NAGACORP

NAGACORP LTD.

金界控股有限公司*

(incorporated in Cayman Islands with limited liability)

Cambodia rising

annual report 06

stock code : 3918

* *For identification purpose only*

Tourism

to the fore

The Royal Government of Cambodia has identified tourism as one of the six top priorities in Cambodia's economic development.

Angkor is one of the most important archeological sites in South East Asia.
It is home to the magnificent remains of the different capitals of the Khmer Empire,
from the 9th to the 15th century. These include the Temple of Angkor Wat and the Bayon Temple with its myriad sculptural decorations.

The celebrated temple complex,
built in the 12th century, currently draws around one million tourists a year.

Cambodia

rising




Cambodia has experienced solid economic growth over the past three years.

Since 1991, Premier Minister Samdech Hun Sen has brought much stability to the country.

Cambodia is an economy on the rise.

NagaWorld, one of the country's lead contributors to a changing Cambodia, is moving forward in tandem with the country's desire to achieve its stated goal of economic expansion of 6% growth per annum.

Specialized Tour Groups have helped increase visitors arrivals.

Contents

Corporate Information

Board of Directors

Executive Directors:
Tan Sri Dr Chen Lip Keong
(Chief Executive Officer)
David Martin Hodson
Tian Toh Seng
Lee Wing Fatt
Lew Shiong Loon
Monica Lam Yi Lin
John Pius Shuman Chong

Independent Non-executive Directors:
Timothy Patrick McNally (Chairman)
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Wong Choi Kay
Zhou Lian Ji

Audit Committee

Wong Choi Kay (Chairperson)
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Zhou Lian Ji

AML Oversight Committee

David Martin Hodson (Chairman)
Timothy Patrick McNally
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Wong Choi Kay
Tan Sri Dr Chen Lip Keong
Tian Toh Seng
Lee Wing Fatt
Lew Shiong Loon

Remuneration Committee

Timothy Patrick McNally (Chairman)
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Zhou Lian Ji
Tan Sri Dr Chen Lip Keong
Tian Toh Seng

Nomination Committee

Timothy Patrick McNally (Chairman)
Tun Dato' Seri Abdul Hamid Bin Haji Omar
Zhou Lian Ji
Tan Sri Dr Chen Lip Keong
Tian Toh Seng

Company Secretary

Gloria Ma Sau Kuen, FCIS, FCS

Qualified Accountant

Richard Ling Doh Seong, CPA

Authorised Representatives

Gloria Ma Sau Kuen, FCIS, FCS
Monica Lam Yi Lin, ACS ACIS

Compliance Advisor

Anglo Chinese Corporate Finance, Limited

Auditors

KPMG

Solicitors

P.C. Woo & Co.
Law Offices of Nolan C. Stringfield & Associates
Law Office of Long Dara
Conyers Dill & Pearman
Zaid Ibrahim & Co

Principal Banker

Malayan Banking Berhad
(Phnom Penh Branch)

Registered Office

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

Principal Place of Business in Cambodia

NagaWorld Building
South of Samdech Hun Sen's Park
Phnom Penh
Kingdom of Cambodia

Principal Place of Business in Hong Kong

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Share Registrar and Transfer Office

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

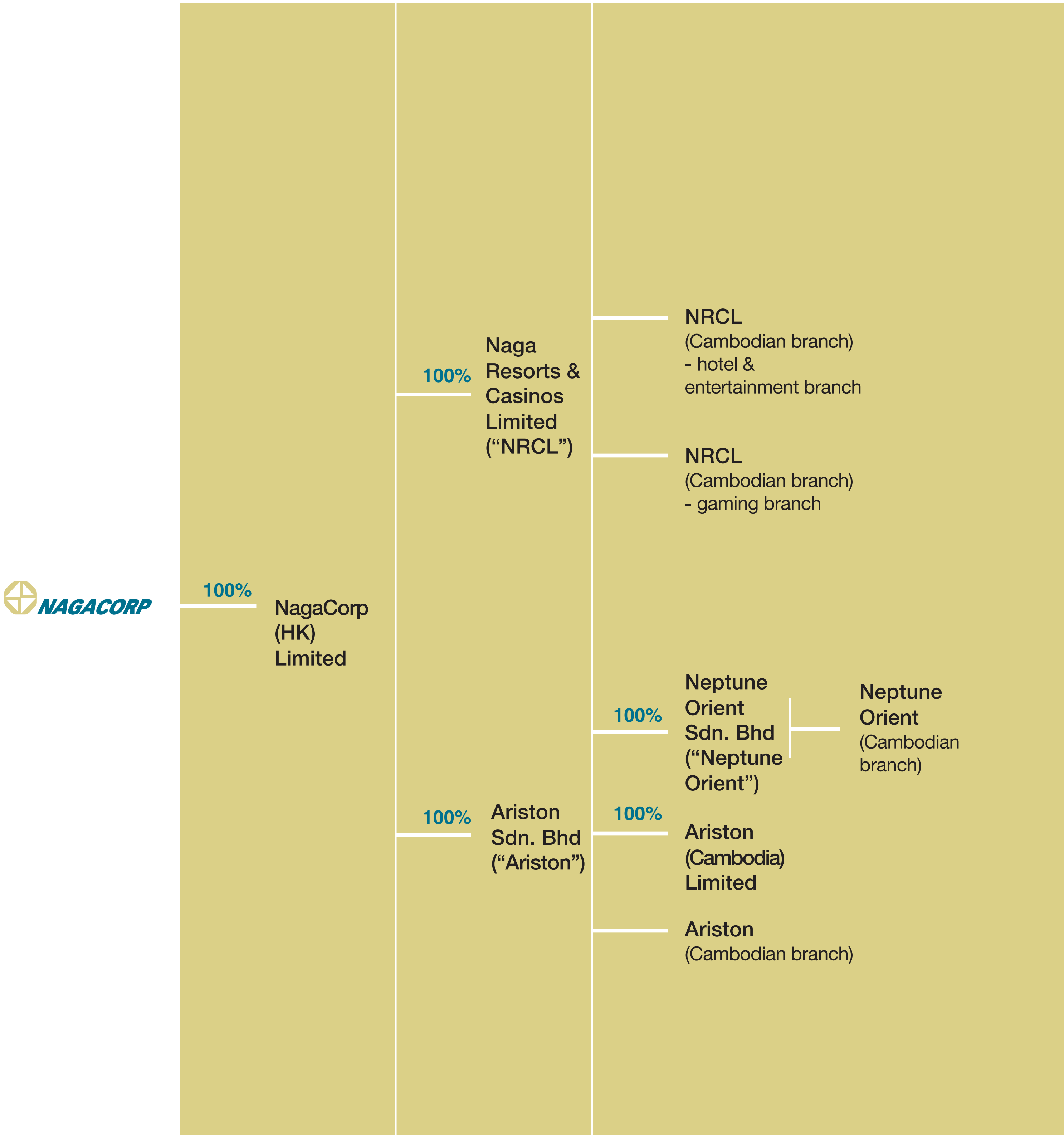
Stock Code

3918

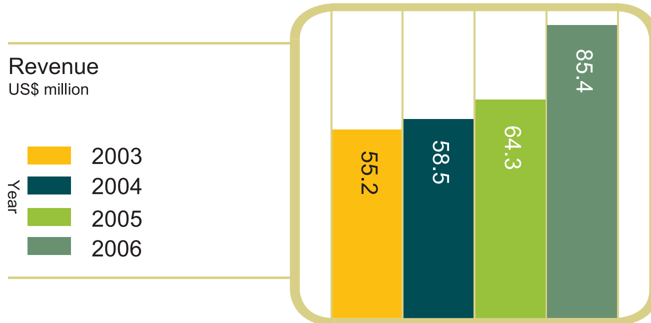
Company Website

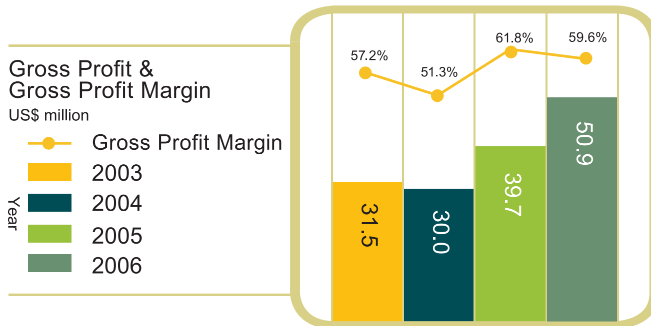
www.nagacorp.com

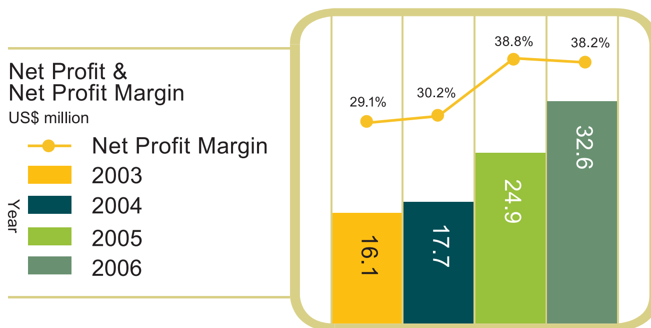
Corporate Structure

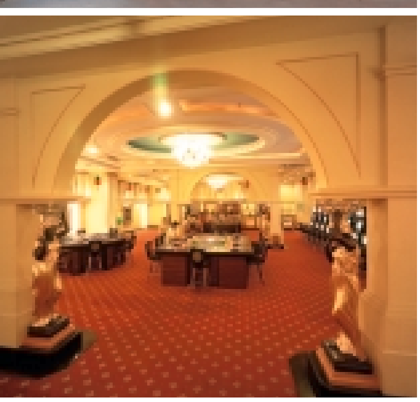


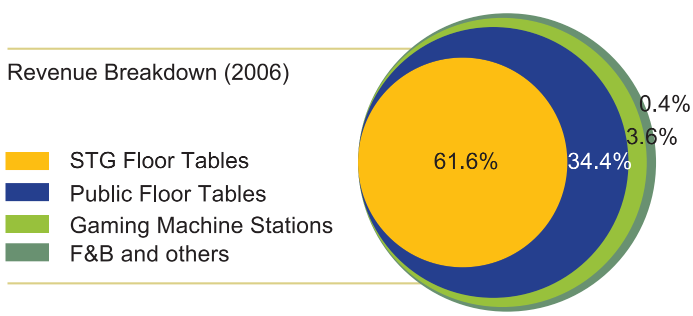
Financial Highlights

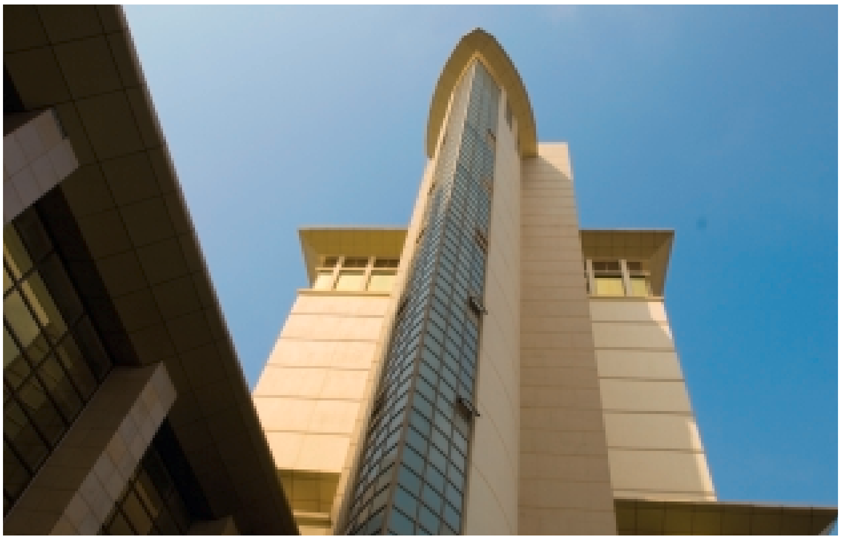












A key landmark

in the heart of
Phnom Penh, Cambodia

Chairman & CEO's Statement

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
CEO

To our Shareholders:

A HISTORIC MOMENT FOR BOTH CAMBODIA AND NAGACORP

On 19 October 2006, we together with our shareholders witnessed the initial public listing of NagaCorp Ltd. (the "Company" or "NagaCorp") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is the first listing of a gaming and entertainment company with operations in Cambodia on the Stock Exchange through an initial public offering (the "IPO"). It is a historic milestone for the Company and signifies a rising Cambodia. We are grateful to all the professional parties involved in the IPO for their professionalism and endeavour demonstrated in this landmark listing.

