership initiatives to further fuel the growth of tourism to Cambodia.

2. Naga2 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 F&B offerings. Naga2 has been transformative and provided the Group with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.

Management Discussion and Analysis

3. The increase in VIP business volume of the Group in 2018 was due to an increase of business at the combined NagaWorld complex, in particular at Naga2 where there has been customer demand for higher table limits and increased rollings. In addition, the increasing investment related visitation to Phnom Penh also contributed to the increase in VIP business volume. Apart from Macau-based junket operators who were already operating with the Group, Suncity Group signed an incentive agreement with the Group to set up a fixed base business operation with full-fledged office facilities, which commenced business on 1 March 2018 and contributed to increased number of players and rollings. To fuel further growth, the Suncity operations in Naga2 will be moved to a larger and more desirable location in the first quarter of 2019. The Group expects all top four Macau mega junkets will operate in Naga2 by 2019. These junkets contributed 70% of Macau's total VIP rollings (source: CICC report, 16 January 2019). Despite the significant increase in VIP business volume, VIP customer composition remains well diversified between South East Asia and North Asia.

4. Visitation and tourism growth continued to underpin headcount growth at the combined NagaWorld complex. In particular, visitation from China increased substantially. China is the leading source of visitation to Cambodia, growing by 69% to 1.8 million visitors in the first 11 months of 2018. In addition, we have a strategic partnership with the MOT, Bassaka Air and China International Travel Services in promoting tourism in Cambodia. As a result, the average daily foot traffic of the combined NagaWorld complex has increased significantly and has also helped the Mass Market business.

5. In line with the increase in business volume, the Group also witnessed improvement in room and F&B revenue as a result of the increase in footfall. The 2,000-seat theatre in Naga2 has attracted much local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volumes.

6. Minimal cannibalization has been observed between the two properties, with Naga1 retaining most of its existing players while Naga2 is attracting customers who are new to NagaWorld. This is reflected in the increase of average daily mass gaming table yield.

7. Despite the Group registering an increase of 903 rooms and other gaming and non-gaming facilities upon the opening of Naga2, staff headcount decreased by 0.8% from 8,618 (as at 31 December 2017) to 8,551 (as at 31 December 2018). Staff costs also decreased by 0.8%, as a result of improved operational efficiencies and increased human resource output due to multi-tasking.

8. In May 2018, the Company issued senior notes (the "Senior Notes") of US$300 million for the purpose of boosting its VIP business and upgrading of existing NagaWorld property. These Senior Notes are rated "B1" by Moody's Investors Service and "B+" by S&P Global Ratings. The B1 rating by Moody's Investors Service is one notch above their Cambodia sovereign rating of B2 and reflects the Group's dominant market position, diversified business with exposure to mass-market players and VIP players across Asia, low labour cost and gaming tax environment support healthy EBITDA margins, track record of strong operating performance, solid financial metrics despite an increase in debt and excellent liquidity position over the next 12 months (source: Moody's Investors Service – Credit Opinion dated 30 April 2018). The proceeds of these Senior Notes increased the Group cash float and led to increased confidence of both junket operators and players which in turn led to increased check-in and higher bets. VIP revenue increased by 71% on the back of a record US$35.7 billion in VIP rollings for the Year. The Senior Notes have received a positive response in the secondary market. Yield to maturity compressed significantly from 9.375% (on issuance in May 2018) to 7.68% on 12 February 2018 (source: Bloomberg). The Senior Notes were one of the best performing debut offerings among high yield issuance in 2018 and honoured by FinanceAsia's Achievement Awards as "Best High-Yield Bond for Asia" & "Best Cambodia Deal", The Asset Triple A County Awards as "Best Bond in Cambodia" and IFR Asia Awards as "High-Yield Bond of the Year".

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. Despite the significant increase in gross floor areas (gaming and non-gaming) following the completion and opening of Naga2, the increase in administrative and operating expenses was relatively low.

The Group is well-positioned and "China ready" to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 (source: CLSA, 19 July 2017). Chinese arrivals to Cambodia of about 1.8 million visitors in the first 11 months of 2018 represents a small percentage of the opportunity. Based on Cambodia Prime Minister His Excellency Hun Sen, Cambodia is targeting to attract at least 5 million Chinese tourists by 2025 (source: The Commercial News, 15 January 2019). Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and will continue to be well-positioned as a noted emerging integrated resort in Asia.

The strong growth trajectory and increased confidence in the future industry outlook have led to the Company being global best performing gaming stock in 2018 (source: Union Gaming). On 10 September 2018, the Group was included as a constituent of the Hang Seng Composite LargeCap & MidCap Index, which marked another key corporate milestone achieved.

Business Review

Table 1: Performance Highlights

For the Year and comparative prior year:

	2018 US$'000	2017 US$'000	Increase %
Mass Market: Public Floor Tables			
– Buy-ins	**1,238,247**	787,820	57
– Win rate	**19.0%**	19.0%	
– Revenue	**235,712**	149,706	57
Mass Market: EGM			
– Bills-in	**2,214,638**	1,812,450	22
– Win rate	**8.8%**	7.9%	
– Revenue (Note #1)	**129,282**	150,926	(14)
VIP Market			
– Rollings	**35,658,532**	21,124,870	69
– Win rate	**3.0%**	3.0%	
– Revenue	**1,069,426**	625,332	71
Gross Gaming Revenue (Note #1)	**1,434,420**	925,964	55

Note #1: In 2017, a US$60.0 million fee was earned in respect of the assignment of a licensing right to certain investors to operate a number of EGM. No similar fees were earned in the 2018.

Mass Market (Public Floor Tables and EGM)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins and EGM bills-in increased by 57% and 22% respectively. This business volume growth is attributable to the increasing visitation at both Naga1 and Naga2 as a result of tourism growth into Cambodia, particularly from China which recorded 69% growth in the first 11 months of 2018.

The Golden Edge Rewards Club loyalty program continues 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.

VIP Market

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

VIP Market continues to register strong growth, as a result of increasing market acceptance of the combined NagaWorld complex as an integrated gaming and entertainment destination. During the Year, the Group also opened new fixed base VIP rooms at Naga2, contributing to the increase in number of higher end VIP players from the region and rollings. Overall, the VIP Market segment has seen a 69% increase in rollings to US$35.7 billion with a win rate of 3.0%. This has translated into a 71% increase in VIP Market revenue to US$1.1 billion during the Year.

Non-Gaming – Hotel, F&B and Entertainment

Non-gaming revenue increased by 31% to US$39.9 million, primarily contributed by increase in room nights sold with the opening of Naga2, as well as better performance across all the F&B outlets in line with the overall increase in visitation to the combined NagaWorld complex. The 2,000-seat theatre in Naga2 has also attracted local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volume.

Revenue and Gross Profit Analysis

Table 2(a)

2018	**Revenue US$'m**	**%**	**Gross Profit US$'m**	**%**	**Gross Profit Margin %**
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**

Table 2(b)

2017	Revenue US$'m	%	Gross Profit US$'m	%	Gross Profit Margin %
Mass Market	300.6	32	294.3	62	98
VIP Market	625.3	65	153.9	33	25
Non-Gaming	30.4	3	24.7	5	81
Total	956.3	100	472.9	100	49

The Group recorded a gross profit increase of 42% to US$673.5 million for the Year which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 46% (2017: 49%) as a result of the increased contribution from the lower margin VIP Market, and no fee in respect of assignment of EGM licensing rights was earned in 2018. Mass Market continued to generate a high gross profit margin of 97%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 6% to US$169.7 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 Naga2.

Finance Costs

During the Year, the Group incurred finance costs of US$19.5 million (2017: Nil) 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 53% to US$390.6 million for the Year. Net profit margin for the Year remain consistent at 27% (2017: 27%) despite the increase in contribution from VIP Market which has a lower margin.

Basic earnings per share were US cents 9.00 (HK cents 69.75) and US cents 7.94 (HK cents 61.54) for the years ended 31 December 2018 and 2017, respectively.

Diluted earnings per share were US cents 9.00 (HK cents 69.75) and US cents 5.88 (HK cents 45.57) for the years ended 31 December 2018 and 2017, respectively.

Financial Review

Pledge of Assets

In December 2014, in accordance with the terms of an investment agreement (the "Investment Agreement") with certain Russian governmental authorities 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 entered into between the Company and Tan Sri Dr Chen Lip Keong ("Dr Chen"), an executive director and the chief executive officer of the Company, both parties acknowledge and agree that Dr Chen will be entitled to a performance incentive of US$11,765,000 (the "2017 Performance Incentive Entitlement") and US$18,570,000 (the "2018 Performance Incentive Entitlement") for the financial years ended 31 December 2017 and 2018 respectively.

Pursuant to a resolution passed by the Board on 13 February 2019, 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 such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2017 Performance Incentive Entitlement to subsequent years until the achievement of certain key performance indicators (the "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 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.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the 2018 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 2018 Performance Incentive Entitlement 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 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 interest 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, if any, as described in note 11 to the consolidated financial statements, there were no other contingent liabilities as at 31 December 2018.

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 Ruble ("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.

Issue of Senior Notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of Senior Notes by the Company of an aggregate principal amount of US$300.0 million with maturity 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. The Senior Notes mature in three years (May 2021) and are repayable at their nominal value of US$300.0 million. The Company may redeem all or a portion of the Senior Notes at the redemption prices specified in the offering memorandum, plus accrued and unpaid interest to the redemption date, subject to the terms and conditions specified in the offering memorandum.

The Senior Notes are listed on Singapore Exchange Securities Trading Limited.

Liquidity, Financial Resources and Gearing

As at 31 December 2018, the Group had total cash and bank balances, certificates of deposit and other liquid funds of US$393.0 million (31 December 2017: US$52.8 million). The cash and bank balances, certificates of deposit and other liquid funds were mainly denominated in US$.

As at 31 December 2018, the Group had net current assets of US$420.1 million (31 December 2017: US$76.3 million). The Group had net assets of US$1.5 billion as at 31 December 2018 (31 December 2017: US$1.4 billion).

As at 31 December 2018, the Group had outstanding Senior Notes with carrying amount of US$291.1 million (31 December 2017: Nil).

As at 31 December 2018, the presentation of the Group's gearing ratio calculated as total debts less cash and bank balances, certificates of deposit and other liquid funds divided by equity, is not applicable as the Group's cash and bank balances, certificates of deposit and other liquid funds were more than the Group's debt (31 December 2017: Not applicable).

Capital and Reserves

As at 31 December 2018, the capital and reserves attributable to owners of the Company was US$1.5 billion (31 December 2017: US$1.4 billion).

Employees

As at 31 December 2018, the Group employed a total work force of 8,551 (31 December 2017: 8,618), 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$92.4 million (2017: US$93.1 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 share option scheme as incentive to the 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 increase from US$58.3 million to US$75.1 million during the Year.

During the Year, the Group prudently made provision for impairment loss of US$2.2 million (2017: US$1.0 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.

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 since 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 for completion in 2019.

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.

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 introduction of a Casino Law in 2019 is another significant step forward in the investment and tourism prospects for Cambodia.

NagaWorld, a major attraction located in the city centre of Phnom Penh and the entertainment centre of the Mekong region, is poised to benefit from this growth. We benefit from a long duration casino licence (until 2065) and an effective monopoly within a 200-kilometre radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) until 2035.

The Group is well-positioned and "China ready" to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 (source: CLSA, 19 July 2017). Chinese arrivals to Cambodia of about 1.8 million visitors in the first 11 months of 2018 represents a small percentage of the opportunity. Based on Cambodia Prime Minister His Excellency Hun Sen, Cambodia is targeting to attract at least 5 million Chinese tourists by 2025 (source: The Commercial

News, 15 January 2019). Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and continues to be well-positioned as a notable emerging integrated resort in Asia.

The continued solid and stable growth in the Mass Market segment has laid down a strong foundation for the Group to capture growth opportunities in the VIP Market segment. Our increasingly competitive VIP services are attracting an increasing number of junket operators, and we expect to open further junket rooms in 2019. As the Group continues its trajectory of asset and business growth, it is also gaining increasing prominence and confidence among the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, fuelling business growth and expansion.

To further enhance the quality and overall appeal of the combined NagaWorld complex, the Group has embarked on an upgrade of Naga1, which is expected to be completed in 2019. Feedback from the players and junket operators is that Phnom Penh has come of age as an attractive location and preferred destination for junket operators and players coming from both South East Asia and East Asia, especially China.

In view of the success and fast ramp-up of Naga2 and often times facing capacity constraints for both gaming and non-gaming areas, increasing inbound tourism especially from China and the stable political environment; the Group is in advanced stages of planning for the development of Naga3. Based on feedback from stakeholders (including players, visitors, junket operators and investors), the Group is confident that additional capacity is necessary to further fuel business growth (both gaming and non-gaming) to position the Group as one of the most successful integrated resorts in Asia.

Interim and Final Dividends

The Board recommends the payment of a Final Dividend of US cents 2.91 per Share (or equivalent to HK cents 22.55 per Share) for the Year to Shareholders whose names appear on the Company’s register of members on Monday, 6 May 2019. Subject to the approval of the Shareholders at the annual general meeting to be held on Friday, 26 April 2019 (the “2019 AGM”), the Final Dividend is expected to be paid to Shareholders by post on or about Friday, 17 May 2019.

The proposed Final Dividend together with the interim dividend for the six months ended 30 June 2018 of US cents 2.49 per Share (or equivalent to HK cents 19.30 per Share) paid on Monday, 10 September 2018, amounts to a total dividend declared for the Year of US cents 5.40 per Share (or equivalent to HK cents 41.85 per Share).

Closure of Register of Members

For the purpose of determining the following entitlements:–

1. **2019 AGM**

   The register of members will be closed from Wednesday, 17 April 2019 to Friday, 26 April 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2019 AGM, all 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 Tuesday, 16 April 2019.

2. **Proposed Final Dividend**

   The Company's register of members will be closed on Monday, 6 May 2019, on which no transfer of Shares will be registered. The ex-dividend date will be Thursday, 2 May 2019. In order to qualify for the Final Dividend, all 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 Friday, 3 May 2019.

Directors' Profile

Timothy Patrick McNally

Chairman

Timothy Patrick McNally, aged 71, joined the Company in February 2005 as chairman of the Board. He also serves as chairman of the AML Oversight Committee of the Company. From April 1999 until October 2005, Mr. McNally was the executive director of Security and Corporate Legal Services for the Hong Kong Jockey Club. He 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

Founder, Controlling Shareholder and Chief Executive Officer

Tan Sri Dr Chen Lip Keong ("Dr Chen"), aged 71, is an executive director, the founder, controlling shareholder, Chief Executive Officer, and a member of the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. Dr Chen is also a director of several wholly-owned subsidiaries of the Company, and a director of LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.) 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 Karambunai Corp Bhd ("KCB") and FACB Industries Incorporated Berhad ("FACBI") and Petaling Tin Berhad ("PTB"). Except for PTB which has been privatized and the listing of its shares on the Bursa Malaysia Securities Berhad has been withdrawn with effect from 16 August 2018, both of KCB and FACBI are currently listed on the Bursa Malaysia Securities Berhad.

Philip Lee Wai Tuck

Executive Deputy Chairman

Philip Lee Wai Tuck, aged 56, is a qualified Certified Public Accountant. Mr. Lee has experience in various industries before joining the Group in 2009. He has previously worked in or held directorships in various companies listed on the Bursa Malaysia Securities Berhad. 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 Company 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 37, 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 Company. 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 (formerly known as Fourth Star Finance Corp.) 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 Tan Sri Dr Chen Lip Keong, an executive director and controlling shareholder of the Company. Except for PTB which has been privatized and the listing of its shares on the Bursa Malaysia Securities Berhad has been withdrawn with effect from 16 August 2018, both of KCB and FACBI are currently listed on the Bursa Malaysia Securities Berhad.

He is a son of Tan Sri Dr Chen Lip Keong, the Chief Executive Officer, founder and the controlling shareholder of the Company.

