NAGACORP LTD.

金界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3918

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Highlights for 2018:

- Gross Gaming Revenue increased by 55% to US$1.4 billion
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 60% to US$511.8 million
- Net profit increased by 53% to US$390.6 million
- VIP rollings increased by 69% to US$35.7 billion
- Mass Market table buy-ins increased by 57% to US$1.2 billion
- Mass Market electronic gaming machines bills-in increased by 22% to US$2.2 billion
- Basic earnings per share of US cents 9.00
- A final dividend for Shareholders of US cents 2.91 per Share (or equivalent to HK cents 22.55 per Share) has been proposed. Subject to the approval of the Shareholders at the 2019 AGM, the Final Dividend shall be paid on or about Friday, 17 May 2019

The board of directors (the "Board") of NagaCorp Ltd. (the "Company" and together with its subsidiaries, the "Group") is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2018 (the "Year"). The financial information for the Year contained in this announcement was prepared based on the audited consolidated financial statements.

Having considered the Company's financial results, the Board has recommended the payment of a final dividend of US cents 2.91 per ordinary share of the Company (the "Share(s)") (or equivalent to HK cents 22.55 per Share) for the Year (the "Final Dividend"). The proposed Final Dividend, and the interim dividend for the six months ended 30 June 2018, in the aggregate amount of 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. Subject to the approval of the shareholders of the Company (the "Shareholders") at the annual general meeting to be held on Friday, 26 April 2019 (the "2019 AGM"), the Company will pay the Final Dividend on or about Friday, 17 May 2019.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	**2018** ***US$'000***	2017 *US$'000*
Revenue	*2*	**1,474,287**	956,349
Cost of sales		**(800,806)**	(483,434)
Gross profit		**673,481**	472,915
Other income		**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	*3*	**(19,469)**	-
Profit before taxation	*4*	**399,392**	263,306
Income tax	*5*	**(8,814)**	(8,120)
Profit attributable to owners of the Company		**390,578**	255,186
Earnings per share (US cents)			
Basic	*7*	**9.00**	7.94
Diluted	*7*	**9.00**	5.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	9	**1,275,596**	1,121,737
Interest in leasehold land held for own use under operating lease		**26,634**	26,950
Intangible assets	10	**59,107**	62,654
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		**84,364**	85,343
Promissory notes	11	**9,372**	9,584
		1,455,073	1,306,268
Current assets			
Consumables		**2,051**	1,795
Trade and other receivables	12	**117,140**	101,417
Certificates of deposit, fixed deposits and other liquid funds		**76,441**	-
Cash and cash equivalents		**316,536**	52,794
		512,168	156,006
Current liabilities			
Trade and other payables	13	**79,711**	77,948
Contract liabilities		**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	16	**291,118**	-
Contract liabilities		**44,146**	-
		335,264	-
NET ASSETS		**1,539,869**	1,382,545
CAPITAL AND RESERVES			
Share capital	14	**54,263**	54,263
Reserves	14	**1,485,606**	1,328,282
TOTAL EQUITY		**1,539,869**	1,382,545

Notes:

1. Basis of preparation and adoption of new or revised International Financial Reporting Standards

The consolidated financial statements for the Year 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 International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively) 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.

In preparing these consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15 as described below.

Except as describe below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2017.

<u>Adoption of new or revised standards and interpretations relevant to the Group and effective on 1 January 2018:</u>

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
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Annual Improvements to 2014 – 2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures
Annual Improvements to 2014 – 2016 Cycle	Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards

The impact of the adoption of IFRS 9 Financial Instruments (see Note 1A below) and IFRS 15 Revenue from Contracts with Customers (see Note 1B below) have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

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.

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.

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.

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** ***US$'000***	**Carrying amount as at 1 January 2018 under IFRS 9** ***US$'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 losses ("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.

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.

(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.

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)):

	US$'000
Retained earnings	
Contract liabilities *(Note 1B(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. There was no material impact on the Group's consolidated statement of cash flows for the Year. 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:

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

		Amounts prepared under		
			Previous	
		IFRS 15	**IFRS**	**Increase**
	Note	*US$'000*	*US$'000*	*US$'000*
Revenue	*1B(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:

		Amounts prepared under		
			Previous	**Increase/**
		IFRS 15	**IFRS**	**(decrease)**
	Notes	*US$'000*	*US$'000*	*US$'000*
Current liabilities				
Trade and other payables	*1B(b)*	79,711	80,984	(1,273)
Contract liabilities	*1B(a) & (b)*	10,023	-	10,023
Total current liabilities		92,108	83,358	8,750
Non-current liabilities				
Contract liabilities	*1B(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	*1B(a)*	692,939	745,835	(52,896)
Total equity		1,539,869	1,592,765	(52,896)

(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 prior reporting periods 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 for 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. Revenue

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

	2018	2017
	US$'000	*US$'000*
Casino operations – gaming tables	**1,305,138**	775,038
Casino operations – EGM *	**129,282**	150,926
Hotel room income, sales of food and beverage ("F&B") 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	1 January 2018
	US$'000	*US$'000*
Trade receivables	**75,136**	58,336
Contract liabilities	**54,169**	62,919

3. Finance costs

	2018 *US$'000*	2017 *US$'000*
Interest expenses and amortisation of transaction costs relating to senior notes *(Note 16)*	**19,469**	-

4. Profit before taxation

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

	2018 *US$'000*	2017 *US$'000*
Interest income	**(3,272)**	(738)
Auditor's remuneration:		
- current year	**959**	781
- (over)/under-provision in 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
- office and car park rental	**5,135**	1,824
- hire of equipment	**4,214**	5,297
Staff costs (including directors' remuneration)#		
- Salaries, wages and other benefits	**92,374**	93,092
- Contributions to defined contribution retirement scheme	**45**	49

included in other operating expenses in the consolidated statement of income

5. Income tax

Income tax in the profit or loss represents:

The monthly gaming obligation payment of (1) US$520,157 (2017: US$462,362) and monthly non-gaming obligation payment of (2) US$214,338 (2017: US$214,338) payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, branches registered in Cambodia. The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the year (2017: Nil).