LICENCE TO GAMBLE

We manage and operate the only licensed casino in Phnom Penh, the capital of Cambodia. Our casino licence is valid for a period of 70 years from 2 January 1995 with the first 41 years on an exclusive basis near and around Phnom Penh. The duration and exclusivity of the licence is considered by many as rare in the gaming industry in Asia.

From the IPO, we raised gross proceeds of over HK$822 million by the issue of 575 million shares at HK$1.43 each to investors, the public portion of which was oversubscribed by 118 times.

POLITICAL STABILITY AND ECONOMIC GROWTH

Between 1995 and 2005, tourist arrivals to Cambodia had increased at the compound annual growth rate of 25.28%. The number has risen to 1.7 million visitors in 2006 and there were about 500,000 visitor arrivals to Phnom Penh. Cambodia is becoming more and more stable politically, economically and socially, and NagaCorp stands to benefit. Cambodia is a constitutional monarchy, providing multi-party democracy and is a member of the United Nations, World Trade Organisation, Association of Southeast Asian Nations ("ASEAN") and Asia/Pacific Group on Money Laundering. The government, led by one of Asia's longest serving leaders the Prime Minister Samdech Hun Sen, is politically stabled, leading to an average annual GDP growth of about 7% between 1999 and 2004. The GDP growth in 2005 and 2006 were 13.4% and 10.4% respectively *(source: The International Monetary Fund)*.

Chairman & CEO's Statement

The Economist (London, February 24, 2007.Vol.382, Iss. 8517; p. 61) wrote "…..it is a prime attraction in the country's booming tourist industry. In 1993, as United Nations-sponsored elections signalled the end of the civil war that followed the Khmer Rouge regime's collapse, Cambodia got only 154,000 foreign visitors. Last year there were 1.7 million, up 20% on the previous year, and they spent some $1.0 billion, or around twice the government's entire tax revenues. Everything from construction to financial services is booming too. Last year's overall economic growth was far better than expected, at 10.5%. Cambodia is slowly but, it seems, surely dragging itself up from a very low base. And things could get brighter still: substantial oil and gas reserves have recently been found off Cambodia's coasts."

TOURISM AND GAMING IN PHNOM PENH

NagaCorp has helped to increase tourist arrivals to Phnom Penh and income from tourism for Cambodia.

Amongst other places of interest in Phnom Penh, NagaWorld is an integral part of the tourist agenda for visit to the capital. In 2006, NagaCorp received about 13,115 visitors as specialized tour group ("STG") players and an unrecorded number of visitors to its public floor out of a total number of 500,000 visitors to Phnom Penh in 2006. There were in total about 1.7 million visitor arrivals to Cambodia in 2006 *(source: Ministry of Tourism, Cambodia)*.

In view of the above and as a result of the political, economic, cultural and social developments and improvements in Cambodia seen in recent years, NagaCorp is optimistic about the prospects and potential of growth in the tourism sector. Through private-public participation programs, NagaCorp will continue to create a win-win scenario with the Ministry of Phnom Penh, help in general to promote tourism in the ancient city of Siem Reap where the world famous Angkor Wat is sited and in particular, play a major role to promote tourism in Phnom Penh alongside with other government agencies.

Advanced negotiations are underway with the Ministry of Tourism and the Phnom Penh municipality to devise a 5-pronged strategy to enhance tourism in Phnom Penh by creating more places of attractions, organizing more tourism related events and increasing flights to the Capital. We are aiming to become a legal representative in tourism of the Cambodian Government in major cities in Asia and a partner of tourism promotions in cities where NagaCorp has existing and potential customers.

KEY SUCCESS FACTORS

- A cohesive, forward looking, positive & experienced management team
- A monopolistic business in a low cost operating environment by proven management
- Low tax and competitive labor costs and an established relationship with the government
- Strategic location of our NagaWorld in Phnom Penh about 25-minute ride from the Phnom Penh International Airport within easy reach to and from major cities in Asia
- Target regional mid-size players with relatively stable earnings

FINANCIAL REVIEW

- 32.9% growth in Revenue to US$85.4 million
- 30.8% growth in Net Profit to US$32.6 million
- Gross margin reduced from 61.8% to 59.6%
- Net margin reduced from 38.8% to 38.2%, despite the significant IPO related cost, insurance and casino license amortization cost incurred
- Win rate was 3.0% (based on rollings) or 17.5% (based on revenue over check-in amounts)
- Strong balance sheet with net assets of US$235.9 million, net cash of US$78.3 million and zero-gearing

OPERATIONS REVIEW

- 44 tables in operations, 22 of which on STG Floors and 22 on Public Floor
- Total of 13,115 STG Players
- 41 active STG operators, 7 CRP (complimentary rated programme) operators
- Improved quality in STG Players, growth in average check per player to US$22,900 from US$15,800
- STG cost per player maintained at US$400
- STG cost reduced to 0.30% of Rollings from 0.50%
- Opened additional 40 tables on Levels 5 & 6 by end of 2006
- Marketing Department reorganized and strengthened
- 60 hotel rooms completed by end of 2006 and additional 157 rooms to be completed by first half of 2007
- Levels 5 & 6 of the South Tower of the Entertainment Wing were completed by end of 2006

OUTLOOK OF GAMING INDUSTRY IN ASIA

Phnom Penh, Cambodia is sited in the midst of “Gaming Culture” in Asia, reaching 3 billion people within a radius of about 5-hour flight (to the next country nearest destination). The Asian gaming market may compare to the continent of the United States of America with a population of about 300 million and has many successful casino destinations, like Las Vegas in Nevada, the Atlantic City areas, the Indians Conservation casinos areas and casino in the Mississippi areas.

In North Asia, the more visibly publicized and mature gaming destination is Macau. Opened competition in 2002, Macau has three main casino concessionaires and another three sub-concessionaires. Macau has seen many Las Vegas-based mega-casino operators joining its casino market, which brought the total number of casinos to about 24 now.

In Southeast Asia, a footprint of 550 million people with combined GDP of approximately US$867 billion, there are three visible gaming destinations, namely the government-owned PagCor operated casinos in the Philippines, and two other public listed companies owned casinos namely Genting in Malaysia and NagaCorp in Cambodia. Each casino group has its own catchment area, customer profile, marketing approach, unique customers’ economic and cultural background and management risks.

Given the number of gaming destinations in Asia offering gaming services for players, each gaming destination has its own unique attractiveness and gaming blue print for their domestic market and the traveling gaming community in their respective markets regions in Asia.

Since the adoption of the “open sky” policy by the Cambodian Government, the frequency of flights between Phnom Penh and other major cities in the region has increased to 147 flights a week and is still increasing. Reaching 1.8 billion people within 2 hours 30 minutes (China and Southeast Asia) and 3 billion people within about 5 hours (including East Asia and India) with a captive market of its own within a combined market footprint of at least 150 million people with combined GDP of US$229 billion in the expanding economies of Thailand and Vietnam, NagaCorp has carved out a niche market of its own.

Monopoly in Phnom Penh for 40 years in a low cost environment by a cohesive management, a proven business model of attracting regional mid-size players and an established regional gaming operation.

The competitive labor costs and low tax advantage provide a more competitive cost advantage for NagaCorp to offer more attractive commissions to tour operators as compared to many other establishments.

Furthermore, low investments costs, no gearing and conservative gaming risks profile provide stable earnings.

We are of the view that there are different types or segments of customers with varying degree of financial resources and gaming preferences. Depending on their resources and levels of risk aversion, casino operators may target their preferred segments of customers. For us, we aim to strike a balance between revenue growth and stability of revenue by targeting players with mid-range check-ins continuum as the preferred customer segment.

Being the first gaming operation listed through an initial public offering in Hong Kong and committed to good corporate governance and stringent anti-money laundering ("AML") internal controls in an Asian environment, NagaCorp attracts awareness and confidence with players quality improved in the financial year 2006 (increased amount of check-ins and rollings).

Upon the full opening of NagaWorld by the end of 2007, NagaWorld is poised to position itself as a world-class gaming destination offering almost similar leisure, recreational and entertainment facilities like many other casinos in the regions differing only in scale. As a destination in Cambodia, there is the unique experience of experiencing history by visiting Angkor Wat, a world heritage site, in an ancient culture.

Fuelled by sustained economic growth and the increase in per capita GDP growth, the momentum of the liberalization of the casino industry will continue in Asia. The tourism industry in the region shall be more and more underpinned by a robust life-style entertainment gaming industry. The growth of the gaming industry would mean more governmental acceptance of gaming providers, more work force, more exposure and awareness, and more participants in an expanding 'Gaming Culture' of Asia.

NAGAWORLD IN ASIA

It is noteworthy to emphasize that out of the three visible gaming destinations in Southeast Asia, namely Pagcor-licensed casinos in the Philippines, Genting in Malaysia and NagaCorp in Cambodia, the gaming markets of which cover a population of about 550 million and combined GDP of US$867 billion, NagaCorp has its neighbors, Thailand and Vietnam as the immediate catchment areas with a population base of about 150 million and combined GDP of about US$229 billion, and yet successfully maintains its traditional proven markets such as Malaysia, Singapore and China.

Meanwhile the NagaCorp's business model of attracting regional mid-size players, relatively low table limit, personalized VIP services to this segment of the market has its own niche markets.

Chairman & CEO's Statement

There are many reasons why NagaCorp is optimistic of better prospects ahead:

1. It is noteworthy that NagaCorp generated its 2006 revenue with devoted gamblers who visited the operating casino devoid of facilities like hotel rooms, entertainment and other recreational outlets.

   We are hopeful that revenues shall continue to increase with the impact of the new facilities coming in at various points of time.