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

Independent Non-executive Director

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, aged 79, has been an independent non-executive director of the Company since 17 September 2007. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee of the Company. Tan Sri Kadir is a Barrister-At-Law of Lincoln's Inn, London. He was a practicing lawyer at Hisham, Sobri & Kadir and Kadir, Khoo & Aminah and a prominent politician in Malaysia and has served the Federal Government of Malaysia for more than 30 years. His involvement in the Malaysia Federal Government service began in 1970 where he held the position of Political Secretary, Parliamentary Secretary, Deputy Minister and Minister in various ministries. He was holding the position of Minister of Information prior to his resignation from the Cabinet in 2006. Prior to that, he was the Minister of Culture, Arts and Tourism from 1999 to 2004 where he was also the chairman of Malaysia Tourism Promotion Board.

Lim Mun Kee

Independent Non-executive Director

Lim Mun Kee, aged 52, has been an independent non-executive director of the Company since 17 September 2007. Mr. Lim is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lim is a Chartered Accountant registered with the Malaysian Institute of Accountants and also a member of the Malaysian Institute of Certified Public Accountants 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, both of which are listed on the Bursa Malaysia Securities Berhad. He was an independent non-executive director of PTB until 18 September 2018, a company which has been privatized and the listing of its shares on the Bursa Malaysia Securities Berhad has been withdrawn with effect from 16 August 2018. All of FACBI, KCB and PTB are controlled by Tan Sri Dr Chen Lip Keong, an executive director and a controlling shareholder of the Company.

Michael Lai Kai Jin

Independent Non-executive Director

Michael Lai Kai Jin, aged 49, was a non-executive director of the Company from 31 May 2010 to 5 April 2011 and was redesignated as independent non-executive director of the Company on 6 April 2011. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the AML Oversight Committee of the Company. Mr. Lai graduated from the National University of Singapore with a L.L.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with offices in 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 50, was appointed as an independent non-executive director of the Company on 10 September 2018. He has more than 29 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 has been overseeing the Finance and Corporate Services Division of HCK Capital Group Berhad ("HCK", a company listed on the Main Board of the Bursa Malaysia Securities Berhad) since May 2015 and has been appointed as an executive director of HCK since October 2015. Prior to joining HCK, Mr. Leong was the senior business controller of Agrindo, an Indonesian palm oil plantation group based in Jakarta, Indonesia from February 2013 to December 2014. Mr. Leong started his career with Price Waterhouse in 1989. Mr. Leong's other notable past working experience include acting as the chief operating officer and finance director of Malaysian Pacific Corporation Berhad in 2011, 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 Malaysia Securities Berhad.

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

Sustainability Report

Since commencing operations in 1995, NagaCorp has been committed to creating long-term value for all our stakeholders. We strive to be a good corporate citizen by carrying out business in a socially responsible way, taking a long-term view and contributing to making the world a better place for our customers, employees, suppliers, government and the wider community in which we operate. In 2018, NagaCorp continued to achieve growth by carrying out practical actions in line with our sustainable business strategy.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The table below summarises the ESG issues determined to be material to the operations of the Group, in accordance with the "comply or explain" provisions. NagaCorp has complied with the "comply or explain"' provisions set out in the ESG Reporting Guide during the Year. 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. Where 2017 comparables are provided, our reporting scope includes Naga2 since its opening in November 2017.

ESG Aspects		Sustainability Report	Page
A	Environmental		
A1	Emissions	Energy and Greenhouse Gases, Waste Management	30-33, 36-37
A2	Use of resources	Energy and Greenhouse Gases, Water Usage, Waste Management	30-33, 34-35, 36-37
A3	The Environment and Natural Resources	Air Quality, Waste Management	35, 36-37
B	Social		
B1	Employment	Employees	37-44
B2	Health and Safety	Occupational Safety and Health Administration	44
B3	Development and Training	Employee Development	40-42
B4	Labour standards	Employees	37-44
B5	Supply Chain Management	Supply Chain Management	44-45
B6	Product Responsibility	Product Responsibility	45-47
B7	Anti-corruption	Anti-corruption	48-49
B8	Community Investment	Community Relations	50-59

This report has been reviewed by the Board of NagaCorp.

Environmental Responsibility

NagaCorp has always sought to operate in a responsible, transparent and sustainable way. We aim to operate in a way that satisfies today's needs without compromising the needs of future generations. Practically, this means aiming to minimise our impact on the environment by using resources efficiently.

In 2016, our flagship property NagaWorld was certified by ASEAN Tourism Forum and recognised as an ASEAN Green Hotel. The ASEAN Green Hotel Standard is an initiative to recognise efforts in the tourism industry to ensure sustainable tourism through the adoption of environmentally-friendly and energy conservation practices.

ASEAN GREEN HOTEL STANDARD
2016 - 2018

Education and Awareness

NagaCorp is committed to being a responsible and proactive member of the community. Our goal is to share information about sustainable options with people, as we believe knowledge leads to positive change. We provide training to our employees and encourage them to contribute their ideas for the improvement of our overall sustainability efforts.

Since 2016 we have participated in World Wide Fund for Nature ("WWF") Earth Hour, where we turn off external lighting at NagaWorld for an hour, to help spread awareness on climate change and energy conservation.

Eliminating plastic straws from the property was also an employee-led initiative. To enhance effectiveness of our awareness campaigns, NagaWorld Kind Hearts has introduced city clean-up days when we gather volunteer employees to collect rubbish and clean up the streets around our property and across Phnom Penh. Further details on our Community Relations program can be found on pages 50 to 59.

Energy and Greenhouse Gases

Our goal is to reduce energy consumption without compromising customer satisfaction and operational efficiency. We have implemented a range of projects to monitor and reduce energy consumption and greenhouse gas ("GHG") emissions. The principal emission of concern is carbon dioxide ("CO_2"), but energy usage also produces other gases like hydrocarbons, carbon monoxide, nitrogen oxides, sulphur dioxide and particulate matter.

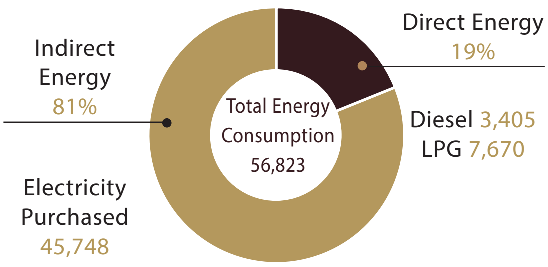
NagaWorld is compliant with the relevant Cambodian laws and regulations on environmental protection. An energy audit based on the American Society of Heating, Refrigerating and Air-Conditioning Engineers ("ASHRAE") walk through audit – level 1 and 2 was first completed in March 2015 and has since been performed regularly in order to identify opportunities for energy savings.

Energy usage

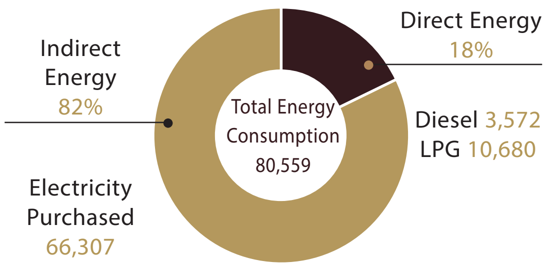
Energy usage is the major source GHG emissions. Historically NagaWorld has operated using diesel electric generators. However, NagaWorld was connected to the Phnom Penh city electricity grid in October 2015. Electricite Du Cambodge sources its electricity from a mix of hydropower, coal, fuel oil and biomass. Diesel electric generators at NagaWorld now provide back-up only. This has reduced energy consumption and GHG emissions significantly. We also use liquid petroleum gas ("LPG") in the kitchens.

We opened our phase two expansion Naga2 in November 2017. This doubled capacity and significantly increased total floor space at NagaWorld. As a consequence, total energy consumption increased in 2018. However, energy intensity improved in 2018, primarily as result of Naga2 efficiencies.

NagaWorld Energy Consumption (Mwh) 2017



NagaWorld Energy Consumption (Mwh) 2018

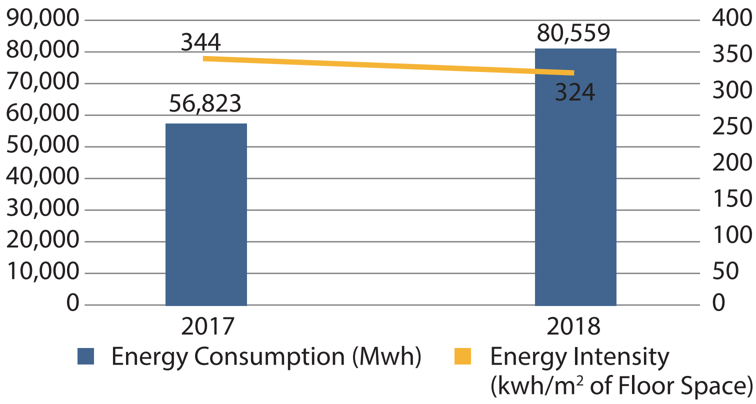


Many mechanical and engineering systems in Naga2 are more efficient than Naga1. For example, the hot water system in Naga2 is a centralized heat pump system, which has lower energy consumption than the individual hot water tank system in Naga1. Naga2 also has a water-cooled centralized air-conditioning system, which is more efficient than the combined water-cooled/air-cooled/variable refrigerant volume/split-unit systems in use in Naga1.

A number of energy saving initiatives have been introduced as part of an ongoing program for reviewing usage of lighting and equipment and replacement of inefficient devices. We have also incorporated energy saving criteria into purchasing policy. As a result of this, the most efficient products are preferred whenever it is feasible to do so.

Naga2 substantially uses low-energy LED lights. In 2018, most of the halogen bulbs in Naga1 were replaced with LED lights as well. We also installed air handling units serving the Naga1 hotel corridors and Naga2 back office to monitor and optimise the air-conditioning operating hours. In addition, we installed a more efficient variable speed drive kitchen exhaust fan serving our halal kitchen and main banquet kitchen to reduce electricity consumption. Energy consumption patterns are monitored on a daily basis. Irregularities are studied in order to determine causes and develop solutions.

NagaWorld Energy Consumption

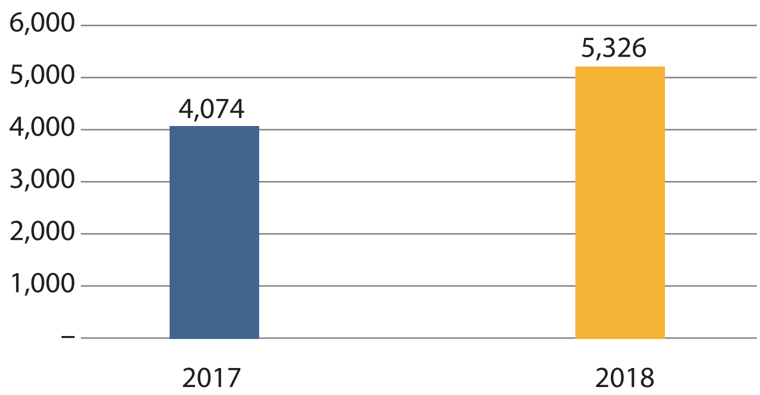


Emissions

We are seeking to reduce both direct and indirect emissions. Direct emissions are the result of our activities, including facilities and vehicles. We are working diligently to minimize the CO_2 released by implementing carbon alternative projects, following ISO 14064-1 guidelines for measurement and reporting.

Indirect emissions are those produced outside of our immediate operations; and include purchased electricity, transportation of guests, goods and materials, and methane gas from landfill. To reduce indirect emissions, we attempt to source domestic products whenever available and to work closely with our suppliers to develop local supply chains and reduce waste.

NagaWorld Total GHG Emissions
(tonnes of CO_2 equivalent)



In addition to energy consumption at the NagaWorld complex, we operate a fleet of vehicles for moving guests and employees between the airport, our buildings and Phnom Penh city attractions. Direct emissions increased in 2018 due to the opening of Naga2 and growth in volume of business. However, given Naga2 doubled capacity and significantly increased total floor space, the increase in direct emissions was modest.

Direct Energy Consumption of Gaseous Fuels at NagaWorld

	Fuel Consumed	CO_2 Emissions (kg)	NOx Emissions (kg)	SOx Emissions (kg)	PM Emissions (kg)
2018					
Hot water boilers and backup generators – diesel	**324,701L**	**848,769**	**4,809**	**501**	**357**
Kitchens – LPG	**785,337kg**	**2,369,360**	**145**	**1**	**–**
Vehicles – diesel, petrol, kerosene	**830,405L**	**2,043,251**	**4,372**	**515**	**126**
Total		**5,261,380**	**9,326**	**1,017**	**483**
2017					
Hot water boilers and backup generators – diesel	309,523L	809,094	2,717	374	211
Kitchens – LPG	563,964kg	1,701,479	104	–	–
Vehicles – diesel, petrol, kerosene	617,105L	1,529,049	3,249	333	135
Total		4,039,622	6,070	707	346

Note: NagaCorp estimates based on emission factors sourced from Stock Exchange's ESG Reporting Guide and manufacturer specifications.

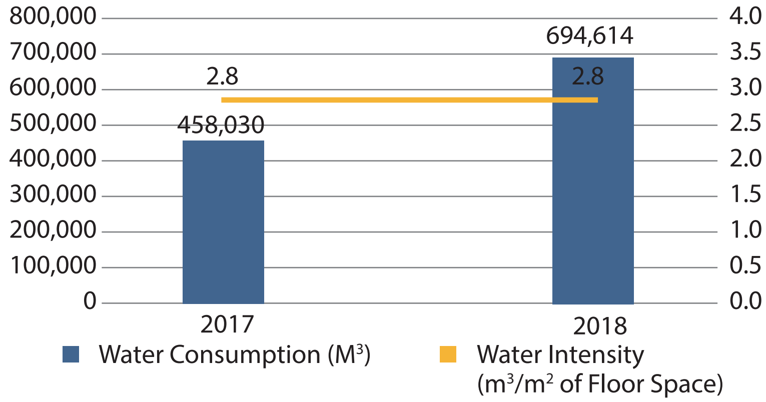
Water Usage

All water at NagaWorld is provided by the Phnom Penh Water Supply Authority to 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 applying mechanical systems and rethinking processes, with water consumption monitored and benchmarked on a monthly basis. Effective preventive maintenance, such as regularly cleaning the ventilation filters and condenser tubes, appropriate scheduling and optimizing the operation of chiller systems and air conditioning units, further reduces the amount of water consumed.

Waste water is treated in conformance to 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.

NagaWorld Water Consumption



We opened our phase two expansion Naga2 in November 2017. This doubled capacity and significantly increased total floor space at NagaWorld. Consequently, total water consumption increased significantly in 2018. However, we introduced water saving technology in Naga2 such as low-flow faucet aerator technology in bathrooms, sensor taps in public bathrooms and more efficient cooling systems in public and private bathrooms. In 2018, we introduced low-flow faucet aerator technology to Naga1 bathrooms.

We are also educating our customers and our employees on the importance of saving water and providing information about how they may contribute, both at work and at home.

Air Quality

NagaWorld is in compliance with the relevant Cambodian rules and regulations in relation to air pollution and is actively working to provide good air quality within the premises. Furthermore, at NagaWorld, we encourage our employees to bring in their own plants to participate in making the office green.

Air quality is taken very seriously at NagaWorld. Regular monitoring is carried out in accordance with ASHRAE standards in order to ensure a safe and comfortable environment for our employees and customers. This includes a monthly Indoor Air Quality test to identify any potential issues, based on a range of key indicators including temperature, relative humidity, CO_2, carbon monoxide, light and sound. All readings during 2018 were within permitted levels.

For GHG emissions please refer to Energy and Greenhouse Gases section on pages 30 to 33.

Waste Management

NagaWorld is in compliance with the relevant Cambodian rules and regulations in relation to waste management. Beyond this, NagaWorld has embraced a "3R" strategy in our waste management: Reduce, Reuse and Recycle. The aim is to reduce the amount of waste produced which will eventually end in landfill.

Our Sustainability Policy encourages the use of goods with low negative impact on the environment and humans, and to emphasize life cycle thinking into every business decision made. With these policies in place, we aim to minimize our consumption and reduce waste without impacting customers.

At present, diverted waste produced at NagaWorld falls into the following major categories:

1. Recycling – shredded playing cards, carton boxes and plastic bottles are taken by a contractor for recycling.

2. Organics – used cooking oil is taken by a contractor for recycling/reuse; restaurant and kitchen wet waste is taken by a local farmer of which about a third is usable for animal feed.

Currently all other materials are taken to landfill by a contractor. However, NagaWorld will introduce more waste diversion initiatives in the future.