	2018 *US$'000*	2017 *US$'000*
Current tax expenses		
- Current year	**8,814**	8,120

In the years ended 31 December 2015 and 2016, the Group paid additional obligation payments to the MOEF. As at the date of this announcement, there is no additional obligation payment for the Year.

6. Dividends payable to owners of the Company attributable to the year

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

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

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US$390,578,000 (2017: US$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 US$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	**-**	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

8. 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.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

(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 *US$'000*	**Hotel and entertainment operations** *US$'000*	**Total** *US$'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**

	Casino operations *US$'000*	Hotel and entertainment operations *US$'000*	Total *US$'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**

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	2017
	US$'000	*US$'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)

(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 US$1,311,409,000 (31 December 2017: US$1,218,319,000) and US$134,292,000 (31 December 2017: US$78,365,000), respectively.

(c) Information about major customers

During the current and prior years, there was no individual customer contributing 10% or more of the Group's 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	2017
	US$'000	*US$'000*
Casino operations		
Junket A	**667,961**	466,489
Junket B	**153,609**	N/A

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

9. Property, plant and equipment

For the Year, the Group acquired property, plant and equipment totalling US$243,979,000 (2017: US$364,146,000).

10. Intangible assets

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2035 for a consideration of US$108,000,000, less accumulated amortisation of US$48,893,000 (31 December 2017: US$45,346,000).

11. Promissory notes

On 6 September 2013, the Company entered into an investment agreement (the "Investment Agreement") with certain Russian governmental authorities pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately US$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 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 ("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 Russian Rubles ("RUB") 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 US$9,372,000) (31 December 2017: US$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.

12. Trade and other receivables

	2018	2017
	US$'000	*US$'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

The ageing analysis of trade receivables (net of allowance for impairment losses) is as follows:

	2018	2017
	US$'000	*US$'000*
Current to 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

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

	2018	2017
	US$'000	*US$'000*
At beginning of year	**5,369**	4,344
Impairment loss recognised	**2,200**	1,025
At end of year	**7,569**	5,369

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

13. Trade and other payables

	2018	2017
	US$'000	*US$'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:

Trade and other payables include trade creditors, the ageing analysis of which as at the end of the reporting year are set out below:

	2018	2017
	US$'000	*US$'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

14. Capital and reserves

	Share capital US$'000	Share premium US$'000	Convertible bonds US$'000	Capital redemption reserves US$'000	Merger reserve US$'000	Capital contribution reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000
As at 1 January 2017	30,750	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
Issues of Shares upon conversion of convertible bonds	23,513	355,375	(378,888)	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	255,186	255,186
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	-	2,140	-	2,140
Dividend and distribution declared and paid	-	-	-	-	-	-	-	(125,762)	(125,762)
As 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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)**
Dividend declared and paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(170,811)**	**(170,811)**
As at 31 December 2018	**54,263**	**751,356**	**-**	**151**	**(12,812)**	**55,568**	**(1,596)**	**692,939**	**1,539,869**

Share Capital

(i) Authorised:

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

(ii) Issued and fully paid:

	2018 Number of Shares	***US$'000***	2017 Number of Shares	*US$'000*
Issued and fully paid:				
Ordinary shares of US$0.0125 each:				
As at 1 January	**4,341,008,041**	**54,263**	2,459,988,875	30,750
Issue of Shares upon conversion of convertible bonds (*Note 15*)	**-**	**-**	1,881,019,166	23,513
As 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.

15. Convertible bonds

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

On 8 August 2017, based on the conversion price of HK$1.5301 (equivalent to US$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.

16. 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 (the "Senior Notes") by the Company of an aggregate principal amount of US$300,000,000 which will 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.

17. 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 (the "ED") and the chief executive officer (the "CEO") 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, there were no other contingent liabilities as at 31 December 2018 other than additional obligation payment as described in note 5, if any.

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 gross gaming revenue ("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.

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 Ministry of Tourism of Cambodia ("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 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)

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

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
2017	US$'m	%	US$'m	%	%
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 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 PERC. 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 Dr Chen, an ED and the CEO, both parties acknowledge and agree that Dr Chen will be entitled to the 2017 Performance Incentive Entitlement of US$11,765,000 and the 2018 Performance Incentive Entitlement of US$18,570,000 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 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, there were no other contingent liabilities as at 31 December 2018 other than additional obligation payment as described in note 5, if any.

Exchange Rate Risk

The Group's income is earned principally in US$. The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and 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.

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 announcement.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Directors, having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Year.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The final results for the Year have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM AND FINAL DIVIDEND

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 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report of the Company for the Year containing, among others, the annual financial information of the Group will be despatched to the Shareholders and published on the above websites in due course.

By Order of the Board
NagaCorp Ltd.
Timothy Patrick McNally
Chairman

Hong Kong, 13 February 2019

As at the date of this announcement, 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

For the purpose of this announcement, amounts denominated in US$ have been converted to Hong Kong dollars ("HK$") and RUB at the respective exchange rates of US$1.0 to HK$7.75 (as at 31 December 2017: HK$7.75) and US$1.0 to RUB69.47 (as at 31 December 2017: RUB59.09).