2. The business profile for the casino is such that for the sake of maintaining stability of earnings, the casino has focused on attracting mid-size players of average check-in amount of approximately US$15,800 per customer. By controlling table limits at up to US$18,000 per table. In 2006, we have seen an increased average check-in amount of US$22,900 and a higher amount of rollings made by the STG Players.

   We have adopted a strategy of slowly increasing table limits to US$35,000 and US$50,000. We are hopeful that revenue and the table win per day will increase after the opening of more tables with higher table limits without adversely affecting the stability of our earnings.

3. We do have capacity for expansion, should the need arise. There is no restriction on the number of tables and the types of games in our casino. For planning purposes, we have earmarked 20 tables per floor for 8 floors of the North and South Tower of the Entertainment Wing, meaning that the maximum capacity for the total number of 320 tables in the Entertainment Wing, excluding the Hotel Wing. As disclosed in the prospectus and for implementation purposes, we will have 176 tables by year end 2007 in both the Entertainment and Hotel Wings of the Complex. Besides we are going to introduce other types of game to satisfy different customer needs as we are adding on more tables.

4. In order to monitor closely that gaming tables are well patronized in our casino, we have implemented at least 7 different programs in our casino. These programs cater for different needs and risk profiles of customers coming in from various regions in Southeast Asia and China. In addition to the traditional Junket Operator Programs for mid-size players, we have Local Tourist Programs, Phnom Penh Program for Cambodians holding foreign passports, the Vietnam Ground Program for Vietnamese visitors, the Special Incentive Package for Thai players, the Mini-Junket Programs for Malaysians and the Complimentary Rated Programs for attracting the Chinese players. These programs are dynamic and may vary to suit customer needs.

5. Monitoring closely the completion of NagaWorld valued at approximately US$90.5 million within budget will keep the capital commitment of NagaWorld in check and provide us a competitive cost advantage when compared to the investment costs of other regional casinos. Upon full completion of NagaWorld by the end of 2007, we will have 508 rooms and yet provide similar basic entertainment-recreational facilities, like many other international casinos except differences in scale and size.

6. The rapidly developing economy of Cambodia recorded GDP growth of 13.4% in 2005 and 10.4% in 2006, and per capita GNP income rise from US$125 in 2001 to US$500 in 2005. The burgeoning economic growth assures a good future for companies like NagaCorp with monopolistic operation rights in Phnom Penh and without gearing. Our casino is also situated in an area which registers one of the highest economic growth in Asia.

MOVING FORWARD – VISION, POSITIONING AND BRANDING

We do hope that, one day, Phnom Penh's gaming revenue will become a small part of the global gaming revenue. Meanwhile, the strategy is FOCUS. Focus on existing gaming business and 'squeeze' more value from the existing operation/location as a key casino located in the heart of an ASEAN city. It is the immediate way forward and allows us to benefit from the completion of the full facilities of NagaWorld by year end of 2007 and ride on the hype and growth of Cambodia.

Chairman & CEO's Statement

To 'squeeze' more value, we have put in place 4-pronged strategy:

1. Capitalizing on the increased awareness and confidence shown to us as a result of completion of IPO in an established reputable exchange, creating a visible and responsible brand name as an international 5-star gaming entertainment complex not only in the fast growing Indo-China but also in Asia.

2. Penetrating the neighboring markets like Vietnam and Thailand while attempting to capture more market share of our traditional markets like China, Malaysia and Singapore, alongside with other regional casinos.

3. Taking advantage of the simple tax regime by giving more benefits to our operators and allow them to share the rewards as 'co-owners' of our casino, whilst gradually increasing the number of tables and table limits.

4. Moving towards to adopt a 5-pronged strategy of creating win-win Smart Partnership with Ministry of Tourism and the municipality of the City of Phnom Penh by penetrating the regional countries.

The vision is NagaCorp will move on and react to the opportunity of the wave of the liberalization of gaming in Asia, especially in Thailand and Vietnam. Meanwhile NagaCorp will like to lay down a strong foundation and position as a world-class Indo-China casino with strong corporate governance, and shall maximize benefit from the fast growing economies of its immediate neighbors like Thailand and Vietnam. At the same time, the corporate direction is to capture more market share from its traditional markets like Singapore and Malaysia, especially China where NagaCorp will be tapping on the 6 million Chinese population within the income bracket of US$100,000 to US$1 million and shall see a significant increase in number of visitors from the PRC in the years to come.

OUR CONTINUOUS COMMITMENTS TO CORPORATE GOVERNANCE

A high standard of corporate governance is a priority for us. We have applied and observed the code provisions of the Code on Corporate Governance Practices. Furthermore, we have engaged independent professional parties to review the internal control system of the Company and its subsidiaries (the "Group") with a focus on AML and assess the investment risks in Cambodia. Having reviewed the reports from those parties and discussions with the Audit Committee, the Directors are of the view that the internal controls of the Group have been implemented effectively.

SOCIAL RESPONSIBILITY

NagaCorp is a sponsor of the Red Cross in Cambodia. It is the intention of the Company to organize more events driven charitable programs with one of the world's most reputable advertising agencies to promote charitable purposes in Cambodia.

NagaCorp has recently obtained approval from the Phnom Penh Municipality to create a win-win development of the upgrading and beautification of a public garden in front of NagaWorld, for both the benefits and enjoyment of the city folks and tourists and at the same time to create a world-class "entrance statement" for NagaWorld.

NagaCorp has also recently launched a NagaCorp Scholarship program for all deserving suitable Cambodians who qualify to pursue their studies overseas.

NagaCorp's interest in youth promotion in the country is seen in its promotion of football, a popular game in Cambodia, by the formation and running of a NagaCorp FC Club to participate in the national team.

OUR APPRECIATION

Finally, we would like to express our gratitude to our shareholders, suppliers and customers for their unfaltering support. We would also like to thank our dedicated staff for their contribution to the success of the Group in the past year.

Timothy Patrick McNally	Tan Sri Dr Chen Lip Keong
Chairman	Chief Executive Officer

Hong Kong
23 March 2007

Gateway to excitement

Management Discussion & Analysis

This is our first annual report since the initial public listing of shares of the Company ("IPO") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 October 2006. We have embarked on the business objectives and future plans set out in the prospectus (the "Prospectus") dated 6 October 2006 in connection with the public listing. The immediate business objectives and future plans as disclosed in the Prospectus remain unchanged.

Our principal business is the management and operation of the only licensed casino in Phnom Penh, the capital city of Cambodia. We hold a casino licence (the "Casino Licence") granted to us by the Royal Government of Cambodia (the "Cambodian Government") with the right to operate casino activities in the country for a period of 70 years commencing from 2 January 1995 with around 41 years on an exclusive basis within 200 km radius of Phnom Penh, Cambodia (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The exclusivity period of the Casino Licence was extended by 20 years to around 41 years up to the end of 2035 pursuant to the agreement entered into between the Cambodian Government and the Group on 12 August 2005.

We considered the duration and the exclusivity period of our Casino Licence valuable assets to our business operations that are not commonly found in the gaming industry in the Southeast Asia region.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report. The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards adopted by the International Accounting Standards Board.

RESULTS

Our gaming business demonstrated strong and steady growth. The financial year under review was a profitable one for our shareholders.

Revenue increased by 32.9% to approximately US$85.4 million in 2006 from approximately US$64.3 million in 2005. Profit before taxation increased to approximately US$34.1 million in 2006 from approximately US$26.3 million in 2005. Profit attributable to the equity shareholders of our Company amounted to approximately US$32.6 million in 2006, representing an increase of 30.8% compared to approximately US$24.9 million in 2005.

DIVIDEND

Interim dividend of US cents 1.25 per share (or equivalent to HK cents 9.75 per share) was paid for the financial year under review. The Board has resolved to recommend the payment of a special dividend of US cents 0.48 per share (or equivalent to HK cents 3.74 per share) for the year ended 31 December 2006. No final dividend is recommended for the year under review.

BUSINESS REVIEW

The political stability and economic expansion of Cambodia continued for the financial year under review. These are favourable conditions for the hospitality industry and our business operations. The number of visitor arrivals to Cambodia increased to around 1.7 million visitors in 2006 from around 1.4 million visitors in 2005. *(Source: Ministry of Tourism, Cambodia)*

In 2006, casino operations continued to be the mainstay of our revenue and contributed approximately US$85.1 million, representing over 99.7% of the total revenue. Revenue derived from casino operations was approximately US$64.1 million in 2005. The increase in revenue from casino operations was attributable mainly to the higher revenue contributions from our STG floor tables and public floor tables in 2006.

Revenue

STG Floor Tables

Revenue from our STG floor tables increased by 49.0% to approximately US$52.6 million in 2006 from approximately US$35.3 million in 2005 on account of quality STG Players who visited our casino and deposited more check-in amounts in 2006. Revenue from our STG floor tables accounted for 61.6% of our total revenue in 2006.

There were around 13,115 STG Players who visited our casino in 2006. The check-in amounts deposited by our STG Players increased by 35.6% to approximately US$300.7 million in 2006 from approximately US$221.7 million in 2005. The average check-in amounts per STG Player was approximately US$22,900 per STG Player in 2006, representing an increase of 44.9% compared to US$15,800 in 2005. We aim to attract quality players to our casino who are more likely to deposit higher check-in amounts and achieve higher rollings.

Public Floor Tables

Our public floor tables generated revenue of approximately US$29.4 million in 2006 compared to approximately US$25.8 million in 2005. Revenue derived from public floor tables accounted for 34.4% of our total revenue. The increase of 14.0% in revenue from our public gaming tables was attributed mainly to the higher buy-in amounts made by players which amounted to approximately US$119.0 million in 2006 compared to approximately US$102.1 million in 2005.

Gaming Machine Stations

Since 1 July 2005, we have received fixed income payments pursuant to the arrangements with an independent party for the provision of its gaming machine stations in our casino. For the first four years ending 30 June 2009, we will receive fixed income payments in aggregate of US$10 million. For the next six years thereafter, we are given the right to elect to receive either fixed monthly payments or income based on pre-determined rates. Under the arrangements, we are not required to pay rental costs for the gaming machine stations provided by the independent party.

We recorded revenue derived from the gaming machine stations of approximately US$3.1 million in 2006 compared to approximately US$1.5 million in 2005. Revenue derived from casino operations in 2005 included revenue of approximately US$1.7 million from gaming machine stations under the previous arrangement that expired by the end of June 2005.

As at the end of 2006, there were a total of 211 gaming machine stations offered for patronage in our casino (2005: 211 gaming machine stations).

Gross Profit

In 2006, we recorded cost of sales of approximately US$34.5 million, which represented an increase of 40.2% over US$24.6 million in 2005. The increase in cost of sales was attributable mainly to the rise in rollings achieved by STG Players and commissions paid to STG Operators and local operators.

The gross profit margins were 59.6% and 61.8% in 2006 and in 2005 respectively. The slight decline in gross profit margin reflected the larger rate of increase in cost of sales, as explained above, than that of revenue.

Operating Expenses

Staff costs rose to approximately US$7.5 million in 2006 from approximately US$6.1 million in 2005 on account of an increase in number of our employees to 978 employees in 2006.