An example of such an initiative is our partnership with Indochina Starfish Foundation ("ISF"), a humanitarian and environmental non-profit organization which works to recycle hotel soap bars. The aim is to address health and hygiene issues in underserved communities while reducing waste generated by the organization. In 2018, 476 kg of soap bars were sanitized and then donated to a local non-governmental organization ("NGO"), for distribution to families and children in Phnom Penh.

NagaWorld withdrew single-use plastic straws from all outlets in December 2018. We expect this will eliminate around four million plastic straws every year. We also replaced take-away plastic cutlery and containers with bio-degradable and recyclable alternatives.

As a service business, we do not produce material quantities of hazardous waste nor produce a finished product that requires packaging materials.

Social Responsibility

NagaCorp has contributed positively to the development of the economy and the community of Cambodia for over 20 years. At NagaCorp, corporate social responsibility ("CSR") is more than addressing community welfare. It is about developing a sustainable business strategy and conducting business with a conscience and a longer term view – caring for the Company, Shareholders, employees, customers, public, environment and all stakeholders, including Cambodia.

Employees

Workforce Overview

NagaCorp prides itself on providing a safe, fair and healthy workplace with equal opportunities for all its employees

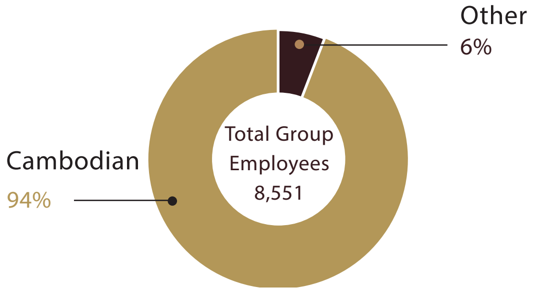
Cambodian labour requirements are in line with international standards, and include such matters as prohibition of child and forced labour, the right of employees to organize unions and engage in collective bargaining, non-discrimination and civil and political rights.

As an employer of choice in Cambodia, NagaCorp complies with all relevant laws and regulations, and invests heavily in providing basic skills training and career development.

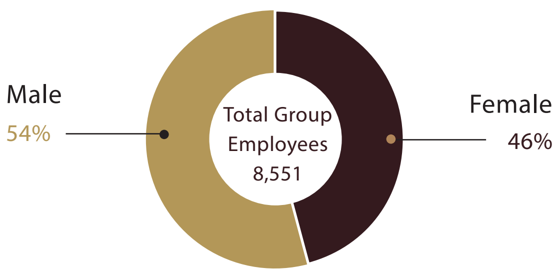
NagaWorld employees follow designated working hours, meal breaks and rest days according to a rotating shift schedule prepared by each department on the basis of three 8-hour shifts per 24-hours and six consecutive days or 48 hours per work week. They are entitled to 1.5 days of paid annual leave for every month of service rendered. In addition to annual leave, employees are also entitled to sick leave, maternity leave, paternity leave, marriage leave, and other compassionate leave, and all public holidays declared by the Ministry of Labour and Vocational Training. We also provide health insurance, an in-house medical centre and meals during work shifts.

As at 31 December 2018, the Group had a total of 8,551 employees (2017: 8,618), representing over 33 nationalities, with 99% of the employees based in Cambodia. Priority is given to developing our Cambodian workforce, which represents 94% of total employees.

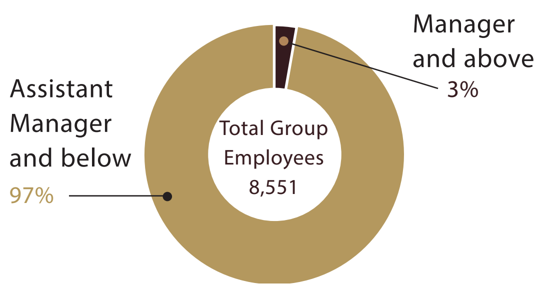
Group Employees by Nationality as at 31 December 2018



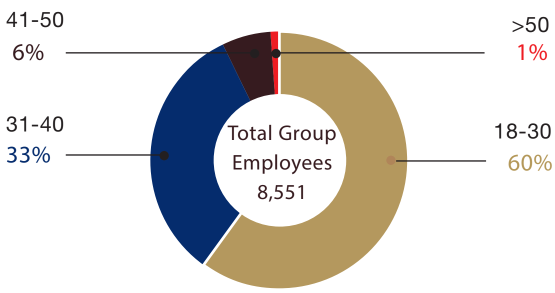
Group Employees by Gender as at 31 December 2018



Group Employees by Seniority as at 31 December 2018



Group Employees by Age Group as at 31 December 2018



Attracting Talent

The ability to attract and retain talent is crucial to our growth and development strategy

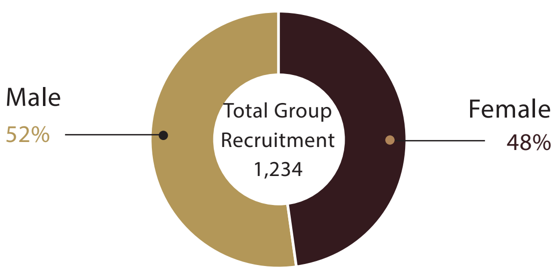
NagaCorp uses traditional recruitment methods and social media platforms to seek talent from both local and global communities. To promote the corporate brand, the Company organizes roadshows, career presentations and university visits to deliver informative career path presentations to both local and foreign talent.

The Company is committed to ensuring equal employment opportunity to all qualified individuals. We do not discriminate on the basis of gender, age, marital status, ethnicity, sexual-orientation or religion.

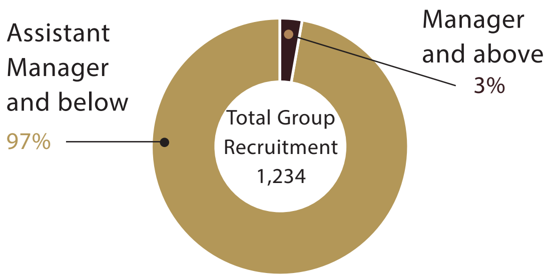
New hires get a staff handbook and 2.5 days induction training which covers Company policies and code of conduct matters such as dress code, work hours, leave, payroll and performance management.

In 2018, we hired 1,234 employees (2017: 3,456) while 1,301 exited (2017: 991). We opened our phase two expansion Naga2 in November 2017, which required large scale recruitment drives ahead of the opening.

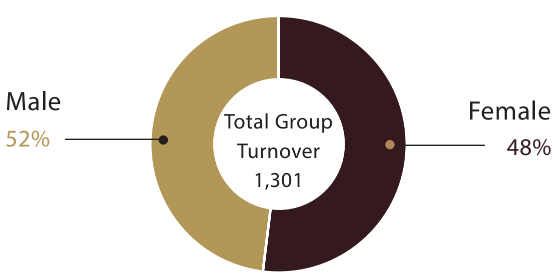
Group Recruitment by Gender in 2018



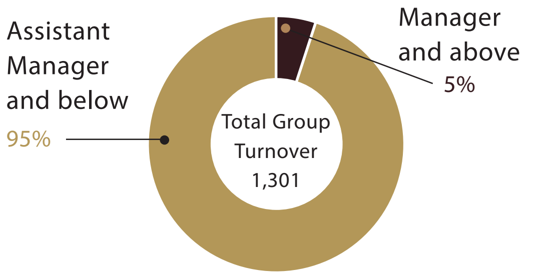
Group Recruitment by Seniority in 2018



Group Employee Turnover by Gender in 2018



Group Employee Turnover by Seniority in 2018



Employee Development

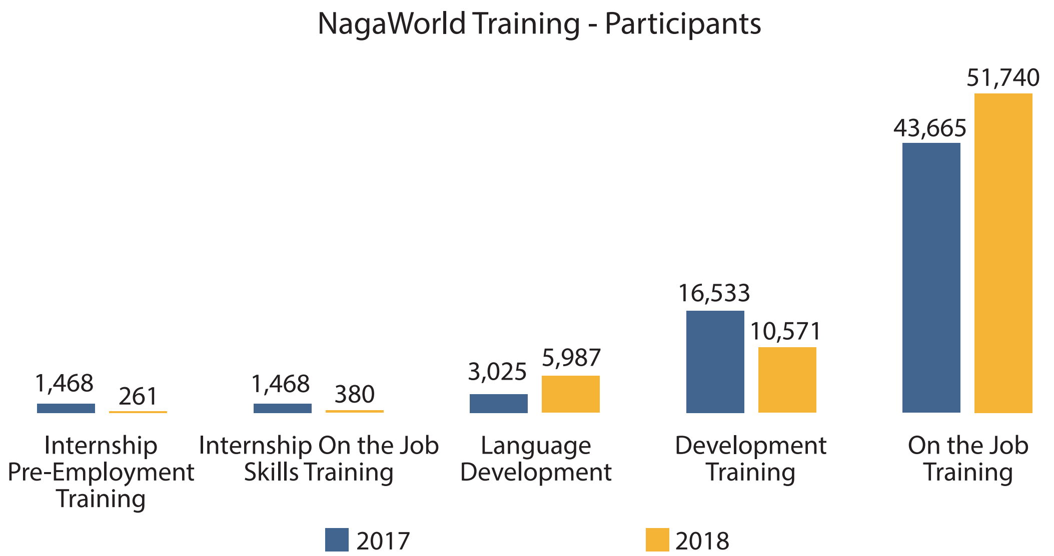
We place particular emphasis on the development of language and service excellence to enhance customer experience

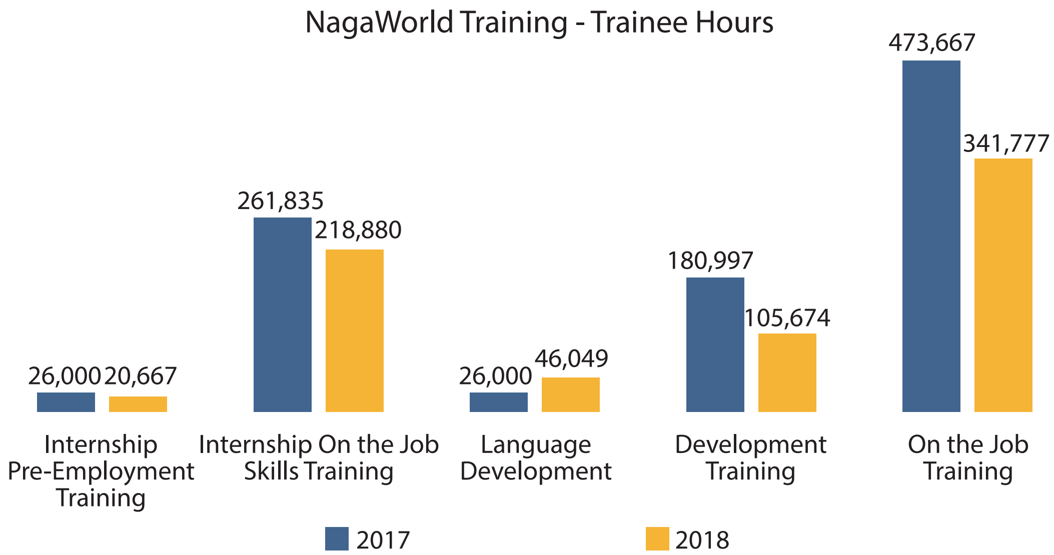
In 2018, training was focused on building Mandarin and English language capacity to improve guest interaction skills between frontline staff and our growing international customer base. The NagaWorld Standard English Test (NSET) was developed and 1,644 employees were assessed in 2018. The NSET ensures each employee requiring English Language development starts at an appropriate aptitude level.

Both the Mandarin and English development programs use a two-prong approach: (1) classroom instruction, and (2) on the job toolbox briefing sessions. Toolbox briefings, which are department specific, provide regular practice and short learning sessions covering service phrases, product knowledge, Mandarin phrases and English phrases.

The NagaWorld Competency Development framework was further refined to include competency in Corporate and Support Services Management. The framework serves as a foundation and guide for competency development at NagaWorld.

Overall in 2018, the Company recorded 68,939 trainee attendances for a total of 733,047 training hours in all forms of training.





The Group continued its commitment to develop local talent through a succession plan that focuses on "local first". In 2018, 308 local employees were promoted to supervisory and junior management positions as compared to 1,002 in 2017.

Compensation and Benefits

We continue to provide competitive compensation and benefits to attract, motivate, and retain talented employees

The Group regularly benchmarks compensation and benefits against local, regional and global industry standards. The standard compensation and benefits package for employees includes basic salary, meal allowances, health cover and where applicable, pension contributions. In addition to annual salary increments and discretionary performance bonus programs, long serving employees are recognised with long service awards. All rewards delivery is measured against the achievement of business performance and completion of key priorities and milestones.

Employee Relations

Employee engagement is paramount to the Company's success – happy employees lead to happy customers

NagaCorp strives to maintain a healthy employee and industrial relations environment. Through open two-way communication that advocates feedback and constructive suggestions, the Company is able to reach out to employees for a greater working relationship.

As required by Cambodian Labour Law, employees are represented by elected Shop Stewards. In addition all employees are free to join or form a union. The Khmer Workers' Labour Rights Support Union ("KWLRSU" or the "Union"), which is an independent internal union, represented 42% of employees as of 31 December 2018. On 25 April 2018, the KWLRSU renewed their registered mandate with the Ministry of Labour for a further four years.

The role of Shop Stewards is to:

- present to the employer any individual or collective grievances;
- inform the Labour Inspector of complaints and criticisms relating to the 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.

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 reorganization.

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 Group Human Resources ("Group HR"). With the endorsement of the Ministry of Labour, the Company appointed 87 Official Shop Stewards and 43 Assistant Shop Stewards from the 130 candidates elected by the employees.

As of 31 December 2018, there were 126 active Shop Stewards comprised of 87 Official Shop Stewards and 39 Assistant Shop Stewards. Of these 126 Shop Stewards, 74% 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 issues relating to the employees in four key areas: 1) OSHA, 2) working conditions, 3) employee welfare and 4) internal rules. In addition to the monthly conferences, seven other ad-hoc meetings were held separately with Shop Stewards to address employee matters.

The Company also coordinated discussions amongst the Union representatives, management, departments and other employees, primarily focused on working conditions.

Occupational Safety and Health Administration

NagaWorld is committed to providing a healthy, hazard free and safe working environment for all its employees, guests, visitors, suppliers and contractors. To achieve an injury-free workplace, we have implemented a systematic approach to the identification and assessment of risks and the allocation of financial and physical resources to manage those risks. We maintain an effective system of communication on OSHA, and continuously review and audit our safety performance so as to learn from our past experiences. NagaWorld is in compliance with all relevant laws and regulations on OSHA.

An OSHA department was established in 2017. NagaWorld is in the process of reviewing all policies and implementing a standard set of OSHA policies in pursuance with the relevant actions stipulated by the International Labour Organization. Each manager is accountable for achievement of OSHA objectives. An OSHA Committee, consisting of representatives from key departments, meets regularly. Each OSHA Committee member is committed to ensure their work area is safe. Training on awareness is provided to all employees and continuous monitoring on a day to day activity of safety standards is maintained.

Supply Chain Management

Our suppliers are our business partners and we aim to maintain a long term partnership with them to continuously improve the quality of products and services. NagaWorld has a policy of prioritising local suppliers whenever possible, without compromising on quality, value and support. NagaWorld has been building an engagement program with local suppliers in the primary areas of food safety and hygiene. The Cambodian supply chain continues to improve based on fundamentals of mutual trust, co-operation and awareness. In 2018, 89% of our 501 frequent suppliers were Cambodian.

In 2018, the Purchasing Department developed a new electronic procurement system, which is integrated with the point of sales and stock management systems to facilitate planning and forecasting for all departments. The transparency of the new procurement system enables the Purchasing Department to address complexities in supply chain management.

The Purchasing Department also continues to support the Food and Beverages Department by reducing the production of waste. In 2018 almost 90% of all disposable takeaway items, such as plastic cutlery, straws and containers were replaced with biodegradable and recyclable paper materials.

Moving forward, we will continue working with NagaWorld Kind Hearts to educate local communities on the sustainability and environmental awareness.

Product responsibility

Policies and standards are in place to ensure that all our products and services meet quality standards. NagaWorld is in compliance with all relevant laws and regulations relating to OSHA, advertising, labelling and privacy matters relating to products and services provided. We also seek to continuously improve our standards.

Food Safety

Our primary objective is to ensure that we always serve food prepared to the highest standards and use the best quality products and ingredients. NagaWorld abides by local and international laws and regulations to ensure that the food we serve complies with food safety standards.

To ensure best practices, NagaWorld has developed a common operating standard and set of behaviours which is practiced at every kitchen and restaurant we operate. These are based on sound scientific principles, regulatory requirements and industry best practices. NagaWorld aims to set the benchmark as one of the leading hotels in Cambodia through its food safety and hygiene system.

NagaWorld regularly measures compliance against these standards and implements performance objectives to assure our customers that the food we provide is safe to eat whilst meeting their quality expectations. In order to achieve this, we provide all employees with the latest information on food safety, training and tools necessary to do their job systematically and with good hygiene practices.

The Ministry of Health of Cambodia conducts regular audits of F&B outlets and issue certificates to recommend the cleanliness and hygiene of each outlet. All of our restaurants in NagaWorld are certified with an "A" rating that recognises the highest hygiene and cleanliness level.

Guest engagement

In addition to policies and procedures to ensure high service standards, we provide a variety of channels for customers to provide feedback on their experience.

Fire Safety

The safety of our guests and employees is paramount and essential at all times. Since 2012, NagaWorld's in-house Fire Safety Department (the "FSD") has promoted professional standards through further education and training of our fire fighters. All FSD employees have completed and passed the NFPA 1001 International Standard Training (The National Fire Protection Association Standard 1001 – Fire Fighter Professional Qualification). All fire fighters are trained and certified by the Cambodian Red Cross in First-Aid and International SOS in administering medical oxygen and automated external defibrillator ("AED") to ensure 24-hour assistance and support for any kind of emergency.

The FSD is managed by a team of fire safety professionals who have accumulated international education, experience and certification in different fields of fire emergency response and management.

NagaWorld's efforts to drive high standards, recruit competent leaders and provide further education and training of its fire safety, medical and emergency response team allows FSD to protect and serve NagaWorld and its guests. As at 31 December 2018, the FSD comprised 64 fire-fighters, with 15 FSD officers on duty 24 hours a day, seven days a week.

In 2018, a live fire training facility was built for the purpose of enabling the fire response team to conduct live fire training drills. These drills develop skills and critical thinking in the team through repeated exposure.

The FSD believes that safety is everyone's responsibility and is committed to cultivating a safety culture in the organization and has launched programs actively participated in by employees that teaches fire extinguisher use and how to safely evacuate their employees and guests. Other programs and activities include fire induction training and fire and evacuation drills of the employees.

Apart from ensuring safety of the organization, the FSD is also highly involved in the CSR initiatives of NagaWorld Kind Hearts, and is the major proponent for a campaign to educate the community about fire safety. In 2018, 11 education institutions and 1,350 students participated in discussions and activities promoting awareness about fire safety and prevention. Since inception, a total of 31 schools and institutions have benefited from these programs and received donated fire extinguishers.

Anti-corruption

NagaCorp is committed to maintaining high ethical standards in all of our operations and business activities. This involves each of us – employees, officers and members of the board of directors alike – fostering and maintaining NagaCorp's reputation for integrity, honesty and transparency.

Policies and procedures in place to ensure compliance with all relevant laws and regulations with respect to anti-corruption, AML, extortion, fraud and combatting financing of terrorism. With this in mind, NagaCorp is dedicated to a zero-tolerance policy with regard to involvement in corruption or bribery activities of any type. An anti-corruption handbook is made available to all employees.

During 2018, no legal case regarding corruption was brought against the Company or its employees.

Our Code of Conduct (the "Code") helps to ensure that employees understand the Company's expectations. The Code lays out the legal responsibilities and ethical tone for the expected behaviour of all employees. It explicitly prohibits employees from soliciting, accepting, or offering bribes or any other form of advantage. The Code also provides guidance for daily interactions with fellow employees, customers, vendors, government officials and business partners and outlines NagaCorp's expectations on employees with regard to conflicts of interests and encourages employees to report any malpractice and misconduct.

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 rules and laws 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. All employees are required to comply with all policies and the Code.

Please refer to the Corporate Governance section of our corporate website (www.nagacorp.com) for further details on our Code of Conduct and Anti-Corruption Policy.

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 organizations to engage in joint business endeavours with NagaCorp.

The Company has in place an AML Procedure Manual to deal with money laundering in gaming operations, details of which can be found in the Corporate Governance Report on pages 62 to 79.

NagaCorp is in compliance with 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, the Organization for Economic Cooperation and Development, the United Nations Convention Against Corruption and the principles supporting the Foreign Corrupt Practices Act.

To the best of the directors' knowledge, information and belief, 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.

Community Relations

"Since inception in 1995 until now, 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 programs, NagaCorp's community, environmental, and national cares 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.

Formed in 2014, NagaWorld Kind Hearts is a grassroots initiative whereby our employees volunteer their personal time and energy towards the betterment of communities in Cambodia. Up to 31 December 2018, NagaWorld Kind Hearts has conducted 438 such activities, benefiting more than 181,318 Cambodians. In addition, charitable donations made by the Group during the Year totalled US$1.2 million (2017: US$1.5 million), all of which were made to worthy causes in Cambodia.

At the 10th Annual Global CSR Summit and Awards held in Indonesia, NagaWorld Kind Hearts was recognised internationally with the "Best Country Award for Overall CSR Excellence – Best in Cambodia". This award acknowledges NagaWorld's commitment to making major contributions towards the sustainable economic development and nation building of Cambodia.

In 2018 NagaWorld continued to deliver nation building CSR initiatives focused on four pillars: education enhancement, community engagement, sports development, and environmental care.

Education Enhancement

Naga Academy

Founded in November 2012, Naga Academy's goal is to be an effective and comprehensive apprenticeship-based hospitality training institute. Naga Academy's Internship, Job-Skills-Development and Language Development programs for unemployed youths of Cambodia form a critical part of NagaWorld's CSR initiative.

Since inception, Naga Academy has produced 2,766 graduates. The interns are sourced from partners which include local NGOs, international NGOs, universities and vocational schools. Around 30% of graduates have been hired as permanent employees of NagaWorld.

Naga Academy is a prominent partner of the MOT, to develop tourism industry skills. In 2016, Naga Academy was certified by the MOT to deliver the ASEAN Mutual Recognition Arrangement for Tourism Professionals (MRA-TP).

In 2017, the Naga Academy opened a new facility in Phnom Penh located 1.6 km from NagaWorld, with a capacity for up to 500 students. The facility includes a computer lab, a 100-180 person theatre, four 60-person classrooms, four 30-person classrooms, two 15-person classrooms as well as a mock up hotel room, bar and restaurant.

In 2018, the Naga Academy focused on training recruits for service excellence and language skills enhancement. 297 interns graduated with apprenticeship based vocational programs of three months or longer duration. This consisted of 20,667 hours of classroom training before job placements. A further 218,880 hours of on the job training was provided in various NagaWorld departments. On average each intern received 575 hours of job-skills training.

NagaWorld Kind Hearts

During the Year, NagaWorld donated 1,682 school bags, 50,792 books, 28,566 pens and reading materials to hundreds of orphans, single mothers, HIV/AIDS children and children living with a disability. Over 400 NagaWorld Kind Hearts volunteered almost 2,500 hours of their time to help distribute these materials to children, organised competitions to enhance English language skills, and implemented projects to rebuild and improve Cambodian schools. Their efforts benefited 11,486 children at more than 40 primary schools located across ten different provinces.

To inspire self-belief and encourage the younger generation out of their comfort zone, in August 2018 NagaWorld organised motivational talks for about 200 underprivileged students from the People Improvement Organization. Our speakers from the NagaWorld culinary team shared personal experiences, challenges faced and passion in their professional careers; inspiring the students to pursue their dreams with a positive attitude.

Community Engagement

During Khmer New Year, NagaWorld Kind Hearts brought festive joy to more than 250 underprivileged children including orphans at four NGOs through time spent with them, fun-filled games and special gifts donated through the fundraising efforts of NagaWorld employees. In conjunction with the Mid-Autumn Festival, NagaWorld Kind Hearts also hosted 100 underprivileged children from four NGOs to participate in a Lantern Making Competition, while celebrating the Mid-Autumn Festival together with NagaWorld Kind Hearts. The goal was to educate the children to design lanterns with environmentally-friendly materials and showcase their creativity. Group winners and lucky individuals won cash prizes sponsored by NagaWorld.

In supporting the rich and diverse Cambodian traditional culture as well as to promote Cambodian national pride, 130 NagaWorld Kind Hearts participated in weaving the world's longest hand-woven Cambodian scarf "krama" with local communities, which set a new Guinness World Record – "World's Longest Hand-Woven Scarf".

In July 2018, NagaWorld Kind Hearts also took part in unrolling the krama measuring more than 1,000 metres, on Koh Pich Island. The objective of the event was to keep the Cambodian tradition alive for the younger generation as well as to promote the use of this traditional garment to help preserve Khmer culture, traditions and heritage.

In 2018, NagaWorld Kind Hearts brought 869 underprivileged children from different NGOs and communities to the NABA Theatre in Naga2 to watch a live show of international standards. The theatre is equipped with state-of-the-art 3D video mapping projection technology. This initiative is intended to encourage students to pursue their studies in art with added enthusiasm.

NagaWorld Kind Hearts launched a Clean School Competition in December 2018, with 30 selected lower secondary schools within Phnom Penh participating. The programme intends to change the mind-set and behaviour of students in regards to school cleanliness, and help ensure a positive learning environment and promote a sense of responsibility. Apart from keeping their schools clean, the students had the chance to win cash prizes to improve their school environs including fixing classroom doors, windows and tables, thereby making their school a better place to learn. The program aims to cultivate students to become responsible adults that help keep Phnom Penh clean.

Relationship with Cambodian Red Cross

The Cambodian Red Cross is the largest NGO in Cambodia and is officially recognized by the Cambodian Government as the primary auxiliary for humanitarian services throughout the country. Besides donating to other charitable organizations, NagaWorld has been a long-standing contributor to the Red Cross, and thereby, giving back to the community and working towards building Cambodia's social welfare.

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. NagaCorp invested US$0.5 million in sports development in 2018 (2017: US$0.5 million).

2018 Asian Games in Jakarta and Palembang, Indonesia

Since 2011, NagaWorld has been a supporter of Cambodian athletes at the bi-annual South East Asia Games as well as other major events including the Asia Games and Olympic Games. In 2018 NagaWorld again provided off-field attire for the 120-strong Cambodian contingent that competed at the 2018 Asian Games in Indonesia.

In addition to the apparel sponsorship, NagaWorld also rewarded Cambodian Medallists with cash incentives ranging from US$3,000 to US$10,000. Cambodia won gold medals in women's 49kg jiu-jitsu and men's ski modified jet ski and a bronze medal in the men's Runabout 1100 stock jet ski competition.

NagaWorld presented the athletes cash rewards in a ceremony in Naga2 NABA Theatre foyer on 5 September 2018 which was witnessed by His Excellency Doctor Thong Khun, Minister of Tourism and President of the National Olympic Committee of Cambodia.

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.

In 2018, NagaWorld FC emerged as League Champions of the Metfone Cambodia League. There were also individual honours at the Cambodia Football Awards Ceremony for striker George Bisan (Metfone Cambodia League's top scorer); goalkeeper Samrith Seiha (best goalkeeper); and head coach Meas Channa (best coach in League). The team also won Fair Play Awards with the best record of fair play and adherence to the "spirit of the game" at the ceremony.

Sports is a key pillar in NagaWorld Kind Hearts's programs. As such, NagaWorld Kind Hearts and NagaWorld FC have used football to reach out to Cambodia communities to encourage a healthier nation through sports.

In November 2018, NagaWorld Kind Hearts and NagaWorld FC coaches launched a two-year Football Development Programme in Kampong Speu province which will involve more than 18,500 students alongside 120 sports teachers from 94 secondary and high schools. NagaWorld FC's head coach provided training to the province's physical education teachers on basic coaching, to enhance their knowledge for passing on to the students. Upon completion, all teachers will receive an official Coaching Certificate (D licence) issued by the Football Federation of Cambodia, as well as balls and training equipment to aid their coaching in their school.

Sustainability Report

Environmental Care

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 24 March 2018 saved 610kWh of electricity.

In May 2018, NagaWorld organized a booth at Cambodia's largest food festival, Slaprea, to help create an awareness about waste management and to educate the general public about the 3R's – Reduce, Reuse and Recycle. NagaWorld Kind Hearts also provided recycling bin signage at the event in order to show the public how to recycle on the spot. Funds were raised through the sale of delicious cupcakes and popcorn and refreshing drinks to support ongoing CSR initiatives.

To support the worldwide movement for no plastic straws, NagaWorld removed single-use plastic straws from all its operations by the end of the Year. This is expected to eliminate four million plastic straws a year. The "No Plastic Straws, Please!" campaign was implemented resort-wide following the commitment of employees who stopped using plastic straws at canteens in June 2018. All our employees as well as our visitors have also been encouraged to share this very important environmental message with their families and friends in nurturing a healthier and greener Cambodia – not just for us but for future generations as well.

NagaWorld Kind Hearts supported the Ministry of Environment's World Cleanup Day on 15 September 2018. It was the world's largest civic action programme aimed at combating the global solid waste problem, with 17 million participants in 158 countries worldwide. Over 130 NagaWorld employees participated in World Cleanup Day by picking up 418 kg of rubbish and cleaning up public areas in Phnom Penh. The aim was to create awareness of the importance of protecting the environment.

In collaboration with the Ministry of Environment ("MOE"), the Ministry of Education Youth and Sport ("MOEYS") and Phnom Penh City Hall, NagaWorld Kind Hearts launched the "Green Cambodia: Environmental Awareness & Tree Planting" programme in December 2018. A total of 1,000 trees will be planted by NagaWorld Kind Hearts and representatives from the MOE and MOEYS within the premises of selected schools in Phnom Penh for a healthier and pollutant-free Cambodia.

NagaWorld Kind Hearts also conducted a Good Environment Seminar for all the students of these selected schools about environmental awareness. Through the seminar and tree planting initiative, we hope the students will understand the importance of environmental conservation and start making changes for a greener future. NagaWorld has planted over 3,300 trees since 2014.

NagaWorld also supported the opening of the Win-Win Memorial, a national event held from 29 to 31 December 2018, by providing recycled bin signage produced by NagaWorld Kind Hearts – enabling the event to be a waste-free one and promoting the habit of waste separation amongst the public.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Nagaworld


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Corporate Governance Report

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

Corporate Governance Practices

In the opinion of the Company's directors (the "Directors"), having considered, amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as 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

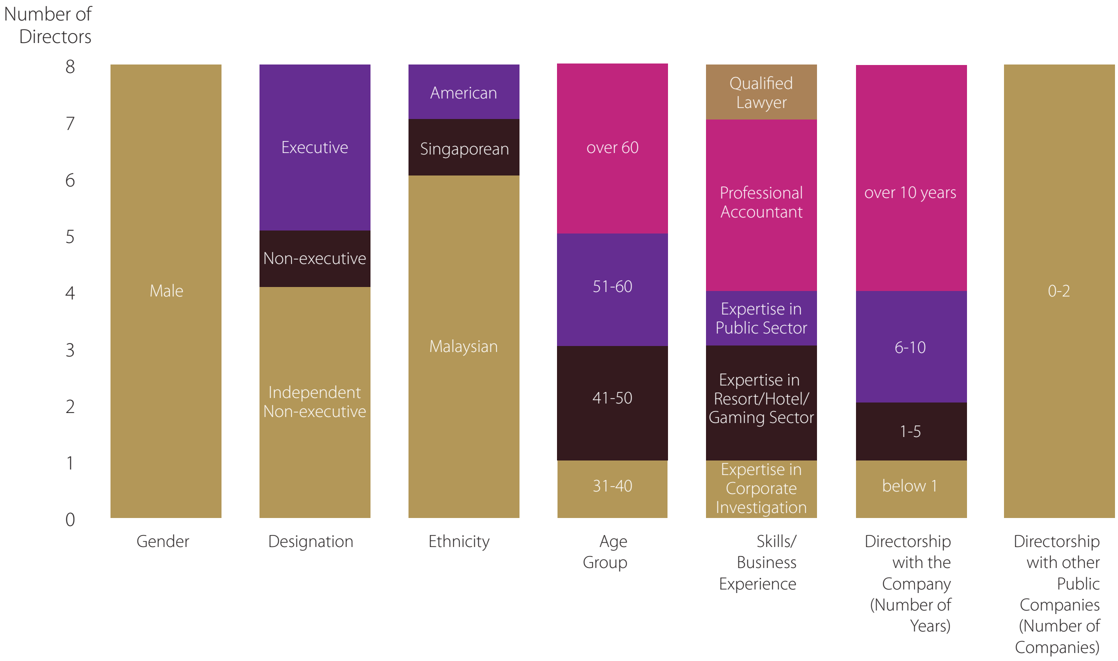
The Company has a Board with a balanced composition of executive and non-executive directors to provide for leadership, control and management of the Company's business and affairs. The Board is committed to making decisions objectively in the interests of the Company.