The amortisation expense increased to approximately US$3.5 million from approximately US$1.3 million in 2005 as a result of the amortisation on the premium of US$105 million for the extension of the exclusivity period of the Casino Licence for the whole of the financial year in 2006 compared to five months in 2005.


Finance Cost

We did not incur any significant finance costs as there were no significant financing arrangements in 2006.

Net Profit

Net profit increased to approximately US$32.6 million in 2006 from approximately US$24.9 million in 2005, representing an increase of 30.8%. The net profit margin was stable at 38.2% in 2006 compared to 38.8% in 2005.

Earnings per share was approximately US cents 2.12 (HK cents 16.5 per share) in 2006 compared to US cents 1.92 (HK cents 15.0 per share) in 2005.

FINANCIAL REVIEW

Pledge of Assets

As at 31 December 2006 the Group had not pledged any assets for bank borrowings (2005: US$ Nil).

Contingent Liabilities

As at 31 December 2006, the Group had contingent liabilities of approximately US$2.1 million in relation to litigation which has been provided in full.

Exchange Rate Risk

The Group's income is earned principally in United States dollars. The Group's expenditure is paid principally in United States dollars and to a lesser extent in Cambodian Riels. The Group therefore does not have any significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential cost of exchange rate fluctuation.

Issue of New Shares

In the IPO, we issued a total of 575 million shares at HK$1.43 each and raised gross proceeds of over HK$822 million for, among other things, development of NagaWorld and gaming activities. The public tranche of the IPO was approximately 118 times over-subscribed.

Liquidity, Financial Resources and Gearing

As at 31 December 2006, the Group had total cash and bank balances of approximately US$78.3 million (2005: approximately US$0.7 million). The increase in cash balance during the year was mainly due to the proceeds raised from the issue of shares under the IPO. We expect our working capital and investments will be financed mainly by cash generated by our operations and proceeds from the IPO and, if necessary, other forms of financing.

As at 31 December 2006, the Group had net current assets of approximately US$86.7 million (2005: net current liabilities of approximately US$118.7 million). The Group had net assets of approximately US$235.9 million (2005: approximately US$21.3 million). The increase in net assets and net current assets was to a large extent attributed to the settlement of the amount due to Ariston Holdings Sdn. Bhd. of US$105 million by 31 December 2006 in relation to the acquisition of the extended exclusivity period of the Casino License, and the net proceeds raised from the IPO.

As at 31 December 2006, the Group had no significant outstanding borrowings.

Capital and Reserves

As at 31 December 2006, the capital and reserves attributable to equity shareholders of our Company was approximately US$235.9 million (2005: approximately US$21.3 million). The capital and reserves increased on the back of the issue of new shares in connection with the IPO, the settlement of the consideration for acquisition of the extended exclusivity period of the Casino License by way of issue of new shares and capital contribution and the profit retained for the financial year under review.

Segment Reporting

Our revenue was derived mainly from casino operations and to a lesser extent from the corporate and hotel and entertainment namely, income from the operation of a food and beverage outlet and restaurant. In 2006, casino operations contributed approximately US$85.1 million (2005: US$64.1 million) while corporate and hotel and entertainment operations contributed approximately US$0.3 million (2005: US$0.1 million) to our revenue. Please refer to note 11 to the consolidated financial statement for further details.

Staff

At 31 December 2006, the Group employed a work force of 978 (2005: 938) stationed in Cambodia, Malaysia and Hong Kong. The remuneration and staff costs for the financial year under review was approximately US$7.5 million (2005: approximately US$6.1 million).


Application of IPO Proceeds

The net proceeds from the IPO were approximately US$94.9 million, after deduction of related expenses. In line with the description in the Prospectus and the announcement issued in connection with the IPO, the net proceeds were utilised as follows:

Descriptions	Approximate net IPO proceeds (US$ million)	Proceeds utilized as at 31 December 2006 (US$ million)	Remaining net IPO proceeds (US$ million)
Development of NagaWorld	69.5	17.2	52.3
Development of gaming activities such as installation of gaming equipment and tables and other ancillary equipment for public gaming floor in the hotel lobby	21.4	0.9	20.5
General working capital	4	2.7	1.3
Total	94.9	20.8	74.1

By the end of 2006, the construction of 60 rooms in the hotel wing of NagaWorld was completed in accordance with the schedule envisaged in the Prospectus. The installation of leisure, entertainment and recreational facilities together with the completion of levels 7 and 8 of the South Tower of the entertainment wing of NagaWorld was behind schedule. The delay was caused mainly by the changes in internal design and layout of NagaWorld.

PROSPECT

We aim to become a world class casino operator with standards comparable to those casinos operating in countries such as Australia and the United States and for NagaWorld to become a preferred tourist destination, alongside Cambodia's ancient temples of Angkor. We will continue to expand our markets in the People's Republic of China and the participating countries in the Association of Southeast Asian Nations, including Thailand and Vietnam.

Thanks to the continued political stability and economic development, Cambodia has witnessed the ever-increasing number of tourists visiting the country for leisure and business purposes. The economic, cultural and social developments seen in recent years have been conducive to our business operations and plan to become the preferred tourist destination.

Internally, we are closely monitoring the construction of NagaWorld to ensure that it will be completed within budget as envisaged in the Prospectus and related announcements. It is expected that another 157 rooms will be completed by the first half of 2007. Subject to the progress of construction and implementation, it is expected that NagaWorld will be completed by the end of 2007.

We have increased slowly our table limits from US$18,000 up to US$50,000. Together with the opening of more tables, it is expected that revenue and the table win per day will increase with limited adverse impact on the stability of our earnings.

Externally, we have entered into advanced discussions with the Ministry of Tourism and the Municipality of Phnom Penh to devise and implement a multi-faceted strategy for enhancing tourism in Phnom Penh. We will assist and participate, to the extent possible, in the strategy which, if materialized, is expected to involve the creation of tourist attractions, the organization of tourism related events and an increase in the number of flights to the capital.

We are also in talks with the Cambodian Government in respect of acting as a tourism representative of the Cambodian Government in major Asian cities and in tourism promotions in cities where our existing and potential customers are likely to be. The strategy, if carried out effectively, is expected to raise the profile of Cambodia as a tourist destination as well as promoting NagaWorld.

Luxurious in oriental opulence

Board of Directors' Profile


Timothy Patrick McNally
Chairman


David Martin Hodson


Tan Sri Dr Chen Lip Keong
CEO


Tian Toh Seng

Board of Directors' Profile

Board of Directors' Profile

Timothy Patrick McNally

Chairman, Independent Non-executive Director

Mr. Timothy Patrick McNally, aged 59, joined the Company as the Chairman of the Board in February 2005. From April 1999 until October 2005, Mr. McNally was the Executive Director of Security and Corporate Legal Services for the Hong Kong Jockey Club ("Club"). In this capacity, Mr. McNally has been a member of the executive Board of Management of the Club. Mr. McNally's responsibilities include physical security matters; information security; internal investigations; racing licensing matters; membership vetting; corporate governance matters; liaison with law enforcement and legal services for the Club. He is currently an international security consultant.

Prior to his involvement with the Club, Mr. McNally was a special agent of the Federal Bureau of Investigation ("FBI") for 24 years (1975-99). Mr. McNally's career focused on the investigation and prosecution of serious crime, particularly organized crime, drug trafficking, corruption and fraud matters. He also was assigned for two years as a legislative counsel by the FBI to handle issues arising with the US Congress on budgetary and oversight matters. He subsequently held several senior positions within the FBI including heading the organized crime and drug investigative programs in the Miami, Florida office from 1984 to 1991. He served as Deputy Director of the National Drug Intelligence Center 1992-93; subsequently headed up the Criminal Division of the Washington DC field office; served as the Agent in charge of the Baltimore, Maryland office (1994-96); and concluded his career with the FBI as the head of the FBI's second largest field division in Los Angeles, California.

Mr. McNally is a member of the International Security Management Association (ISMA); the National Executive Institute (NEI); and the Society of Former Special Agents of the FBI. He also participates as a member of the American Chamber of Commerce in Hong Kong. He is a graduate of the University of Wisconsin-Eau Claire, receiving a Bachelor's degree in Political Science in 1969. He was also granted a Juris Doctorate degree from Marquette University Law School in 1973. Mr. McNally was admitted to the State Bar of Wisconsin in June 1973.

Mr. McNally currently runs a security consultancy and investigation business in California. He was a senior adviser to Hill & Associates Ltd. from October 2005 until September 2006. In this role, he developed clients in the United States and attended conferences there.

Tan Sri Dr Chen Lip Keong

CEO, Executive Director

Tan Sri Dr Chen Lip Keong, aged 59, is the Chief Executive Officer as well as the founder and the controlling shareholder of the Company with about 28 years of managerial, corporate and business experience. Tan Sri Dr Chen is also a director of Ariston, NagaCorp (HK) and NRCL. Tan Sri Dr Chen is the controlling shareholder and president and Chief Executive Officer of Karambunai Corp Bhd, a tourism company in Sabah, East Malaysia, FACB Industries Incorporated Berhad, a stainless steel pipes and fittings manufacturing company and Petaling Tin Berhad, a property development company. The securities of these three companies are listed on the main board of the Bursa Malaysia Securities Berhad. Tan Sri Dr Chen was also the Chief Executive Officer of Composite Technology Research Malaysia Sdn Bhd (1995-2002), a company owned by the Malaysian Government and responsible for the development of the Malaysian aerospace industry from design, certification to manufacturing. Tan Sri Dr Chen's company, Resourceful Petroleum Ltd, has teamed up with PTTEP International Ltd of Thailand, Singapore Petroleum Company Ltd of Singapore and Cooper Energy Ltd of Australia to extract oil and gas in the Gulf of Siam.

Tan Sri Dr Chen graduated from the University of Malaya with an MBBS in 1973. In recognition of his various economic services to Malaysia, Tan Sri Dr Chen has been conferred with various titles and awards including Darjah Indera Mahkota Pahang (which carries the title "Dato"), Darjah Sultan Salahuddin Aziz (which carries the title "Datuk") and Panglima Setia Mahkota (which carries the title "Tan Sri".) Tan Sri Dr Chen was appointed as an economic advisor to Samdech Hun Sen, Prime Minister of the Cambodian Government in June 2001.

David Martin Hodson

Executive Director

Mr. David Martin Hodson, a British citizen, aged 65, joined the Company as an Executive Director and the Chairman of the AML Oversight Committee in February 2005. His responsibilities include enhancing the Company's AML Strategy, Development and Compliance program and he is the Chairman of the AML Oversight Committee.

Board of Directors' Profile

Mr. Hodson has been a member of the Hong Kong Police for 37 years, spending most of his career in criminal investigation. During this period he was posted to the Narcotics Bureau from 1972-1977 and was then appointed as Director of Studies at the Detective Training School. From 1978-1979 he commanded the Special Crimes Bureau which was responsible for investigating the most serious criminal cases occurring in Hong Kong. He was appointed as Head, Interpol Hong Kong from 1979-1983. In this capacity he developed relationships with overseas Law Enforcement Agencies which liaised with Hong Kong and developed arrangements for mutual assistance. He commanded the Criminal Intelligence Bureau from 1987-1988.

From 1989-1992 he was Head of the Narcotics Bureau, responsible for enforcing the Drug Trafficking (Recovery of Proceeds) Ordinance (DT(ROP) Ord.) which became law in 1989. This was Hong Kong's first legislation creating the offence of "money laundering" in relation to drug trafficking. During this initial period he had oversight of the Bureau's investigations which resulted in over $400 million being seized and over $200 million actually being confiscated. Subsequently he was responsible for representing the Commissioner at the Law Reform Commission and representing the Police at various meetings of both the Executive and Legislative Council. He had oversight of police proposals for law revision of the DT(ROP) Ord. and the Organised and Serious Crimes Ordinance which dealt, inter alia, with money laundering. He held the post of Assistant Commissioner — Crime from 1994 to 1997 being responsible for all aspects of criminal investigation in Hong Kong. On his retirement he was appointed as Consultant to the Hong Kong Police from 1997 to 1999 to advise on crime and security during the transition of Hong Kong to Chinese Sovereignty.

Mr. Hodson was a founding member of OXFAM HONG KONG in 1988 and remains a member of the Council of Management. He was appointed as the first Hon. Director of the Centre for Criminology, University of Hong Kong from May 1999 to March 2004. In recognition of his distinguished service to the University he was appointed as an Honorary Fellow for life in the Centre for Criminology. He was appointed as a Visiting Professor at the Chinese People's Public Security University, Beijing in March 2001.

In 1976 he received a "Special Award of Honour" for his outstanding contribution to narcotic enforcement by the International Narcotic Enforcement Officer's Association. He was honoured by HM The Queen in 1985 for Meritorious Service and in 1995 for Distinguished Service.

Tian Toh Seng

Executive Director

Mr. Tian Toh Seng, aged 52, is the Chief Operating Officer of the Company and is responsible for overseeing our operations. Mr. Tian joined NRCL as the Vice President, Treasury in 1995 and was appointed as Chief Operating Officer of the Group in 2002. Mr. Tian is also a director of NagaCorp (HK), NRCL and Neptune Orient. Before joining the Group, Mr. Tian had been employed by Resorts World Bhd for 13 years and held various positions during his term with that company. Resorts World Bhd is a member of the Genting Group in Malaysia which owns and operates the Genting Highlands Resort and Casino.

Lee Wing Fatt

Executive Director

Mr. Lee Wing Fatt, aged 42, joined the Group in February 2002 as Vice President, Corporate Affairs and was appointed as Chief Financial Officer of the Group in June 2002. Mr. Lee is responsible for overseeing the financial performance and commercial affairs of the Company. Mr. Lee was a member of the team which prepared Ariston's tender for the Sihanoukville Development in 1994. Mr. Lee is a Director of NagaCorp (HK), Ariston, Ariston Cambodia and Neptune Orient, and was a Director of NRCL until September 2004. Prior to joining the Group in 2002, Mr. Lee was employed by FACB Resorts Berhad and held the position of General Manager, Finance, and before that, held the position of Manager, Finance, in Resorts World Bhd, a member of the Genting Group in Malaysia. Prior to joining the Resorts World Bhd in 1991, Mr. Lee was an assistant manager, audit, at Price WaterhouseCoopers in Kuala Lumpur. Mr. Lee is a member of the Malaysian Institute of Certified Public Accountants.

Board of Directors' Profile

Lew Shiong Loon

Executive Director

Mr. Lew Shiong Loon, aged 37, is an Executive Director and the head of the AML Sub-Committee of the Company. Mr. Lew joined the Group in 1993 as the head of business research and development and a member of the Chief Executive office's secretariat during the establishment of the Group during 1994 to 1996, and coordinated the team which prepared Ariston's tender for the Sihanoukville Development in 1994. Mr. Lew left the Group in 1996 and rejoined it as executive assistant to the Chief Executive Officer of the Company in January 2004. Mr. Lew has also been a Director of NagaCorp (HK) and NRCL since September 2004. He has been involved in the development and implementation of AML strategies and policies within the Company, including liaison with governmental bodies such as the MOI and the Cambodian Central Bank. Mr. Lew is also currently the Head of corporate strategies and research unit of Petaling Tin Berhad. Prior to joining the Group, he had worked for Accenture Consulting (then Andersen Consulting, Arthur Andersen Worldwide) and also for Kumpulan Emas Berhad and Systematic Education Group International Berhad, both of which are listed companies on the main board of the Malaysian Exchange in various managerial positions. Mr. Lew is a member of the Association of Certified Anti-Money Laundering Specialists (the "ACAMS"), a member of the ACAMS education task force and has contributed articles to publications involving AML matters. Mr. Lew is a certified financial planner and a member of the Financial Planning Association of Malaysia. He graduated from the University of Malaya with a degree in Economics and holds a master of business administration from the Heriot-Watt University in the United Kingdom. Currently, he is also a candidate for the Chartered Financial Analyst Course and PhD (Capital Markets) Programme with the University of Nottingham in the United Kingdom.

Monica Lam Yi Lin

Executive Director

Ms. Monica Lam Yi Lin, aged 46, joined the Group in October 1995 and is responsible for supervising the Company's secretarial and other administrative matters of our operations in Hong Kong. Prior to joining the Group, Ms. Lam was a company secretary in a Canadian solicitors firm from July 1994 to October 1995, and prior to that was a company secretarial assistant in an architectural firm for nearly three years. Ms. Lam is an Associate of The Hong Kong Institute of Chartered Secretaries and an Associate of The Institute of Chartered Secretaries and Administrators.

John Pius Shuman Chong

Executive Director

Mr. John Pius Shuman Chong, aged 45, joined the Company as an Executive Director in February 2005 and is responsible for our Company's overall business development. Mr. Chong is also a Director of NRCL. He also oversees corporate development and investor relations for Petaling Tin Berhad, a company listed on the Malaysian Exchange, with interests in property development and investment as the Director of corporate development.

Prior to that, Mr. Chong was the Managing Director of M4N, Pte. Limited which specialises in mergers and acquisitions and had its principal office in Los Angeles, United States of America. He was employed by Arthur Andersen & Co from 1998 to 2000 and held the position of a senior manager, and before that, he held the position of senior manager in Colliers Seeley International from 1993 to 1997. He also worked for Merrill Lynch, Inc as an investment consultant in the property investment division from 1990 to 1992, and for MCI, Inc. as a marketing manager in the technology and marketing division from 1987 to 1989.

Mr. Chong graduated from the University of Southern California with a bachelor of Science, Electrical Engineering in 1986. He received the Edge Financial Journal (South East Asia) Year 2000 Top 50 Entrepreneur Award. Mr. Chong is a member of the U.S.-Asia Chamber of Commerce and the Rotary Club of Kuala Lumpur.

Tun Dato' Seri Abdul Hamid Bin Haji Omar

Independent Non-executive Director

Tun Dato' Seri Abdul Hamid Bin Haji Omar, aged 77, joined the Company as an Independent Non-executive Director on 18 August, 2003. Tun Hamid has been a member of the Malaysian judiciary for more than 30 years. He held the office of Lord President of the Supreme Court and was the head of the judiciary branch of Malaysia from 1988 to September 1994. Prior to his appointment as Lord President of the Supreme Court, he held the appointments of Chief Justice of the Federal Court of Malaysia from 1984 to 1988 and Justice of the Federal Court from 1980 to 1984 and was a judge of the High Court of Malaysia from 1968 to 1980. Before his appointment as a High

Board of Directors' Profile

Court judge, Tun Hamid also served in the Judicial and Legal service of the Government of Malaysia as Magistrate, Sessions Court President, Deputy Public Prosecutor, State Legal Advisor, Chief Registrar and Parliamentary Draftsman from 1956 to 1968. Tun Hamid graduated as a Barrister-at-Law in England and was called to the English Bar in November 1955. In April 1997, he was conferred the Honorary Degree of Doctor of Laws by the Oklahoma City University, United State of America. In recognition of his services to Malaysia, Tun Hamid has been conferred with various titles and awards, including Dato Paduka Mahkota Perak (which carries the title "Dato"), Panglima Setia Mahkota (which carries the title "Tan Sri"), Panglima Mangku Negara (which carries the title "Tan Sri") and Seri Setia Mahkota (which carries the title "Tun").

Tun Hamid is currently the Chairman of Olympia Industries Berhad and Lien Hoe Corporation Berhad, each of which are companies listed on the Malaysian Exchange. Tun Hamid has been involved in various professional and charitable organizations. He is currently the appointed Chancellor of Darjah Yang Mulia Setia Mahkota Malaysia, Honorary President of the Spastic Children's Association of Selangor and the Federal Territory, President of the Malaysian Leprosy Association and Special Advisor to the Malaysian Red Crescent Society.

Wong Choi Kay

Independent Non-executive Director

Ms. Wong Choi Kay, aged 39, joined the Company as the Chairperson of the Audit Committee and an Independent Non-executive Director in February 2005. Ms. Wong has been a consultant of the Great Canadian Gaming Corporation functioning in the lead role as chief audit executive in the business risk management and internal audit department. She was the airport improvement fee internal control and revenue administrator and project specialist of the Vancouver International Airport Authority from 2001 to June 2004. She also provided external consultancy services to KPMG Financial Advisory Services and KPMG Investigation and Security Inc., both of which are part of the Canadian member firm of KPMG International, from 1998 to 2004. She has also worked for the Workers Compensation Board of British Columbia and the Integrated Proceeds of Crime Section of the Royal Canadian Mounted Police in Vancouver, British Columbia as a forensic analyst and accountant. Ms. Wong is currently a consultant overseeing corporate governance work with casinos and other intensive cash-related enterprises usually functioning in the lead role as chief audit executive in the business risk management and internal audit department.

Ms. Wong is a qualified expert witness in financial crimes and money laundering in the Supreme Court of British Columbia, a Certified Fraud Examiner and a Gaming Auditor. She is also a Certified Instructor in financial and internal control profiling, financial crimes and methodologies, and culture profiling for undercover or source handling. She has consulted with the Office of the Solicitor General of Canada to amend the Proceeds of Crime (Money Laundering) Act as well as assisted with the creation of a suspicious transaction reporting and cross-border currency reporting regime. Ms. Wong completed her graduate admission programme in advanced accounting in the University of British Columbia and British Columbia Institute of Technology in 1992. She graduated from the Queen's University in 1988 with a degree in political science and information technology and completed an associate programme certificate from Kent University in law studies in 1990. She is a Chartered Accountant of the Institute of Chartered Accountants of British Columbia.