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 four independent non-executive Directors, namely Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, 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 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 independent non-executive Directors his latest annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent.

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 and 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 data.

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 necessary.

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, four Board meetings and one general meeting were held. Details of the attendances of the Board meetings and the general meeting are set out below:

Directors	Number of Meetings Attended/Held Board Meetings	General Meeting
Executive Directors		
Tan Sri Dr Chen Lip Keong *(Chief Executive Officer)*	4/4	0/1
Mr. Philip Lee Wai Tuck *(Executive Deputy Chairman)*	4/4	1/1
Mr. Chen Yiy Fon	4/4	1/1
Mr. Chen Yepern *(retired on 27 April 2018)*	1/1	0/1
Non-executive Director		
Mr. Timothy Patrick McNally *(Chairman)*	4/4	1/1
Independent Non-executive Directors		
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	2/4	1/1
Mr. Lim Mun Kee	4/4	1/1
Mr. Michael Lai Kai Jin	4/4	1/1
Mr. Leong Choong Wah *(appointed on 10 September 2018)*	2/2	0/0

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 members 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 independent non-executive Directors (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 of 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 continually 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 Company's head office 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 Directors attended site visits to familiarise themselves with, and gained a greater insight into, 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, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah received e-training materials and have participated in continuous professional development by attending briefing on the recent amendments to the Listing Rules which come into operation on 1 January 2019. 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 contributing 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. The Audit Committee consists of three INEDs, namely Mr. Lim Mun Kee, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Michael Lai Kai Jin. The Audit Committee is chaired by Mr. Lim Mun Kee.

The principal responsibilities of the Audit Committee include, amongst others, ensuring the objectivity and credibility of financial reporting and internal control principles, 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
Independent Non-executive Directors	
Mr. Lim Mun Kee *(Chairman)*	4/4
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	2/4
Mr. Michael Lai Kai Jin	4/4

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

For 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; (6) the effectiveness of the Group's risk management and internal control systems; and (7) the revised terms of reference of the Audit Committee for approval by the Board. 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 forthcoming annual general meeting, 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.

Risks 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 our 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 supported 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 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 at 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 the 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 non-executive 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 heading "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
Executive Directors	
Tan Sri Dr Chen Lip Keong	4/4
Mr. Chen Yepern *(retired on 27 April 2018)*	1/1
Mr. Chen Yiy Fon	4/4
Non-executive Director	
Mr. Timothy Patrick McNally *(Chairman)*	4/4
Independent Non-executive Director	
Mr. Michael Lai Kai Jin	4/4

For 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; (4) change of Compliance Officer; and (5) 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 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 our attention 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. 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 following services provided to the Group are set out below:

	2018 US$'000
Audit services	
– Current year	**674**
– Over-provision for prior year	**(8)**
Non-audit services	
– Carrying out review on interim financial information	**180**
– Carrying out agree-upon procedures on offering memorandum regarding issuance of Senior Notes	**105**

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:

Philip Lee Wai Tuck, Executive Deputy Chairman and Executive Director

– Appointed as a director of NAGA Limited, a wholly-owned subsidiary of the Company, with effect from 1 August 2018

– Ceased to be the General Director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company, with effect from 23 August 2018

Lim Mun Kee, Independent Non-executive Director

– Resigned as an independent non-executive director of Petaling Tin Berhand, a company withdrew its listing from Bursa Malaysia Securities Berhad on 16 August 2018, with effect from 18 September 2018

Michael Lai Kai Jin, Independent Non-executive Director

– Resigned as an independent director of Interlink Petroleum Ltd, a company listed on the Mumbai Stock Exchange, with effect from 3 January 2018

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, 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 open dialogue with its Shareholders through a number of formal communication channels. These include the annual report, interim report, press releases and announcements.

The most recent Shareholders' meeting was the 2018 annual general meeting (the "2018 AGM") held on 27 April 2018 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. At the 2018 AGM, the chairman of the Board and the chairmen of the Board committees and the representative of the independent auditor were present to answer Shareholders' questions. Separate resolutions were proposed at the 2018 AGM for each substantive issue. Details of the poll voting procedures and the rights of the Shareholders to demand a poll together with details of the proposed resolutions were included in the circular of the Company dated 16 March 2018 despatched to Shareholders.

At the 2018 AGM, 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 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 branch share registrar and upon this 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 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 person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the nominating Shareholder and that nominated Director indicating his/her willingness to be elected. The minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. In order to ensure Shareholders have at least 10 business days to receive and consider the relevant information of the nominated Director(s), nominating Shareholder(s) are urged to submit their Notice(s) as early as practicable, to that (if the notice of general meeting has already been given), a supplemental circular or announcement containing information of the nominated Director(s) can be despatched to Shareholders as soon as practicable without the need to adjourn the relevant general meeting.

7. Shareholders who have enquiries about the above procedures may write to the Company Secretary at the principal place of business 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 as appropriate.

Shareholdings as at 31 December 2018

As at the end of 2018, 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	97	30.50%	3,428	0.00%
1,001 – 10,000	182	57.23%	490,774	0.01%
10,001 – 100,000	16	5.03%	495,123	0.01%
100,001 – 500,000	10	3.15%	2,583,362	0.06%
Over 500,000	13	4.09%	4,337,435,354	99.92%
Total	318	100.00%	4,341,008,041	100.00%

From publicly available information and as far as the Directors are aware, as at 31 December 2018, approximately 33.90% of the issued share capital of the Company was held by the public and the public float capitalization was approximately HK$12,389,234,967.

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

2018 Final Results Announcement	:	13 February 2019 (Wednesday)
Closure of Register of Members	:	(i) 17 April 2019 (Wednesday) to 26 April 2019 (Friday) (for ascertaining Shareholders' entitlement to attend and vote at the 2019 AGM) (ii) 6 May 2019 (Monday) (for ascertaining Shareholders' entitlement to the 2018 Final Dividend)
2019 AGM	:	26 April 2019 (Friday)
Record Date for 2018 Final Dividend	:	6 May 2019 (Monday)
Payment of 2018 Final Dividend	:	17 May 2019 (Friday)

Hong Kong, 13 February 2019

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 Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir acts as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy for and structure of 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 our 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, we provide 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 for and structure of 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 2018 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 bonus of the CEO and recommending to the Board to approve the payment of his bonus entitlement for the years 2015 and 2016 and to appeal the generosity and good judgement of CEO to defer his performance bonus for the year 2017; (5) recommending the payment of incentive bonus to the Directors; (6) reviewing and recommending to the Board the remuneration package of a newly appointed INED; and (7) reviewing and endorsing the Remuneration Committee Report included in the 2017 annual report of the Company and recommending to the Board for approval.

For 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
Executive Directors	
Tan Sri Dr Chen Lip Keong	2/2
Mr. Chen Yepern *(retired on 27 April 2018)*	1/1
Independent Non-executive Directors	
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(Chairman)*	1/2
Mr. Lim Mun Kee	2/2
Mr. Michael Lai Kai Jin	2/2

Remuneration of Directors

The Directors received the following remuneration for the Year:

	Annual Performance Bonus 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	–	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 Sept 2018)*	–	–	11	–	11
Total	–	500	331	1,548	2,379

Remuneration of Senior Management

Of the five individuals with the highest emoluments, two are Directors whose emoluments are disclosed above. The emoluments of the three individuals with highest emoluments for the Year 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	–
US$452,001 – US$516,000	1
US$516,001 – US$581,000	1
US$581,001 – US$645,000	–
US$645,001 – US$710,000	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 during the Year.

Members of the Remuneration Committee

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

Hong Kong, 13 February 2019

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 Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin. Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir acts as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review, from time to time, 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 formally 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 65 and 66 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, Tan Sri Dr Chen Lip Keong, Mr. Chen Yiy Fon, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah shall retire from office at the forthcoming annual general meeting. Except for Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir who does not offer himself for re-election, all 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 2018 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) recommending to the Board for approval the appointment of an Executive Deputy Chairman; (6) considering the renewal of appointment letters of three INEDs and recommending to the Board for approval; (7) recommending to the Board for approval the appointment of an INED; (8) reviewing the revised terms of reference of the Nomination Committee and recommending to the Board for approval; (9) developing the nomination policy and recommending to the Board for approval; (10) reviewing and endorsing the Nomination Committee Report included in the 2017 annual report of the Company and recommending to the Board for approval.

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

Directors	Number of Meetings Attended/Held
Executive Directors	
Tan Sri Dr Chen Lip Keong	3/3
Mr. Chen Yepern *(retired on 27 April 2018)*	1/1
Independent Non-executive Directors	
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir *(Chairman)*	2/3
Mr. Lim Mun Kee	2/3
Mr. Michael Lai Kai Jin	3/3

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 63. The 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.

Members of the Nomination Committee

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

Hong Kong, 13 February 2019

Independent Review of Investment Risks in Cambodia

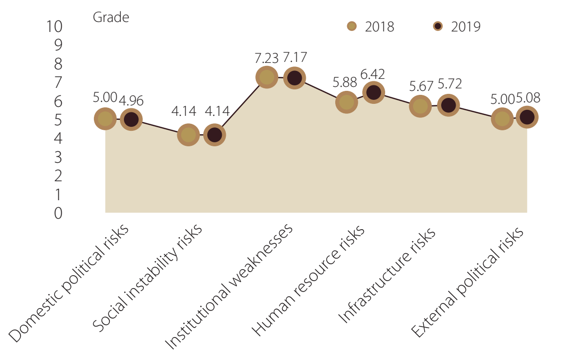
Political and Economic Risk Consultancy, Ltd. ("PERC")
20/F, Central Tower
28 Queen's Road, Central
Hong Kong

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.

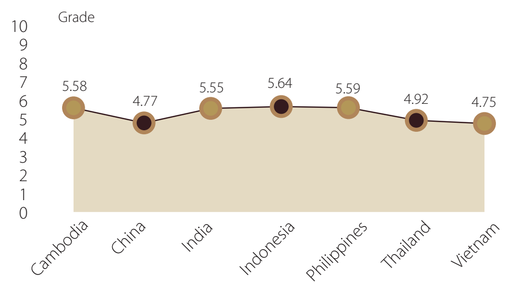
Based on the assessments and reviews carried out between late November 2018 and the end of December 2018 we summarised our findings below:

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

PERC's most recent risk survey gives Cambodia an overall risk grade of 5.58 (slightly worse than one year ago). The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). The main reasons for the deterioration include an increase in external challenges and human resource cost and quality constraints arising from the economy's rapid growth.

Domestic political risks have declined slightly compared with one year ago. The government is more firmly under the control of the ruling Cambodian People's Party ("CPP"), headed by Prime Minister Hun Sen, who now has greater freedom to try to prepare for his own succession. Questions remain over this longer-term issue of political succession, but the range of possibilities is limited and the odds strongly favor any future government sticking with the current pro-business, pro-private sector policies that have enabled Cambodia to be one of the most rapidly growing economies in the world for the past two decades.

Rapid economic growth is raising general living standards and helping to preserve social stability. Although the country still suffers an image problem due to civil violence that existed in the 1970s and 1980s, Cambodia's social disorder problems have greatly diminished. Conditions today are more stable than in most ASEAN countries. For example, Cambodia does not have problems with religious extremism, domestic insurrection movements, or ethnic rivalries. It is not a target for terrorists and is not burdened by an unwanted influx of refugees.

Last year's economic performance was the most rapid in five years and the outlook for 2019 is for only a slight slowdown. Some of Cambodia's biggest attractions to foreign investors include the low cost of labor, the widespread use of the US dollar and the ease of moving capital and profits out of the country, and liberal foreign ownership policies. Although corruption is a problem, the government depends on the private sector to spearhead development. State-owned enterprises are confined to a much smaller role than is typical in other Asian countries, which helps to encourage competition and maintain a level playing field.

The main negative consequences of years of rapid economic growth relate to labor pressures. Although labor in Cambodia is still relatively inexpensive, costs are rising rapidly and have been aggravated by recent policy reforms like the introduction of a new seniority payments system. The high demand for labor has also exceeded the ability of the local market to supply companies with people possessing the required skills and experience. This is adversely affecting the quality of labor and contributing to high rates of labor turnover. It is also forcing companies, including in some labor-intensive industries like residential and commercial real estate construction, to rely more on imported labor, which could become a source of resentment by some local groups who either feel displaced or otherwise inconvenienced by the rapid growth of foreign workers in Cambodia.

There are several external risks that could hurt the growth of Cambodia's exports in 2019 and 2020. They include the protectionist policies being pursued by the US, the ongoing slowdown in China's economy, supply-chain disruptions caused by the US-China trade war, and the EU threat to remove Cambodia's tax-free access under the "Everything But Arms" agreement.

Cambodia's strong relationship with China will remain a positive feature, underpinning the growth of tourism and the inflow of foreign direct investment. China's continuing aid and soft-term loans will ensure the balance of payments stays in surplus, the government is able to fund its fiscal spending program, and major infrastructure facilities continue to expand. However, China's growing influence over the Cambodian economy also makes the economy more vulnerable to changes in China, including a weakening of economic growth there and policy changes in Beijing that could affect capital outflows.

Independent Review of Investment Risks in Cambodia

Positive Developments

- Because of the CPP's consolidation of power, there is now greater certainty that there will be no major changes in the current government over the next few years. The government will remain firmly under the control of Hun Sen, who now has greater freedom to try to prepare for his own succession.

- The government has a long and consistent track record of policies, the results of which have enabled Cambodia to post one of the highest rates of real economic growth in all of Asia for several decades now. The impressive record has strengthened social stability and maintained local support for the government.

- The quality of governance and professional standards is improving in some institutions such as the financial system and monetary regulatory authorities, the judicial system, and parts of the civil service. More specifically, the government is reducing the problem of corruption in education testing and improving the skills of those responsible for financial sector regulation.

- The most notable tourism development in 2018 was the rapid growth in visitors from China. The total number of visitors from China increased 71.2% in January-September over the like span of 2017 to 1.44 million persons. This was the most rapid increase in visitors from Mainland China experienced by any Asian country last year.

The Challenges

- The disappearance of a political opposition will hurt the quality of public debate and limit the existence of effective channels for citizens to seek redress for their grievances. The government will have to assume full responsibility for reading the pulse of public opinion and crafting policies in ways that balance the aspirations of all relevant groups.

- There continues to be concern about how the long-term political succession will be managed. Hun Sen's personal role as the force holding the CPP together as a political unit is so critical that there are inevitably going to be questions about how the system will handle his departure from politics.

- A potentially disruptive new development that companies will have to manage was the government's decision to introduce a new seniority payments system, called Prakas 443. The new system could add to costs and adversely affect a company's flexibility to manage its labor force.

- Cambodia's rapid economic growth has generated new problems that have to be managed, including environmental damage, traffic congestion, and certain kinds of labor shortages. Companies are under pressure to import more labor, which adds to costs, or to hire locals lacking the necessary skills and experience, which can hurt quality.

- Cambodia will have to manage a likely slowdown in China's economy, growing protectionism in the US, and the EU's threat to stop giving preferential treatment to imports from Cambodia.

Robert Broadfoot
Managing Director
PERC

Hong Kong, 19 January 2019

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.

Hill & Associates Ltd
Units 101B & 104, 1/F
Tower 2, The Harbourfront
22 Tak Fung Street, Hunghom
Kowloon, Hong Kong

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 2018. The review included site visits in June 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 2018 alongside external consultation on the progress of AML controls in Cambodia.

During the site visits, H&A examined all relevant documentation. Our principal point of contact, with the departure of Ms. Ann Chyi Jian, has reverted to Mahendran Supramaniam who has long term experience in AML controls supervision in NagaCorp. 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. 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. Training continues on a regular and extensive basis. Eighteen training sessions were conducted in 2018 with 973 staff undergoing training. The training is based on the Company's Training Manual which was previously evaluated by Hill & Associates as a particularly useful training tool. This ongoing process is recognized by H&A as providing substantial understanding of AML issues at all levels of NagaCorp.

The Chief Financial Officer, Sean Tan has been appointed as the Compliance Officer in July, replacing Ms. Ann Chyi Jian. Mr. Tan is an appropriate holder of this position as he has been with the Company for a number of years, coupled with having significant past experience in financial institutions.

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. Supramaniam 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. In the first half of 2018 NagaCorp further defined the role of the NagaCorp Compliance Officer with the FIU and also provided updated details of the operation of the NagaCorp AML regime to 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 2018. 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 is functioning efficiently.

The AML Oversight Committee met four times in 2018. 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.

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 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 and also noted that the upgrading of Cambodia by FATF and the Mutual Evaluation Report of the APG to be very positive developments.

John Bruce
Managing Director

Hong Kong, 10 January 2019

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

Report of the Directors

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

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activity of the Group is the operation of a hotel and entertainment complex, NagaWorld, in Cambodia. Other particulars of its principal subsidiaries are set out in note 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 9 to 21 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report on pages 62 to 79 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 since the end of the Year. 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 during 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 such as installation of low-energy LED lighting and adoption of "3R" strategy in our waste management: Reduce, Reuse and Recycle. We 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 28 to 59 of this annual report.

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

In regard 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, 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 28 to 59 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 28 to 59 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	45%	67%
Five largest junket operators in aggregate	64%	90%

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 108.

An interim dividend of US cents 2.49 per Share (2017: US cents 2.08 per Share) for the six months ended 30 June 2018 was declared in July 2018 and paid in September 2018. The Directors proposed the payment of a final dividend of US cents 2.91 per Share (2017: US cents 1.45 per Share) for the Year. The proposed final dividend for the Year together with the interim dividend for the six months ended 30 June 2018 represented a dividend payout ratio of approximately 60%.

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 197.

Transfer to Reserves

The profit attributable to equity shareholders of the Company, before dividends, of US$390,578,000 (2017: US$255,186,000) have been transferred to the reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 112.

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$1,175,000 (2017: US$1,467,000), 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 respectively.

Distributable Reserves

As at 31 December 2018, 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$671,698,000.

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 were:

Chairman and Non-executive Director:

Timothy Patrick McNally [M]

Executive Directors:

Tan Sri Dr Chen Lip Keong [R/M/N]
(Chief Executive Officer)
Philip Lee Wai Tuck
(Executive Deputy Chairman)
Chen Yiy Fon [M]
Chen Yepern *(retired on 27 April 2018)*

Independent Non-executive Directors:

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir [A/R/N]
Lim Mun Kee [A/R/N]
Michael Lai Kai Jin [A/R/N/M]
Leong Choong Wah
(appointed on 10 September 2018)

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

In accordance with Article 86(3) of the Articles of Association, Mr. Leong Choong Wah who was appointed on 10 September 2018 will hold office until the forthcoming annual general meeting and shall be eligible for re-election. In addition, in accordance with Article 87 of the Articles of Association, Tan Sri Dr Chen Lip Keong, Mr. Chen Yiy Fon, Mr. Michael Lai Kai Jin and Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir shall retire from office by rotation at the forthcoming annual general meeting. Except for Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir who does not offer himself for re-election, all retiring Directors, being eligible, will offer themselves for re-election.

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

The Directors who held office as at 31 December 2018 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

Name of Director	Capacity	Number of Shares held	% of Total Issued Shares (Note 1)
Tan Sri Dr Chen Lip Keong	Founder of a discretionary trust (Note 2)	951,795,297 (L)	21.93 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	1,917,807,166 (L)	44.17 (L)

Notes:

(1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2018.

(2) Tan Sri Dr Chen Lip Keong is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.), a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Tan Sri Dr Chen Lip Keong is taken 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) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as at 31 December 2018, 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 2018, 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:

Name of 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 (formerly known as Fourth Star Finance Corp.)	Beneficial owner	789,534,854 (L)	18.19 (L)

Notes:

(1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 31 December 2018.

(2) Such interests are held by LIPKCO Group Limited (formerly known as Fourth Star Finance Corp.) and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Tan Sri Dr Chen Lip Keong is the founder.

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

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware of, as at 31 December 2018, 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 2018, 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 and indirectly, with the businesses of the Group during the Year or as at 31 December 2018.

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

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

During the Year, 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.

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 Agreement

Other than the 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.

Issue of Senior Notes

On 21 May 2018, the Company issued the US$300 million 9.375% Senior Notes due 2021. The net proceeds of the Senior Notes, after deduction of fees, commissions and expenses, amount to approximately US$290 million. The Group intends to use the net proceeds from the Senior Notes to promote gaming business growth, particularly in the VIP gaming segment, and to refurbish the hotel rooms in Naga1. The Group may adjust the plans in response to changing market conditions and thus may reallocate the use of the proceeds.

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. Further details about the Senior Notes were set out in the announcements of the Company dated 30 April 2018, 8 May 2018, 15 May 2018 and 22 May 2018.

Report of the Directors

Disclosure under Rule 13.21 of the Listing Rules

On 21 May 2018, a written agreement (the "Indenture") was entered into between the Company as issuer of the Senior Notes, 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.

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, 13 February 2019

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 108 to 196, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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.

Revenue recognition

Refer to notes 2B(a) and 6 to the consolidated financial statements, and the accounting policy note 4(r) on page 144.

In prior years, the Group assigned licensing rights to certain investors operating electronic gaming machines. Upon first adoption of IFRS 15 "Revenue from Contracts with Customers", the Group is required to determine the appropriate accounting treatment for these transactions under the new accounting standard which involved significant management judgement and estimates.

Our responses:

– Analysing the relevant agreements and making inquiries of the management as appropriate;

– Evaluating the management's judgement and estimates in applying IFRS 15 for these transactions; and

– Checking the arithmetic calculations of the adjustments as a result of the adoption of IFRS 15.

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, 13 February 2019

Consolidated Statement of Income

for the year ended 31 December 2018
(Expressed in United States dollars)

	Note	2018 $'000	2017 $'000
Revenue	6	**1,474,287**	956,349
Cost of sales		**(800,806)**	(483,434)
Gross profit		**673,481**	472,915
Other income	7	**10,275**	7,751
Administrative expenses		**(79,307)**	(67,195)
Other operating expenses		**(185,588)**	(150,165)
Profit from operations		**418,861**	263,306
Finance costs	8	**(19,469)**	–
Profit before taxation	9	**399,392**	263,306
Income tax	11	**(8,814)**	(8,120)
Profit attributable to owners of the Company		**390,578**	255,186
Earnings per share (US cents)			
Basic	13	**9.00**	7.94
Diluted	13	**9.00**	5.88

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 **$'000**	2017 $'000
Profit for the year	**390,578**	255,186
Other comprehensive income for the year		
Item that maybe reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	**(797)**	2,140
Total comprehensive income attribute to the owners of the Company for the year	**389,781**	257,326

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2018
(Expressed in United States dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment	15	**1,275,596**	1,121,737
Interest in leasehold land held for own use under operating lease	15	**26,634**	26,950
Intangible assets	16	**59,107**	62,654
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	17	**84,364**	85,343
Promissory notes	18	**9,372**	9,584
		1,455,073	1,306,268
Current assets			
Consumables	19	**2,051**	1,795
Trade and other receivables	20	**117,140**	101,417
Certificates of deposit, fixed deposits and other liquid funds	21	**76,441**	–
Cash and cash equivalents	21	**316,536**	52,794
		512,168	156,006
Current liabilities			
Trade and other payables	22	**79,711**	77,948
Contract liabilities	23	**10,023**	–
Current tax liability		**2,374**	1,781
		92,108	79,729
Net current assets		**420,060**	76,277
Total assets less current liabilities		**1,875,133**	1,382,545
Non-current liabilities			
Senior notes	24	**291,118**	–
Contract liabilities	23	**44,146**	–
		335,264	–
NET ASSETS		**1,539,869**	1,382,545

	Note	2018 $'000	2017 $'000
CAPITAL AND RESERVES	25		
Share capital		**54,263**	54,263
Reserves		**1,485,606**	1,328,282
TOTAL EQUITY		**1,539,869**	1,382,545

Approved and authorised for issue by the Board on 13 February 2019

Timothy Patrick McNally *Chairman*	Philip Lee Wai Tuck *Executive Deputy Chairman*

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in United States dollars)

	Note	Share Capital $'000	Share premium $'000	Convertible bonds $'000	Capital redemption reserve $'000	Merger reserve $'000	Capital contribution reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2017		30,750	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
Profit for the year		–	–	–	–	–	–	–	255,186	255,186
Other comprehensive income – exchange differences from translation of foreign operations		–	–	–	–	–	–	2,140	–	2,140
Total comprehensive income for the year		–	–	–	–	–	–	2,140	255,186	257,326
Issue of shares upon conversion of convertible bonds	25(a)	23,513	355,375	(378,888)	–	–	–	–	–	–
Dividend and distribution declared and paid		–	–	–	–	–	–	–	(125,762)	(125,762)
		23,513	355,375	(378,888)	–	–	–	2,140	129,424	131,564
Balance at 31 December 2017		54,263	751,356	–	151	(12,812)	55,568	(799)	534,818	1,382,545
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 (note 2B)		–	–	–	–	–	–	–	(61,646)	(61,646)
Restated balance as 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	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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**

The notes on pages 115 to 196 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 $'000	2017 $'000
Operating activities		
Profit before taxation	**399,392**	263,306
Adjustments for:		
– Depreciation and amortisation	**89,433**	52,869
– Amortisation of casino licence premium	**3,547**	3,547
– Interest income	**(3,272)**	(738)
– Finance costs	**19,469**	–
– Unrealised exchange (gain)/loss	**(121)**	1,729
– Impairment loss on trade receivables	**2,200**	1,025
– Gain on disposal of property, plant and equipment	**(5)**	(13)
– Write-off of property, plant and equipment	**1,003**	1
Operating profit before changes in working capital	**511,646**	321,726
Increase in consumables	**(256)**	(328)
Increase in trade and other receivables	**(17,923)**	(29,883)
Increase in trade and other payables	**186**	39,766
Decrease in contract liabilities	**(8,750)**	–
Cash generated from operations	**484,903**	331,281
Tax paid	**(8,221)**	(9,048)
Net cash generated from operating activities	**476,682**	322,233
Investing activities		
Interest received	**2,808**	211
Increase in certificates of deposit, fixed deposits and other liquid funds	**(76,441)**	–
Payments for the purchase of property, plant and equipment and for the construction cost of property	**(243,275)**	(354,818)
Proceeds from disposal of property, plant and equipment	**5**	18
Net cash used in investing activities	**(316,903)**	(354,589)

Consolidated Statement of Cash Flows

for the year ended 31 December 2018
(Expressed in United States dollars)

	2018 $'000	2017 $'000
Financing activities		
Interest paid	**(14,062)**	–
Dividends paid	**(170,811)**	(125,762)
Net proceeds from issue of senior notes	**288,836**	–
Net cash generated from/(used in) financing activities	**103,963**	(125,762)
Net increase/(decrease) in cash and cash equivalents	**263,742**	(158,118)
Cash and cash equivalents at beginning of year	**52,794**	210,912
Cash and cash equivalents at end of year	**316,536**	52,794
Analysis of cash and cash equivalents		
Cash and bank balances	**222,639**	52,444
Non-pledged fixed deposits with original maturity of less than three months when acquired	**16,000**	350
Money market fund	**77,897**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**316,536**	52,794

(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

(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 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
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%	Investment holding
Golden Passage Destinations Co., Ltd.	Cambodia	Cambodia	KHR200,000,000	–	100%	Tourism 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

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
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	Hong Kong	HK$1	–	100%	Aircraft leasing
TanSriChen Inc.	British Virgin Islands	Cambodia	$285,000,000	100%	–	Gaming, hotel and entertainment operations
TanSriChen (Citywalk) Inc.	British Virgin Islands	Cambodia	$95,000,000	100%	–	Investment holding
Tan Sri Chen Inc. (T S C I)	Cambodia	Cambodia	$1,000,000	–	100%	Leisure and entertainment
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
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

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.

Annual Improvements to 2014 – 2016 Cycle	Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards
Annual Improvements to 2014 – 2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC-Interpretation 22	Foreign Currency Transactions and Advance Considerations

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

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 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

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 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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

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

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. IFRS 9 Financial Instruments ("IFRS 9")

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

A. IFRS 9 Financial Instruments ("IFRS 9") (continued)

(i) Classification and measurement of financial instruments (continued)

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets including promissory notes, trade and other receivables and cash and cash equivalents as follows:

Amortised costs	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.

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

A. IFRS 9 Financial Instruments ("IFRS 9") (continued)

(i) Classification and measurement of financial instruments (continued)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 $'000	Carrying amount as at 1 January 2018 under IFRS 9 $'000
Promissory notes	Loans and receivables	Amortised cost	9,584	9,584
Trade and other receivables	Loans and receivables	Amortised cost	101,417	101,417
Cash and cash equivalents	Loans and receivables	Amortised cost	52,794	52,794

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit loss ("ECL") model". IFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances 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.

No additional impairment for trade and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

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

A. IFRS 9 Financial Instruments ("IFRS 9") (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due 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.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The following tables summarised the impact, net of tax, of transition to IFRS 15 on the opening balance of retained earnings as follows (increase/(decrease)):

	$'000
Retained earnings	
Contract liabilities (note 2B(a))	(61,646)
Impact at 1 January 2018	(61,646)

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of income for the year ended 31 December 2018. There was no impact on the Group's consolidated statement of cash flows for the year ended 31 December 2018. Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

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

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

Consolidated statement of income for the year ended 31 December 2018:

	Note	Amounts prepared under IFRS 15 $'000	Amounts prepared under Previous IFRS $'000	Increase $'000
Revenue	2B(a)	1,474,287	1,465,537	8,750
Gross profit		673,481	664,731	8,750
Profit before taxation		399,392	390,642	8,750
Taxation		(8,814)	(8,814)	–
Profit for the year		390,578	381,828	8,750
Earnings per share (US cents)				
Basic		9.00	8.80	0.20
Diluted		9.00	8.80	0.20

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under IFRS 15 $'000	Amounts prepared under Previous IFRS $'000	Increase/ (decrease) $'000
Current liabilities				
Trade and other payables	2B(b)	79,711	80,984	(1,273)
Contract liabilities	2B(a)&(b)	10,023	–	10,023
Total current liabilities		92,108	83,358	8,750
Non-current liabilities				
Contract liabilities	2B(a)	44,146	–	44,146
Total non-current liabilities		335,264	291,118	44,146
Total liabilities		427,372	374,476	52,896
Net assets		1,539,869	1,592,765	(52,896)
Equity				
Retained earnings	2B(a)	692,939	745,835	(52,896)
Total equity		1,539,869	1,592,765	(52,896)

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

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

(a) Timing of revenue recognition of licence fee income

In a prior reporting period, licence fee income from an investor for the placement and operating of electronic gaming machines ("EGM") inside NagaWorld was recognised at the time of sale when significant risk and rewards of the relevant licensing right were transferred to the investor.

Under IFRS 15, as the investor simultaneously receives and consumes the benefits of the licensing right over the period of the underlying EGM contract, the Group determined that the licence fee income is recognised over the contract period.

As a result, the licence fee income recognised in full in the prior reporting period under IAS 18 is deferred and recognised over the contract period under IFRS 15.

For licensing right where right to use exists at the point in time at which the licensing right is assigned, the relevant license fee income is recognised when it is assigned to investors.

No significant financial impact on the timing of recognition for this kind of license fee income upon the adoption of IFRS 15.

(b) Presentation of contract liabilities

Reclassification was made as at 1 January 2018 to be consistent with the terminology used under IFRS 15:

Contract liabilities recognised in relation to gaming and hotel and entertainment operations were previously presented as deferred revenue under "trade and other payables".