Zhou Lian Ji

Independent Non-executive Director

Mr. Zhou Lian Ji, aged 73, joined the Company as an Independent Non-executive Director on 18 August 2003. Mr. Zhou has been active in the Chinese tourism industry since the 1980s and has previously served as the Director of Reception Office of Guangzhou Municipal Government of PRC, General Manager of Guangzhou Tour Company, General Manager and President of Guangdong (HK) Tours Co Ltd. Prior to 1997, Mr. Zhou was the Deputy General Manager of Guangdong Enterprises Holdings Ltd and a Director of Guangdong Investment Limited, which is listed on the main board of the Stock Exchange. Mr. Zhou also served as the Chief Secretary of the Preparatory Committee of the Hong Kong tourist industry to celebrate the return of Hong Kong to PRC in 1997. He was the Director of Travel Industry Council and Convenor of its Fellowship Committee. Currently Mr. Zhou is the Vice President of the Hong Kong Association of China Travel Organisers Ltd, President and Director of GZTC International Tours Co Ltd, Honourable President of Association Guangzhou CPPCC (Chinese People's Political Consultative Conference) Liaison Committee. President of the Association of Membership of HK Tours and Vice President of Ling Nan Culture Research Institute. Mr. Zhou graduated with a bachelor of economics degree from Hubei University in the PRC.


Maybank


ptt


DHL
DHL


ANZ


TOYOTA
T.T.H.K. Co., Ltd.
TOYOTA
Showroom
Parts & Service


Mercedes-Benz
HYUNDAI


MOTOROLA
MOTORIZR

NagaCorp:

One of the lead contributors

to a developing Cambodia

Corporate Governance Report

The board of Directors (the "Board") of the Company is committed to maintaining a high standard of corporate governance and ensuring integrity, transparency and adequate level of disclosure.

CORPORATE GOVERNANCE PRACTICES

In the Directors' opinion, having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties (as explained below), the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the period after our listing on 19 October 2006 and up to the financial year ended 31 December 2006.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

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

The Board consists of seven Executive Directors namely, Tan Sri Dr Chen Lip Keong (CEO), Mr. David Martin Hodson, Mr. Tian Toh Seng, Mr. Lee Wing Fatt, Mr. Lew Shiong Loon, Ms. Monica Lam Yi Lin, Mr. John Pius Shuman Chong and four Independent Non-executive Directors namely and Mr. Timothy Patrick McNally (Chairman), Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji. The Directors' biographical information is set out under the heading "Board of Directors' Profile".

To the best knowledge of the Directors, there is no financial, business and family or other material/relevant relationship among members of the Board and between the Chairman and the CEO. All of them are free to exercise their independent judgment.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. All of the Independent Non-executive Directors have entered into service contracts with the Company for a term of one year and none of them has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Board meets regularly throughout the year as and when necessary. Board minutes in appropriate detail are circulated to Directors for comments within reasonable time after each meeting and are finalized and kept by the Company Secretary. Board minutes are open for Directors' inspection.

Corporate Governance Report

For the financial year ended 31 December 2006, three board meetings were held. Details of the attendances of the Board meetings are set out below:

Directors	No. of meetings attended/held
Executive Directors	
Tan Sri Dr Chen Lip Keong (CEO)	3/3
Mr. David Martin Hodson	3/3
Mr. Tian Toh Seng	3/3
Mr. Lee Wing Fatt	3/3
Mr. Lew Shiong Loon	3/3
Ms. Monica Lam Yi Lin	3/3
Mr. John Pius Shuman Chong	3/3
Independent Non-executive Directors	
Mr. Timothy Patrick McNally (Chairman)	3/3
Tun Dato' Seri Abdul Hamid Bin Haji Omar	1/3
Ms. Wong Choi Kay	3/3
Mr. Zhou Lian Ji	2/3

The Directors may seek independent professional advice as necessary, at the Company's expense, to assist them to discharge their duties. Appropriate and sufficient information is provided to the Directors in a timely fashion to keep them abreast of the Group's latest developments.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

DELEGATION BY THE BOARD

The Board has established Board committees, namely Audit Committee, Remuneration Committee, Nomination Committee and AML Oversight Committee, and delegated authority to them for overseeing certain aspects of the Company's affairs. There are clear written terms of reference for the Board Committees, which are required to report to the Board regularly on their decisions and recommendations. The day-to-day management of the operations of Company is delegated to the divisional heads.

AUDIT COMMITTEE

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the Independent Non-executive Directors namely, Ms. Wong Choi Kay, Tun Dato' Seri Abdul Hamid Bin Haji Omar and Mr. Zhou Lian Ji. The Audit Committee is chaired by Ms. Wong Choi Kay.

One of the principal responsibilities of the Audit Committee is to ensure the objectivity and credibility of financial reporting and internal control principles as well as to maintain an appropriate relationship with the external auditors of the Company.

Corporate Governance Report

For the period between the listing date on 19 October 2006 and 31 December 2006, one Audit Committee meeting was held and details of the attendances of the Audit Committee members are set out below:

Directors	No. of meetings attended/held
Independent Non-executive Directors	
Ms. Wong Choi Kay (Chairperson)	1/1
Tun Dato' Seri Abdul Hamid Bin Haji Omar	1/1
Mr. Zhou Lian Ji	1/1

For the financial year under review, the Audit Committee had considered, reviewed and discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditors including the terms of engagement; (3) the audited financial statements; and (4) the engagement of independent professional to review the internal control of the Group with a focus on AML. Each member of the Audit Committee has unrestricted access to the external auditors and all senior staff of the Group.

The Audit Committee has recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the external auditors of the Company.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the Remuneration Committee in accordance with the requirements under the Listing Rules. The Remuneration Committee currently consists of Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Mr. Zhou Lian Ji, Tan Sri Dr Chen Lip Keong and Mr. Tian Toh Seng. Mr. Timothy Patrick McNally acts as the Chairman of the Remuneration Committee.

One of the principal responsibilities of the Remuneration Committee is to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company, and to determine specific remuneration packages of all Executive Directors and senior management of the Company and make recommendations to the Board of the remuneration of Non-executive Directors. Our remuneration policy is based on the expertise, capability, performance and responsibility of our Directors and senior management. In addition to salaries, we provide staff benefits such as medial insurance and contributions to staff's mandatory provident scheme. We may grant bonuses to individuals to reward their contributions to our business on a discretionary basis.

The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and individual responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

For the period between the listing date on 19 October 2006 and 31 December 2006, Remuneration Committee did not convene any meeting. On 21 March 2007, the Remuneration Committee held one meeting where all members attended (except Mr. Timothy Patrick McNally) and considered, among others, the remuneration policy for all Directors and senior management of the Company and the remuneration packages of certain Executive Directors and senior management of the Company.

Corporate Governance Report

NOMINATION COMMITTEE

The Company has formulated written terms of reference for the Nomination Committee in accordance with the requirements under the Listing Rules. The Nomination Committee currently consists of Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Mr. Zhou Lian Ji, Tan Sri Dr Chen Lip Keong and Mr. Tian Toh Seng. Mr. Timothy Patrick McNally acts as the Chairman of the Remuneration Committee.

One of the principal responsibilities of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee also undertakes to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. The Nomination Committee will take into consideration of factors such as qualification, work experiences, and time commitment for recommending suitable candidates to the Board. The Nomination Committee also assesses the independence of Independent Non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of and succession planning for Directors.

For the period between the listing date on 19 October 2006 and 31 December 2006, Nomination Committee did not convene any meeting. On 21 March 2007, the Nomination Committee held one meeting where all the members had attended (save Mr. Timothy Patrick McNally) and considered revision of the composition of the Board and proposed a new candidate as an Independent Non-executive Director.

INTERNAL CONTROLS

AML Oversight Committee currently consists of Mr. David Martin Hodson (Chairman), Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay, Tan Sri Dr Chen Lip Keong, Mr. Tian Toh Seng, Mr. Lee Wing Fatt, and Mr. Lew Shiong Loon. The principal responsibility of the AML Oversight Committee is to formulate policies and strategies on AML development and implementation programmes as well as to help ensure quality control and act as oversight committee on AML matters.

Further, the Company has through the Internal Audit Department conducted two internal audits to assess the effectiveness of the AML internal controls and documented findings from such internal audits for future review and reference.

An independent professional party has been engaged by the Company to review internal controls of the Group with a focus on anti-money laundering for the financial year ended 31 December 2006 . The independent professional party performed review of the internal controls of the Group and was of the view that, in general, the internal controls of the Group complied with the relevant recommendations of the Financial Action Task Force. Please refer to the heading "Review of Internal Controls with a focus on Anti-Money Laundering" for details of the report.

The Company has also engaged another independent professional party to assess the investment risks in Cambodia and set out its findings in a report for the financial year ended 31 December 2006. The independent professional party was of the view that, in general, the investment risks in Cambodia were manageable. Please refer to the heading "Independent Review of Investment Risks in Cambodia" for details of the report.

Corporate Governance Report

The Board, through the reviews made by the independent professional party and the Audit Committee, had reviewed the Group's internal controls and considered them to have been implemented effectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Messrs. KPMG, about their reporting responsibilities on the financial statements of the Group is set out in the heading "Auditors' Report".

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITORS' REMUNERATION

For the financial year ended 31 December 2006, the amounts paid to the external auditors of the Group in respect of the following services provided to the Group are set out below:

	2006 US$'000
Audit services	309
Other fees in respect of the initial public offering	506
Total	815

Notes: The fee paid to the auditors in respect of the initial public offering of the Company was US$506,000 which qualified as an issue cost and was charged to the share premium account.

COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges its responsibility to account to shareholders for the performance of the Company and is committed to maintaining a continuing open dialogue with shareholders through a number of formal communication channels. These include the Annual Report and Accounts, Interim Report and Accounts, and press release and announcements.

Review of Internal Controls with a Focus on Anti-Money Laundering

Hill & Associates Ltd
2201-5 Shell Tower
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

INDEPENDENT REVIEW OF INTERNAL CONTROLS WITH A FOCUS ON ANTI-MONEY LAUNDERING

TO THE BOARD OF NAGACORP LTD.

We have conducted an independent review of the internal controls of NagaCorp Ltd. ("NagaCorp") with a focus on anti-money laundering controls ("AML"). The review was conducted in the period from 4 to 7 February 2007.

Our review team noted the expansion of gaming operations at NagaCorp with the opening of two new rooms for specialized tour groups since our last review conducted in the period from 12 to 18 September 2006. Whilst the gaming operations have expanded, our review team also noted the continual upgrading and incremental improvements in internal management and AML controls commensurate with the expanded gaming operations.

The review was focused on internal compliance with Financial Action Task Force recommendations (FATF). Any changes noted were only improvements on what were already strict AML controls.

Our review team has concluded that NagaCorp is in full compliance with all relevant FATF recommendations on AML issues as they relate to casino operations.

David Fernyhough	**John Bruce**
Executive Vice President	*Senior Consultant (Gaming)*

Hill & Associates Ltd

Hong Kong, 23 March 2007

Hill & Associates Ltd is an independent security and risk management consultants with working knowledge of AML and risk management. Hill & Associates Ltd has conducted reviews on AML of NagaCorp Ltd. previously for periods between August 2004 and February 2005, between March 2005 and December 2005 and in September 2006.

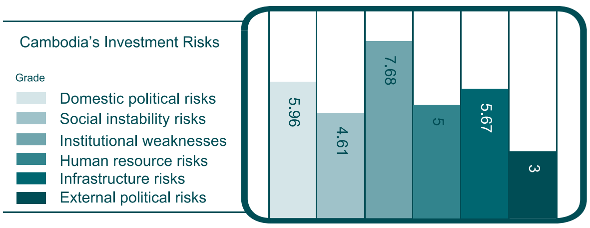
Independent Review of Investment Risks in Cambodia

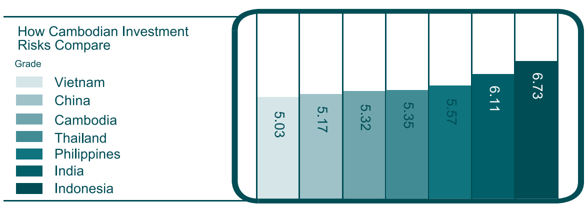
Political and Economic Risk Consultancy, Ltd. ("PERC")
20/F, Central Tower
28 Queen's Road
Central
Hong Kong

TO THE BOARD OF NAGACORP LTD.

We have assessed and reviewed the investment risks in Cambodia and in arriving at our findings below, taken into account, amongst others, domestic political risks, social instability risks, institutional quality, accountability and standards, human resource risks, infrastructure and environmental risks and external political risks.

Based on the assessment and review carried out in the last quarter of 2006 and February 2007, we summarised our findings below:





We quantify investment risks in Cambodia through the measure of socio-political risks which in turn comprised the following variables:

- Domestic political risks
- Social instability risks
- Institutional quality, accountability and standards
- Human resource risks
- Physical factors such as infrastructure and environmental 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 index score for the investment risks in Cambodia is calculated by adding the products of the individual grades for the specific variables multiplied by their specific weights in percentage terms. We have treated each variable and sub-variables as having equal importance and weights.

The maximum possible risk rating is 10 while the minimum is zero, being the most favorable grade possible. The overall risk rating for Cambodia is 5.32, which is in our view moderate.

The Positive Developments

- Tourism is growing rapidly and shows every sign of continuing to do so, with some of the most rapid growth being from China, Korea and Vietnam.
- Cambodia's external relations are excellent, particularly with countries that will be the leading sources of NagaCorp's client base namely, Malaysia, Singapore, China and South Korea.
- Both the current and future governments of Cambodia will treat tourism as a pillar on which to build the economy's development. They will avoid actions that hurt the tourism industry and major foreign investors in this industry.
- Future exchange rate changes in China and Korea should increase the spending power of NagaCorp's main client base and stimulate growth.
- NagaCorp's profile, which was already high in Cambodia in view of its size compared with other foreign direct investments in a pillar industry like tourism, has been raised further by its listing in Hong Kong. The unique status and international visibility this gives the company is added leverage NagaCorp can use to call on the support of the highest levels of the government if needed to deal with the country's institutional shortcomings.

Independent Review of Investment Risks in Cambodia

- The potential for political instability. Cambodia is unlikely to experience serious political instability during the next two years even though there will be local elections this year and national elections next year.

- The economy of Cambodia has been growing rapidly for well over a decade now. The real growth, in term of GDP, has averaged well over 6.8% p.a. between 2000 and 2005. The final figures for last year are not yet available, but all indications are that it was another good year economically with growth probably in excess of 6% *(Source: National Institute of Statistics, Cambodia).*

The Challenges

- Corruption and weak government institutions. Potential rivals might try to take advantage of these types of systemic deficiencies to gain an advantage.

- Labor issues, including training challenges and a difficulty in using the system to defend against unreasonable labor demands.

- The potential for fallout from adverse political developments in neighboring countries, most notably Thailand, from creating security concerns that hurt the flow of tourists to neighboring countries like Cambodia.

- The potential for social instability. Domestic social conditions are stable and are unlikely to deteriorate, but Cambodia is still hurt by its reputation incurred during the days when the Khmer Rouge were in charge.

- Health and personal security concerns. Media reports focusing on Cambodia's problems like AIDS, inferior sanitation conditions, and crime problems do not generally apply to the conditions that visitors to NagaCorp's facilities are exposed to from the time they get off their plane until they re-board after their visits.

Robert Broadfoot

Managing Director

PERC

Hong Kong, 23 March 2007

Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of Political & Economic Risk Consultancy, Ltd. (PERC). Established in 1976, PERC is headquartered in Hong Kong and engaged principally in the monitoring and auditing country risks in Asia. From this base PERC manages a team of researchers and analysts in the ASEAN countries, the Greater China region and South Korea. Over 1,200 corporations and financial institutions worldwide currently use PERC's services to assess key trends and critical issues shaping the region, to identify growth opportunities, and to develop effective strategies for capitalizing on these opportunities.

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

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2006.

PRINCIPAL PLACE OF BUSINESS

NagaCorp Ltd. (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, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business at NagaWorld Building, South of Samdech, Hun Sen's Park, Phnom Penh, Kingdom of Cambodia respectively.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activity of the Company and its subsidiaries (the "Group") is the operation of a hotel and entertainment complex, NagaWorld, in the Kingdom of Cambodia. Other particulars of its subsidiaries are set out in note 14 to the financial statements. An analysis of the Group's performance for the year by business segment is set out in note 11 to the financial statements. As the Group's operations are in Phnom Penh, Cambodia, no geographical segment information is presented.

PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

The net proceeds from the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited were approximately US$94.9 million, after deduction of related expenses. For the year ended 31 December 2006, the net proceeds are being used in the construction of NagaWorld.

MAJOR JUNKET OPERATORS

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

	Percentage of the Group's total	
	Revenue	**Cost of sales**
The largest junket operator	15%	12%
Five largest junket operators in aggregate	37%	41%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in the five largest junket operators.

Directors' Report

RESULTS

The profit of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 48 to 95.

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 96 of the financial statements.

TRANSFER TO RESERVES

The profit attributable to equity shareholders of the Company, before dividends, of US$32,618,000 (2005: US$24,941,000) have been transferred to reserves. Other movements in reserves are set out in note 22 to the financial statements.

An interim dividend of US cents 1.25 per share (2005: US$ cents 1.67 per share) was paid on 31 May 2006. The directors now recommend the payment of a special dividend of US cents 0.48 per share (2005: US cents Nil) in respect of the year ended 31 December 2006. The Directors do not recommend the payment of final dividend (2005: US cents Nil).

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to US$213,000 (2005: US$35,000) of which US$128,000 (2005: US$Nil) was donated in Hong Kong and US$85,000 (2005: US$35,000) was donated in the Kingdom of Cambodia.

FIXED ASSETS

During the year, the Group acquired fixed assets for approximately US$13.1 million. Details of these purchases and other movements in fixed assets are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22 to the financial statements.

(i) Shares issued during the year

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

On 19 October 2006 and 2 November 2006, as part of the Company's initial public offering on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 575 million ordinary shares for gross proceeds amounting to US$105,416,667 of which US$7,187,500 was the par value of the ordinary shares issued, US$98,229,167 was the premium on the issue of the ordinary shares and US$10,501,799 was the issue costs.

Directors’ Report

(ii) Capitalisation issue

On 4 October 2006, an amount of US$720,844 standing to the credit of the premium account was applied by paying up in full 57,667,509 ordinary shares of US$0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every 0.04 shares then held.

(iii) Capital contribution

On 16 August 2006, the remaining US$55 million due to Ariston Holdings Sdn. Bhd. was settled by way of a capital contribution of US$55 million by the ultimate controlling shareholder, Tan Sri Dr Chen Lip Keong.

During the year, there were no other purchases, sale or redemptions of the Company’s shares by the Company or any of its subsidiaries.

REMUNERATION

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

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Company’s directors are set out in note 6 to the financial statements.

DIRECTORS

The directors during the year and up to the date of the financial statements were:

Chairman and Independent Non-executive director:

Timothy Patrick McNally [R/M/N]

Executive directors:

Tan Sri Dr Chen Lip Keong [R/M/N]
Tian Toh Seng [R/M/N]
Lee Wing Fatt [M]
David Martin Hodson [M]
Monica Lam Yi Lin
John Pius Shuman Chong
Lew Shiong Loon [M]

Directors' Report

Independent Non-executive directors:

Tun Dato' Seri Abdul Hamid Bin Haji Omar [A/R/M/N]
Wong Choi Kay [A/M]
Zhou Lian Ji [A/R/N]
David Chong Kok Kong (resigned on 22 September 2006)

A: Members of Audit Committee

R: Members of Remuneration Committee

N: Members of Nomination Committee

M: Members of AML Oversight Committee

In accordance with article 87 of the Articles, Tan Sri Dr Chen Lip Keong, Mr. Tian Toh Seng, Mr. Lew Shiong Loon, Mr. Lee Wing Fatt, Mr. David Martin Hodson, Mr. John Pius Shuman Chong, Ms. Monica Lam Yi Lin, Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji shall retire from office by rotation at the annual general meeting and Tan Sri Dr Chen Lip Keong, Mr. David Martin Hodson, Ms. Monica Lam Yi Lin, Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji being eligible, offer themselves for re-election at the annual general meeting. Mr. Tian Toh Seng, Mr. Lew Shiong Loon, Mr. Lee Wing Fatt and Mr. John Pius Shuman Chong do not offer themselves for re-election and accordingly will cease to be Directors on conclusion of the annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The directors who held office at 31 December 2006 had the following interests in the shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Interests in issued shares

Name of director	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Tan Sri Dr Chen Lip Keong	Beneficial interest in the Company through his interest in Cambodia Development Corporation ("CDC")	161,197,228	7.8
Tan Sri Dr Chen Lip Keong	Personal interest in the Company	1,230,769,876	59.3

Save as disclosed above, as at 31 December 2006, none of the directors of the Company had any interests or short positions in the shares of the Company or any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' Report

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted upon the listing of the Company's shares on The Main Board of the Stock Exchange of Hong Kong Limited on 19 October 2006 (the "Share Option Scheme") whereby the directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up option to subscribe for shares of the Company. The purpose of the scheme is to attract and retain the best personnel and to provide additional incentives to employees and directors to promote the success of the Group.

The Company did not grant any share options during the year and there are no outstanding share options at the year end.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the directors of the Company are aware of, as at 31 December 2006, the shareholders, other than the directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Substantial shareholders	Number of ordinary shares held	% of total issued ordinary shares
Cambodia Development Corporation #	161,197,228	7.8

The beneficial owner of the Cambodia Development Corporation is Tan Sri Dr Chen Lip Keong

Save as disclosed above and so far as the directors and the chief executives of the Company are aware of, as at 31 December 2006, no other party (other than the directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of these financial statements, the Company has maintained the prescribed public float under the Listing Rules.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on note 12 of these financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

CONNECTED TRANSACTIONS

During 2006, the Company entered into (or continued to be party to) certain transactions with the First Travel & Tours (M) Sdn Bhd ("FTT"), Karambunai Resorts Sdn Bhd ("KRSB") and Karambunai Corp Bhd. FTT has been providing air ticketing and travel booking services to the Group, primarily in relation to travel between Cambodia and other parts of South East Asia. KRSB has provided accommodation and facilities in Malaysia for the use of the Group. Karambunai Corp Bhd has entered into a lease agreement with the Group for renting an office space in Malaysia. Tan Sri Dr Chen Lip Keong is a controlling shareholder of all three companies and therefore been considered as a connected person.