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

B. IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

Details of the new significant accounting policies in relation to the Group's various goods and services are set out in note 4(r).

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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(i)).

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

- 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(i)).

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(i)).

(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 (accounting policies applied from 1 January 2018)

(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 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.

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 fair value through other comprehensive income 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 (accounting policies applied from 1 January 2018) (continued)

(i) Financial assets (continued)

Debt instruments (continued)

FVTPL: Financial assets at fair value through profit or loss 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 fair value through profit or loss, 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 fair value through profit or loss 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.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for 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.

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.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) Impairment loss on financial assets (continued)

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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss 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 fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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 fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(iii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss 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 fair value through profit or loss 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.

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.

4 Principal accounting policies (continued)

(e) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(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.

(f) Financial assets (accounting policies applied until 31 December 2017)

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

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

4 Principal accounting policies (continued)

(f) Financial assets (accounting policies applied until 31 December 2017) (continued)

(i) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

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

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

(ii) Effective interest method

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

4 Principal accounting policies (continued)

(f) Financial assets (accounting policies applied until 31 December 2017) (continued)

(iii) Derecognition

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

(g) Trade and other payables (accounting policies applied until 31 December 2017)

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

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

(i) Effective interest method

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

(ii) Derecognition

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

(h) Provisions

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

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

4 Principal accounting policies (continued)

(i) 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;
- interest in leasehold land held for own use under operating lease; 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).

- 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.

4 Principal accounting policies (continued)

(j) 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)).

(k) 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.

(l) 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.

4 Principal accounting policies (continued)

(m) Employee benefits

Short term employee benefits and contributions to defined contribution retirement and social security scheme

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement and social security 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. The Group operates defined contribution social security plan namely National Social Security Fund for its employees in Cambodia. Contributions to the above plans are made based on a percentage of the employee's basic salaries. The Group's employer contribution vest fully with the employees when contributed into the plans.

There is no mandatory retirement plans in Cambodia except for the government employees and veterans who are eligible for government-run pension plans during the Year. Effective from January 2019, the Group also operates seniority payment benefits for its employees with unlimited duration contract in Cambodia. The plan is made based on a percentage of the employee's salaries and the period they have rendered services, including period before 2019 but at a statutory limit.

(n) 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.

(o) 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.

4 Principal accounting policies (continued)

(p) 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.

(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.

4 Principal accounting policies (continued)

(p) Related parties (continued)

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.

(q) Leased assets

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

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present 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(i). 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.

4 Principal accounting policies (continued)

(q) Leased assets (continued)

(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.

(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.

(r) Revenue recognition

Accounting policies applied from 1 January 2018

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.

4 Principal accounting policies (continued)

(r) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

(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.

(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.

4 Principal accounting policies (continued)

(r) Revenue recognition (continued)

Accounting policies applied until 31 December 2017

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

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

(ii) Income from the provision and maintenance of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in profit or loss in accordance with the substance of the relevant agreement when the right to receive such amounts is ascertained.

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

(iv) Licence fee income is recognised at the time of sale.

(s) Contract liabilities (applied from 1 January 2018)

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.

(t) 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.

4 Principal accounting policies (continued)

(u) 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).

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.

(v) Share-based payments

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition of assets. A corresponding increase in equity is recognised.

(w) 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.

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

(c) Casino complex

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

6 Revenue

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

	2018 **$'000**	2017 $'000
Casino operations – gaming tables	**1,305,138**	775,038
Casino operations – electronic gaming *	**129,282**	150,926
Hotel room income, food and beverage and others	**39,867**	30,385
	1,474,287	956,349

* During the year ended 31 December 2017, revenue from EGM included a fee of US$60.0 million in respect of the assignment of a licensing right to certain investors to operate a number of EGM for a period of 10 years. No similar fee was earned in the Year.

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

	31 December **2018** **$'000**	1 January 2018 $'000
Trade receivables	**75,136**	58,336
Contract liabilities	**54,169**	62,919

7 Other income

	2018 **$'000**	2017 $'000
Interest income	**3,272**	738
Rental income	**6,995**	7,012
Others	**8**	1
	10,275	7,751

8 Finance costs

	2018 $'000	2017 $'000
Interest expenses and amortisation of transaction costs relating to senior notes (Note 24)	**19,469**	–

9 Profit before taxation

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

	2018 $'000	2017 $'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**92,374**	93,092
Contributions to defined contribution retirement scheme#	**45**	49
Total staff costs*	**92,419**	93,141
(b) Other items:		
Auditor's remuneration		
– Current year	**959**	781
– Over-provision for prior year	**(8)**	(7)
Amortisation of casino licence premium*	**3,547**	3,547
Depreciation and amortisation*	**89,433**	52,869
Exchange loss*	**189**	608
Impairment loss on trade receivables	**2,200**	1,025
Write-off of property, plant and equipment	**1,003**	1
Gain on disposal of property, plant and equipment	**(5)**	(13)
Operating lease charges for land lease rental	**2,629**	1,386
Operating lease charges for office and car park rental	**5,135**	1,824
Operating lease charges for hire of equipment	**4,214**	5,297

* 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.

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	**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**

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	**2017 Total $'000**
Executive directors					
Tan Sri Dr Chen Lip Keong	17,062	150	–	720	**17,932**
Philip Lee Wai Tuck	–	120	–	256	**376**
Chen Yiy Fon	–	30	–	144	**174**
Chen Yepern	–	30	–	253	**283**
Non-executive director					
Timothy Patrick McNally	–	100	150	325	**575**
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**
Total	17,062	500	270	1,698	**19,530**

(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 will be entitled to a performance incentive of $11,765,000 (the "2017 Performance Incentive Entitlement") and $18,570,000 (the "2018 Performance Incentive Entitlement") for the financial years ended 31 December 2017 and 2018 respectively.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board considered the matter relating to the 2015 and 2016 performance incentive entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 and 2016 performance incentive entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2015 and 2016 performance incentive entitlement to subsequent years until the achievement of certain key performance indicators ("KPIs") set for the year ended 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 and 2016 performance incentive entitlement should be extended to the financial year ended 31 December 2017 and that the parties should 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 ended 31 December 2017, the 2015 performance incentive entitlement and the 2016 performance incentive entitlement amounting to $17,062,000 in total were recognised in profit or loss for the financial year ended 31 December 2017.

10 Directors' remuneration and senior management remuneration (continued)

(a) Directors' remuneration (continued)

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 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.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2017 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 2017 Performance Incentive Entitlement 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 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.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2018 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 2018 Performance Incentive Entitlement 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 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 interest 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, two (2017: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the three individuals for the year ended 31 December 2018 (2017: three) are as follows:

	2018 **$'000**	2017 $'000
Basic salaries, housing and other allowances and benefits-in-kind	**1,686**	1,598

The emoluments of the three individuals (2017: three) with the highest emoluments are within the following bands:

	2018 **Number of Individuals**	2017 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)	**–**	–
$452,001 – $516,000 (approximately HK$3,500,001 – HK$4,000,000)	**1**	1
$516,001 – $581,000 (approximately HK$4,000,001 – HK$4,500,000)	**1**	1
$581,001 – $645,000 (approximately HK$4,500,001 – HK$5,000,000)	**–**	1
$645,001 – $710,000 (approximately HK$5,000,001 – HK$5,500,000)	**1**	–
	3	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:

	2018 **$'000**	2017 $'000
Current tax expense		
– Current year	**8,814**	8,120

Reconciliation between tax and accounting profit at applicable tax rate:

	2018 **$'000**	2017 $'000
Profit before taxation	**399,392**	263,306
Profits tax using Cambodian corporation tax rate of 20% (2017: 20%)	**79,878**	52,661
Tax exempt profits from Cambodian operations (note (a))	**(79,878)**	(52,661)
Obligation Payments (note (a))	**8,814**	8,120
	8,814	8,120

Notes:

(a) Income tax in profit or loss

Income tax represents monthly gaming Obligation Payment of $520,157 (2017: $462,362), monthly non-gaming Obligation Payment of $214,338 (2017: $214,338) payable to the Ministry of Economy and Finance (the "MOEF") of Cambodia 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. For the year ended 31 December 2018, the Obligation Payments is $520,157 per month (2017: $462,362 per month).

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

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

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(i) Casino tax and licence fees (continued)

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

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

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

(ii) Corporate and other taxes on gaming activities

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

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

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

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

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

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 of Taxation (the "LoT") of Cambodia.

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

A legal opinion 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.

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 (2017: $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.

In the years ended 31 December 2015 and 2016, the Group paid additional Obligation Payments to the MOEF. As at the date of this report, there is no additional Obligation Payment for the Year.

11 Income tax (continued)

Notes: (continued)

(a) Income tax in profit or loss (continued)

(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 NWL in Cambodia is subject to value-added tax of 10%.

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

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

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

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

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

(d) Deferred taxation

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

12 Dividends payable to owners of the Company attributable to the year

	2018 $'000	2017 $'000
Interim dividend declared during the year:		
2017: US cents 2.08 per ordinary share	**–**	90,379
2018: US cents 2.49 per ordinary share	**108,079**	–
Final dividend proposed after the end of reporting period:		
2017: US cents 1.45 per ordinary share	**–**	62,732
2018: US cents 2.91 per ordinary share	**126,268**	–
	234,347	153,111

The dividends declared and paid during the Year comprise the 2017 final dividend of $62,732,000 which was paid in May 2018 and the 2018 interim dividend of $108,079,000 which was paid in September 2018.

13 Earnings per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of $390,578,000 (2017: $255,186,000) and the weighted average number of shares of 4,341,008,041 (2017: 3,212,396,541) in issue during the Year.

There were no dilutive potential shares during the Year.

The calculation of diluted earnings per share for the year ended 31 December 2017 was based on the consolidated profit attributable to owners of the Company of $255,186,000 and weighted average number of shares for the purpose of diluted earnings per share of 4,341,008,041 adjusted for the dilutive potential shares as a result of outstanding convertible bonds during that year.

	Number of Shares	
	2018	2017
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	**4,341,008,041**	3,212,396,541
Effect of dilution – weighted average number of shares:		
– convertible bonds (note 25(c)(ii))	**–**	1,128,611,500
Weighted average number of shares for the purpose of diluted earnings per share	**4,341,008,041**	4,341,008,041

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 NagaWorld and TSCLK Complex.

- 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 2017			
Revenue from external customers	925,964	30,385	956,349
Inter-segment revenue	(2,526)	14,425	11,899
Reportable segment revenue	923,438	44,810	968,248
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**
Segment profit:			
Year ended 31 December			
2017	344,617	9,174	353,791
2018	**517,711**	**5,713**	**523,424**

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			
2017	1,070,902	509,200	1,580,102
2018	**1,295,316**	**619,240**	**1,914,556**
Segment liabilities:			
As at 31 December			
2017	(46,111)	(134,345)	(180,456)
2018	**(104,205)**	**(183,252)**	**(287,457)**
Net assets:			
As at 31 December			
2017	1,024,791	374,855	1,399,646
2018	**1,191,111**	**435,988**	**1,627,099**
Other segment information			
Capital expenditure:			
Year ended 31 December			
2017	211,312	152,251	363,563
2018	**95,097**	**148,816**	**243,913**
Impairment loss on trade receivables:			
Year ended 31 December			
2017	1,025	–	1,025
2018	**2,200**	**–**	**2,200**

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:

	2018 $'000	2017 $'000
Revenue		
Reportable segment revenue	**1,486,644**	968,248
Elimination of inter-segment revenue	**(12,357)**	(11,899)
Consolidated revenue	**1,474,287**	956,349
Profit		
Reportable segment profit	**523,424**	353,791
Other revenue	**2,627**	–
Depreciation and amortisation	**(92,980)**	(56,416)
Unallocated head office and corporate expenses	**(14,210)**	(34,069)
Finance costs	**(19,469)**	–
Consolidated profit before taxation	**399,392**	263,306
Assets		
Reportable segment assets	**1,914,556**	1,580,102
Elimination of inter-segment assets	**(157,124)**	(120,373)
	1,757,432	1,459,729
Unallocated cash and bank balances, certificates of deposit and other liquid funds	**206,938**	–
Unallocated corporate assets	**2,871**	2,545
Consolidated total assets	**1,967,241**	1,462,274
Liabilities		
Reportable segment liabilities	**(287,457)**	(180,456)
Elimination of inter-segment payables	**157,124**	120,373
	(130,333)	(60,083)
Senior notes	**(291,118)**	–
Unallocated corporate liabilities	**(5,921)**	(19,646)
Consolidated total liabilities	**(427,372)**	(79,729)

14 Segment information (continued)

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2018, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of $1,311,409,000 (2017: $1,218,319,000) and $134,292,000 (2017: $78,365,000), 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:

	2018 **$'000**	2017 $'000
Casino operations		
Junket A	**667,961**	466,489
Junket B	**153,609**	N/A

Customers brought in by Junket B in aggregate contributed less than 10% of the total revenue of the Group during the year ended 31 December 2017.

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 (i))	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 (note (ii))
Cost:									
At 1 January 2017	67,875	209,842	366,564	285,771	5,606	55,990	–	991,648	27,551
Additions	3,624	–	360,295	227	–	–	–	364,146	–
Disposal	(11)	–	–	–	(77)	–	–	(88)	–
Written off	(33)	–	–	–	–	–	–	(33)	–
Transfer	78,336	478,840	(668,177)	109,797	1,204	–	–	–	–
Exchange adjustments	–	–	–	–	1	–	–	1	–
At 31 December 2017	149,791	688,682	58,682	395,795	6,734	55,990	–	1,355,674	27,551
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**

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 (i))	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 (note (ii))
Accumulated depreciation/ amortisation:									
At 1 January 2017	31,553	15,035	–	121,870	4,420	8,621	–	181,499	285
Charge for the year	10,413	5,907	–	32,915	497	2,821	–	52,553	316
Disposal	(7)	–	–	–	(76)	–	–	(83)	–
Written off	(32)	–	–	–	–	–	–	(32)	–
At 31 December 2017	41,927	20,942	–	154,785	4,841	11,442	–	233,937	601
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**
Net book value:									
At 31 December 2018	**99,067**	**739,871**	**129,129**	**234,501**	**1,301**	**41,727**	**30,000**	**1,275,596**	**26,634**
At 31 December 2017	107,864	667,740	58,682	241,010	1,893	44,548	–	1,121,737	26,950

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

Notes:

(i) Capital work-in-progress is mainly incurred on the Group's hotel and casino complex located in Cambodia and Russia.

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

	2018 **$'000**	2017 $'000
Cambodia	**26,634**	26,950

The Group has four leasehold land which has a remaining leasehold period expiring on 31 July 2095, 10 January 2037, 31 July 2066 and 14 December 2110 respectively.

In addition to the prepaid lease payments to acquire the interest in the leasehold land, the Group was obliged to pay the annual operating lease charge of approximately $322,000 (2017: $322,000), subject to increment for every 5 or 10 years, as shown in note 26 to the consolidated financial statements.

16 Intangible assets

	2018 $'000	2017 $'000
Casino licence premium and extended exclusivity premium:		
Cost:		
At 1 January and 31 December	**108,000**	108,000
Accumulated amortisation:		
At 1 January	**45,346**	41,799
Charge for year	**3,547**	3,547
At 31 December	**48,893**	45,346
Net book value	**59,107**	62,654

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.

16 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.

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

17 Prepayments for acquisition, construction and fitting-out of property, plant and equipment

As at the end of the Year, prepayments for construction and fitting-out relate to advances made for various construction activities in NagaWorld and elsewhere.

18 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 ("PERC"). This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, PERC 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 $9,372,000) (2017: $9,584,000) 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.

19 Consumables

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

20 Trade and other receivables

	2018 **$'000**	2017 $'000
Trade receivables	**82,705**	63,705
Less: Allowance for impairment loss	**(7,569)**	(5,369)
	75,136	58,336
Deposits, prepayments and other receivables	**42,004**	43,081
	117,140	101,417

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:

	2018 **$'000**	2017 $'000
Within 1 month	**67,931**	47,111
1 to 3 months	**343**	2,329
3 to 6 months	**638**	6,095
6 to 12 months	**3,095**	163
More than 1 year	**3,129**	2,638
	75,136	58,336

21 Cash and bank balances, certificates of deposit and other liquid funds

	2018 $'000	2017 $'000
Cash and bank balances	**222,639**	52,444
Fixed deposits	**16,350**	350
Certificates of deposit	**50,697**	–
Money market fund	**77,897**	–
Short term investment	**25,394**	–
	392,977	52,794
Less: – Short term investment	**(25,394)**	–
– Fixed deposits and certificates of deposit with original maturity of more than three months when acquired	**(51,047)**	–
	(76,441)	–
Cash and cash equivalents	**316,536**	52,794

Cash at bank earns interest at floating rates based on daily bank deposits rates.

As at 31 December 2018, certificates of deposit and fixed deposits bear interest of 2.00% to 2.80% (2017: Nil) per annum and mature at various times up to and including January 2019 (2017: Nil).

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).

22 Trade and other payables

	2018 $'000	2017 $'000
Trade payables (note)	**5,341**	2,590
Unredeemed casino chips	**12,279**	24,391
Deferred revenue	**–**	1,273
Deposits	**6,323**	680
Construction creditors	**6,764**	7,039
Interest payable	**3,125**	–
Accruals and other creditors	**45,879**	41,975
	79,711	77,948

Note:

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

	2018 $'000	2017 $'000
Due within 1 month or on demand	**4,992**	2,590
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	**5,341**	2,590

23 Contract liabilities

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Customer loyalty programme	**1,273**	1,273	–
Licence fee	**52,896**	61,646	–
	54,169	62,919	–
Less: current portion	**(10,023)**	(10,023)	–
Non-current portion	**44,146**	52,896	–

Typical payment terms which impact on the amount of contract liabilities are described in notes 4(r)(iv) and 4(r)(v) respectively.

Movement in contract liabilities

	Customer loyalty programme $'000	**Licence fee $'000**
Balance as 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 31 December 2018	1,273	52,896

24 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.

25 Capital and reserves

(a) Share capital

(i) Authorised:

	2018 **$'000**	2017 $'000
8,000,000,000 ordinary shares of $0.0125 each	**100,000**	100,000

(ii) Issued and fully paid:

	2018 **Number of shares**	**$'000**	2017 Number of shares	$'000
Issued and fully paid:				
Ordinary shares of $0.0125 each				
At 1 January	**4,341,008,041**	**54,263**	2,459,988,875	30,750
Issue of shares upon conversion of convertible bonds (Note)	**–**	**–**	1,881,019,166	23,513
At 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.

Note:

On 8 August 2017, the Company allotted and issued 1,881,019,166 Shares to Dr Chen upon the conversion of convertible bonds in full. Further details are set out in note 25(c)(ii).

25 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:

	2018 $'000	2017 $'000
Debt	**291,118**	–
Cash and bank balances, certificates of deposit and other liquid funds	**(392,977)**	(52,794)
Net debt	**N/A**	N/A
Equity	**1,539,869**	1,382,545
Net debt to equity ratio	**N/A**	N/A

25 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 112 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) Convertible bonds

On 17 May 2016 and 30 December 2016, the Company issued the convertible bonds with a principal amount of $94,000,000 and $275,000,000 (the "Convertible Bonds") on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and TanSriChen Inc. respectively. The Convertible Bonds are denominated in United States dollars. The Convertible Bonds can be converted into Shares of the Company at the option of the holder of the Convertible Bonds in accordance with terms of the Convertible Bonds. On initial recognition, the total fair value of the Convertible Bonds amounting to $378,888,000 were included in equity.

On 8 August 2017, based on the conversion price of HK$1.5301 (equivalent to $0.1962) of the Convertible Bonds, 1,881,019,166 Shares were allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

(iii) 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.

25 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(iv) Capital contribution reserve

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

(v) 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.

(vi) Exchange reserve

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

(d) Distributable reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to owners of the Company was $671,698,000 (2017: $700,298,000) within which $751,356,000 (2017: $751,356,000) related to the share premium of the new Shares issued upon conversion of the Convertible Bonds in current year and issued under placement in past years and $55,000,000 (2017: $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 cent 2.91 per Share amounting to $126.3 million (2017: final dividend for Shareholder of US cents 1.45 per Share amounting to $62.7 million). The final dividend has not been recognised as a liability at the end of the reporting period.

26 Leases

Operating lease – Lessee

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

	2018 In respect of:				2017 In respect of:			
	Land lease	Office, staff quarters and car park rental	Equipment rental	Total	Land lease	Office, staff quarters and car park rental	Equipment rental	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	**2,306**	**1,860**	**4,014**	**8,180**	2,340	927	1,062	4,329
1 to 5 years	**9,236**	**5,458**	**16,056**	**30,750**	9,364	632	–	9,996
After 5 years	**30,743**	**8,227**	**41,086**	**80,056**	33,542	464	–	34,006
	42,285	**15,545**	**61,156**	**118,986**	45,246	2,023	1,062	48,331

The Group has entered into lease arrangements in respect of land in Phnom Penh, Cambodia which forms the site for the NagaWorld hotel and entertainment complex with integrated casino facilities. The lease agreement is for a period of 99 years and does not include any provisions for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are included in the lease agreement and in the commitments shown above.

The Group also entered into lease agreement in respect of land for the construction of NagaCity Walk between the Municipality of Phnom Penh and the TanSriChen Inc. 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 Company for another term in accordance with the laws of Cambodia.

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

26 Leases (continued)

Operating lease – Lessor

At the end of the reporting period, the Group's total future minimum lease receivables under non-cancellable operating are as follows:

	2018 $'000	2017 $'000
Within 1 year	**2,525**	2,315
1 to 5 years	**10,591**	9,916
After 5 years	**7,794**	10,072
	20,910	22,303

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 licensee, operator or sub-tenant. No contingent rental was recognised during the Year (2017: Nil).

27 Capital commitments

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

	2018 $'000	2017 $'000
Hotel and casino complex		
– contracted but not incurred	**361,739**	342,539

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 (2017: Nil) and there are no outstanding share options at the end of the reporting period (2017: 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.

(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 (2017: five to thirty days) from the end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2017: 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 53% (2017: 43%) 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.

29 Risk management (continued)

(c) Credit risk (continued)

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.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 1 January 2018 and 31 December 2018:

As at 1 January 2018	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.03	47,111	16
1 to 3 months past due	0.18	2,329	4
3 to 6 months past due	0.25	6,095	15
6 to 12 months past due	5.08	163	8
More than 1 year past due	66.51	8,007	5,326
		63,705	5,369

As at 31 December 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)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(f)(i)). At 31 December 2017, trade receivables of $5,369,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 $'000
Net yet past due	33,558
Less than 1 month overdue	13,553
1 to 3 months overdue	2,329
3 to 6 months overdue	6,095
6 to 12 months overdue	163
More than 1 year overdue	2,638
	58,336

The following table reconciles the impairment loss of trade receivables for the year ended 31 December 2017:

	2017 $'000
At 1 January	4,344
Impairment loss recognised under IAS 39	1,025
At 31 December	5,369

The balances which are past due but not impaired relate mostly to Junket VIP operators and local operators who have good track records with the Group, or were active during the Year.

The following table reconciles the impairment loss of trade receivables arising from contracts with customers for the Year:

	2018 **$'000**
At 1 January	**5,369**
Impairment loss recognised under IFRS 9	**2,200**
At 31 December	**7,569**

29 Risk management (continued)

(c) Credit risk (continued)

Increase in the gross carrying amounts of trade receivables past due over 1 year net of those settled during the Year 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.

(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.

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**

2017	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	77,948	77,948	77,948	–	–

29 Risk management (continued)

(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 18, 21 and 24 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 18, 21 and 24 to the consolidated financial statements respectively.

(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.

29 Risk management (continued)

(g) Fair values

(i) Financial instrument not measured at fair value

Financial instruments not measured at fair value include Promissory Notes, cash and bank balances, certificates of deposit, money market fund, trade and other receivables and 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 detailed in note 21. 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.

30 Related party transactions

In addition to the information disclosed in the notes 20 and 22 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

	2018 $'000	2017 $'000
Basic salaries, housing and other allowances and benefits in kind	**7,585**	9,764
Bonus	**898**	18,166
	8,483	27,930

(b) Balances with related parties

As at 31 December 2018, amounts due from related companies of $352,000 (2017: $274,000) are included in trade and other receivables as disclosed in note 20 to the consolidated financial statements. The maximum balance during the Year was $352,000 (2017: $293,000).

As at 31 December 2018, amount due to a director, Dr Chen of $1,959,000 (2017: $19,081,000) is included in trade and other payables as disclosed in note 22 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 2018, Dr Chen owned equity interests in 2,869,602,463 (2017: 2,839,964,463) ordinary shares out of the 4,341,008,041 (2017: 4,341,008,041) issued ordinary shares of the Company, of which 1,917,807,166 (2017: 1,888,169,166) ordinary shares were beneficially owned by Dr Chen and the remaining 951,795,297 (2017: 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 (2017: 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 2018

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 2018, potentially relevant to the Group's financial statements, and have not been early adopted in these consolidated financial statements.

IFRS 16	Leases[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[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 2019.

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (continued)

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 – Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately $118,986,000 as disclosed in Note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (continued)

IFRIC-Int 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.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

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.

32 Possible impact of amendments and new or revised standards issued but not yet effective for the annual accounting year ended 31 December 2018 (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.

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 ECL 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 ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 29(c).

(ii) Recognition of the revenue from assignment of licensing rights in prior years

The Group operates certain EGM areas with third party operators and received licence fees in prior years in respect of assignment of licensing right for operating EGMs during the contract period. Upon the adoption of IFRS 15, the Group is required to assess whether the assignment of licensing right under different contracts is a distinct good and should be accounted for as a sale on a stand-alone basis when the right was assigned or recognised over the contract period. Considerations have been placed on the nature, terms, commercial substance of the transactions and interdependence with subsequent contracts for the judgement.

(iii) Obligation payment

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.

34 Contingent Liabilities

Based on the formula stated in clause 3.3 of the service agreement entered into between the Company and Dr Chen, the chief executive officer of the Company, both parties acknowledge and agree that Dr Chen will be entitled to the 2017 Performance Incentive Entitlement of $11,765,000 and the 2018 Performance Incentive Entitlement of $18,570,000.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2017 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 2017 Performance Incentive Entitlement 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 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.

Pursuant to a resolution passed by the Board on 13 February 2019, the Board considered the matter relating to the payment of the 2018 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 2018 Performance Incentive Entitlement 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 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 interest of the Company. For record purposes, Dr Chen has foregone total incentives of $18.6 million from the financial years 2010 to 2014.

Except for the above and other than the additional Obligation Payment, if any, as described in note 11, there were no other contingent liabilities as at 31 December 2018.

35 Reconciliation of liabilities arising from financing activities

	Senior Notes (Note 24) $'000	Interest payable (Note 22) $'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	**291,118**	**3,125**

There was no liability arising from financing activities for the year ended 31 December 2017.

36 Statement of financial position of the Company

	2018 $'000	2017 $'000
Non-current assets		
Property, plant and equipment	**303**	822
Investments in subsidiaries	**394,391**	394,391
	394,694	395,213
Current assets		
Deposits, prepayments and other receivables	**1,219**	823
Amounts due from subsidiaries	**419,648**	374,810
Certificates of deposit, fixed deposits and other liquid funds	**76,091**	–
Cash and cash equivalents	**130,847**	2,855
	627,805	378,488
Current liabilities		
Accruals and other payables	**5,414**	19,137
Amounts due to subsidiaries	**6**	3
	5,420	19,140
Net current assets	**622,385**	359,348
Total assets less current liabilities	**1,017,079**	754,561
Non-current liabilities		
Senior Notes	**291,118**	–
NET ASSETS	**725,961**	754,561
CAPITAL AND RESERVES		
Share capital	**54,263**	54,263
Reserves (Note)	**671,698**	700,298
TOTAL EQUITY	**725,961**	754,561

Approved and authorised for issue by the Board on 13 February 2019

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	Convertible bonds $'000	Capital redemption reserve $'000	Capital contribution reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2017	395,981	378,888	151	55,000	(71,678)	758,342
Issues of shares upon conversion of the Convertible Bonds	355,375	(378,888)	–	–	–	(23,513)
Profit for the year	–	–	–	–	91,231	91,231
Dividend and distribution declared and paid	–	–	–	–	(125,762)	(125,762)
At 31 December 2017	751,356	–	151	55,000	(106,209)	700,298
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**

Five-year Financial Summary

(Expressed in United States dollars)

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	**2018** **$'000**
Consolidated statement of income					
Revenue	404,298	503,655	531,558	956,349	**1,474,287**
Profit attributable to owners of the Company	136,086	172,623	184,159	255,186	**390,578**
Basic Earnings per share (US cents)	5.96	7.58	7.89	7.94	**9.00**
Diluted Earnings per share (US cents)	5.96	7.58	7.04	5.88	**9.00**
Dividend					
Interim dividend declared	47,334	60,612	62,938	90,379	**108,079**
Final dividend proposed after the end of reporting period	47,925	42,962	20,051	62,732	**126,268**
Total dividend attributable to the year	95,259	103,574	82,989	153,111	**234,347**
Dividend per share (US cents)	4.18	4.56	3.59	3.53	**5.40**
Consolidated statement of financial position					
Property, plant and equipment and interest in leasehold land held for own use under operating lease	337,839	408,388	837,415	1,148,687	**1,302,230**
Intangible assets	73,295	69,748	66,201	62,654	**59,107**
Other non-current assets	15,059	54,577	102,105	94,927	**93,736**
Net current assets	199,307	153,863	245,260	76,277	**420,060**
Employment of capital	625,500	686,576	1,250,981	1,382,545	**1,875,133**
Represented by:					
Share capital	28,526	28,375	30,750	54,263	**54,263**
Treasury shares	(9,004)	–	–	–	**–**
Reserves	605,978	658,201	1,220,231	1,328,282	**1,485,606**
Shareholders' funds	625,500	686,576	1,250,981	1,382,545	**1,539,869**
Other non-current liabilities	–	–	–	–	**335,264**
Capital employed	625,500	686,576	1,250,981	1,382,545	**1,875,133**
Net assets per share in open market (US cents)	27.55	30.25	50.85	31.85	**35.47**

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, 26 April 2019 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 and independent auditor for the year ended 31 December 2018 (the "Year").

2. To approve the payment of a final dividend in respect of the Year.

3. To re-elect the following retiring directors of the Company:

   i. Tan Sri Dr Chen Lip Keong as an executive director of the Company.

   ii. Mr. Chen Yiy Fon as an executive director of the Company.

   iii. Mr. Michael Lai Kai Jin as an independent non-executive director of the Company.

   iv. Mr. Leong Choong Wah as an independent non-executive director of the Company.

4. To approve the directors' remuneration for the Year and to authorise the board of directors to fix the directors' remuneration for the year ending 31 December 2019.

5. To re-appoint BDO Limited as the independent auditor of the Company and to authorise the board of directors to fix its remuneration.

6. 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 of the Company (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 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 in the 5 trading days immediately prior to the earlier 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 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 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 of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the issued shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (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, 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 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 of the Company to be held; or

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

(C) "**That** conditional upon the resolutions numbered 6(A) and 6(B) as set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company (the "Directors") to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (the "Shares") and to make or grant offers, agreements and options which may require the exercise of such powers pursuant to the ordinary resolution numbered 6(A) above be and is hereby extended by the addition to the aggregate 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 6(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 at the date of passing of this resolution."

By Order of the Board of Directors
Timothy Patrick McNally
Chairman

Hong Kong, 22 March 2019

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

(ii) A Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a Shareholder.

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

(iv) In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, 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 above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(v) The Company's register of members will be closed during the following period:

 (a) from Wednesday, 17 April 2019 to Friday, 26 April 2019, 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 Tuesday, 16 April 2019; and

 (b) on Monday, 6 May 2019, 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 Friday, 3 May 2019. The Company's shares will be traded ex-entitlement from and including Thursday, 2 May 2019.

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

(vii) In respect of ordinary resolution numbered 6(B) above, the Directors state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of Shareholders. The Explanatory Statement containing the information necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 22 March 2019.

(viii) (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 above meeting, the above meeting will be postponed and Shareholders will be informed of the date, time and venue of the postponed of the above 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 above meeting and where conditions permit, the above meeting will be held as scheduled.

(c) The above 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 above meeting under any bad weather condition and if they 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
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee, Michael Lai Kai Jin and Leong Choong Wah