Although these transactions were "connected transactions" as defined in the Listing Rules, all of them were either sharing of administrative services or de minimis transactions respectively exempted under rules 14A.33(3) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

Directors' Report

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in normal courses of business by the Group are set out in note 28 to the financial statements. Those related party transactions which constituted connected transactions under Chapter 14A of the Listing Rules have complied with disclosure requirements thereon.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its Independent Non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive directors to be independent.

By order of the Board

Timothy Patrick McNally

Chairman

Hong Kong,

23 March 2007

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of NagaCorp Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 95, which comprise the consolidated and company balance sheets as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and the Cayman Islands Companies Law of 1961.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2007

Consolidated Income Statement

for the year ended 31 December 2006

(Expressed in United States dollars)

	Note	2006	2005
		$'000	$'000
Revenue	3	85,412	64,282
Cost of sales		(34,515)	(24,554)
Gross profit		50,897	39,728
Other revenue	4	1,671	53
Administrative expenses		(6,879)	(5,702)
Amortisation of casino licence premium	13	(3,547)	(1,282)
Depreciation		(374)	(356)
Other operating expenses		(7,629)	(6,148)
Profit before taxation	5	34,139	26,293
Income tax	7	(1,521)	(1,352)
Profit attributable to equity shareholders of the Company	8	32,618	24,941
Dividends payable to equity shareholders of the Company attributable to the year:	9		
Interim dividend declared during the year		18,000	20,737
Special dividend proposed after the balance sheet date		10,000	—
		28,000	20,737
Earnings per share (US cents)	10	2.12	1.92

The notes on pages 55 to 95 form part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 December 2006

(Expressed in United States dollars)

	Note	2006	2005
		$'000	$'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		46,868	34,152
– Interest in leasehold land held for own use under operating lease		674	685
Intangible assets	13	101,671	105,218
		149,213	140,055
Current assets			
Consumables	15	17	17
Trade and other receivables	16	12,132	9,444
Deposit payments for the purchase of raw materials	17	8,312	—
Cash at bank and in hand		78,301	670
		98,762	10,131
Current liabilities			
Trade and other payables	19	9,973	124,022
Current tax liabilities		11	2,754
Obligations under finance leases	21	2	3
Provisions	20	2,096	2,096
		12,082	128,875
Net current assets/(liabilities)		86,680	(118,744)
Total assets less current liabilities		235,893	21,311
Non-current liabilities			
Obligations under finance leases	21	11	15
NET ASSETS		235,882	21,296

Consolidated Balance Sheet

at 31 December 2006

(Expressed in United States dollars)

	Note	2006	2005
		$'000	$'000
CAPITAL AND RESERVES	22		
Share capital		25,938	15,500
Reserves		209,944	5,796
TOTAL EQUITY		235,882	21,296

Approved and authorised for issue by the board of directors on 23 March 2007.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 55 to 95 form part of these consolidated financial statements.

Balance Sheet

at 31 December 2006

(Expressed in United States dollars)

	Note	2006	2005
		$'000	$'000
Non-current assets			
Fixed assets	12	—	2
Investments in subsidiaries	14	15,500	15,500
		15,500	15,502
Current assets			
Trade and other receivables	16	139,037	15,104
Cash at bank and in hand		73,496	—
		212,533	15,104
Current liabilities			
Trade and other payables	19	12,509	13,314
Net current assets		200,024	1,790
NET ASSETS		215,524	17,292
CAPITAL AND RESERVES	22		
Share capital		25,938	15,500
Reserves		189,586	1,792
TOTAL EQUITY		215,524	17,292

Approved and authorised for issue by the board of directors on 23 March 2007.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 55 to 95 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2006

(Expressed in United States dollars)

	Note	$'000
Total equity at 1 January 2005		17,092
Profit for the year	22	24,941
Dividends declared during the year	9	(20,737)
Total equity at 31 December 2005		21,296
Total equity at 1 January 2006		21,296
Shares issued	22	144,915
Profit for the year	22	32,618
Capital contribution from ultimate controlling shareholder	22	55,000
Interim dividends declared during the year	9	(18,000)
Exchange differences on translation of the accounts of foreign entities	22	53
Total equity at 31 December 2006		235,882

The notes on pages 55 to 95 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2006

(Expressed in United States dollars)

	2006	2005
	$'000	$'000
Operating activities		
Profit before taxation	34,139	26,293
Adjustments for:		
– Depreciation	374	356
– Amortisation of casino licence premium	3,547	1,282
– Interest income	(1,589)	—
– Exchange differences on translation of the accounts of foreign entities	53	—
Operating profit before changes in working capital	36,524	27,931
Increase in consumables	—	(1)
Increase in trade and other receivables	(4,259)	(4,082)
Increase in deposit payments for the purchase of raw materials	(8,312)	—
(Decrease)/increase in trade and other payables	(112,024)	1,443
Cash (used in)/generated from operations	(88,071)	25,291
Tax paid	(4,264)	(243)
Net cash (used in)/generated from operating activities	(92,335)	25,048
Investing activities		
Interest received	1,589	—
Repayment of advance to Cambodian Government	—	4,250
Payment for the purchase of property, plant and equipment	(13,123)	(3,721)
Proceeds from disposal of property, plant and equipment	44	19
Net cash (used in)/generated from investing activities	(11,490)	548

Consolidated Cash Flow Statement

for the year ended 31 December 2006

(Expressed in United States dollars)

	2006	2005
	$'000	$'000
Financing activities		
Proceeds from issue of shares	199,915	—
Dividend paid	(3,736)	(6,694)
Advance to the controlling shareholder	(14,718)	(19,972)
(Repayment of)/new finance leases	(5)	11
Net cash generated from/(used in) financing activities	181,456	(26,655)
Net increase/(decrease) in cash and cash equivalents	77,631	(1,059)
Cash and cash equivalents at beginning of the year	670	1,729
Cash and cash equivalents at end of the year	78,301	670
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	78,301	670

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

(Expressed in United States dollars)

1 PRINCIPAL ACCOUNTING POLICIES

NagaCorp Ltd. (the "Company") is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld Building, South of Samdech, Hun Sen's Park, Phnom Penh, Kingdom of Cambodia.

The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements, which are expressed in United States dollars and rounded to the nearest thousand, are prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

The International Accounting Standards Board has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new and revised IFRSs has no material impact on the financial statements of the Group for the years ended 31 December 2005 and 31 December 2006.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 30).

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). The consolidated financial statements are presented in United States dollars, rounded to the nearest thousand, and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

(Expressed in United States dollars)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements of the Group have been prepared using the historical cost method.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated financial statements at fair value with changes in fair value recognised in the consolidated income statement as they arise.

(ii) Transactions eliminated on consolidation

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

(c) Revenue recognition

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

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

(ii) Gaming machine revenue represents net winnings from the operation of gaming machine stations, and is recognised in the income statement when the stakes are received and the amounts are paid out to players.

(iii) Income from operating lease for the provision and maintenance of gaming machine stations which comprise a minimum profit share and fixed payments from gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in the income statement in equal instalments over the period of the contract, and any additional revenue relating to profit share arrangements are recognised when the right to receive such amounts is ascertained.

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

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Fixed assets

(i) Owned assets

The following items of fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(f)).

— 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 1(s)); and

— other items of property, plant and equipment.

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

(ii) Leased assets

Leasehold land premiums are amortised in equal instalments over the period of the respective leases.

(iii) Depreciation

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

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

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

(e) 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 1(f)).

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Impairment of assets

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

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(g) Consumables

Consumables comprising food and beverage, diesel and sundry store items are stated at the lower of cost and net realisable value, which is determined principally on a weighted average basis.

(h) Trade and other receivables

Trade and other receivables (including amounts due from subsidiaries) are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the effect of discounting is immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Trade and other payables

Trade and other payables (including amounts due to subsidiaries and amount due to a related party) are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) 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.

(k) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The income tax of the gaming branch of the Company's subsidiary, Naga Resorts & Casinos Limited ("NRCL") represents Obligation Payments (refer to note 7(a)).

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

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

(m) Commissions and incentives

Commissions and incentive expenses represent amounts paid and payable to special tour group ("STG") operators and non-STG operators, and are included in cost of sales when incurred by the Group.

(n) Employee benefits

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

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

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

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1 PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates ruling at the balance sheet date. Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. The results of foreign enterprises are translated into United States dollars at the average exchange rates for the year; balance sheet items are translated into United States dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves. All other translation differences are included in the income statement.

The Functional currency of the Group has been determined as United States dollars rather than Cambodian Riel, the domiciled currency, on basis that the gaming and other operations transactions are undertaken in United States dollars.

(p) Dividends

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

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format for the purposes of the financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions that are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment tangible assets that are expected to be used for more than one period.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediates, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the party is subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent or a close family member of such an individual or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence or be influenced by, that individual in their dealings with the entity.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Leased assets

Classification of assets leased to the group

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. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets 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 Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d)(iii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Assets held for use in operating lease

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(d)(iii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(c)(ii).

(iii) Operating lease charges

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

2 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 Royal Government of Cambodia (the "Government"), for any reason, terminate or revoke the licence at any time before its expiry, it will pay Ariston Sdn. Bhd. ("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 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 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 Government. There are no restrictions relating to the operating hours of the casino.

3 REVENUE

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

	2006	2005
	$'000	$'000
Casino operations	82,023	62,599
Income from operating lease for the provision and maintenance of gaming machine stations	3,097	1,535
Other operations	292	148
	85,412	64,282

Revenue from other operations comprises income from a food and beverage outlet.

4 OTHER REVENUE

	2006	2005
	$'000	$'000
Interest income	1,589	—
Rental income	82	39
Sundry income	—	14
	1,671	53

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for the year ended 31 December 2006

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5 PROFIT BEFORE TAXATION

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

		2006	2005
		$'000	$'000
(a)	Staff costs:		
	Salaries, wages and other benefits	7,461	6,044
	Contributions to defined retirement scheme	4	8
	Total staff costs	7,465	6,052
	Average number of employees (Full-time equivalent)	978	938
(b)	Other items:		
	Auditor's remuneration - audit services (note (a))	309	142
	Fuel expenses	905	721
	Other taxes (note (b))	86	647
	Amortisation of casino licence premium	3,547	1,282
	Operating lease charges for properties	205	185
	Operating income charges for hire of equipment	43	874
	Exchange (gain)/loss	(86)	93

Notes:

(a) In addition to the auditor's remuneration for audit services, the auditor's fees in respect of the initial public offering of the Company amounted to $506,000 (2005: $432,000) which qualified as issue costs and were charged to the share premium account.

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

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION

(a) Directors' remuneration

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

	Annual performance bonus	Discretionary bonus	Basic salaries, allowances and benefits in kind	Retirement scheme contributions	2006 Total
	$'000	$'000	$'000	$'000	$'000
Executive Directors					
Tan Sri Dr Chen Lip Keong	697	—	240	—	937
Tian Toh Seng	—	—	134	—	134
Lee Wing Fatt	—	—	127	—	127
David Martin Hodson	—	—	51	—	51
Monica Lam Yi Lin	—	—	43	2	45
Lew Shiong Loon	—	98	96	—	194
Independent Non-executive Directors					
Timothy Patrick McNally	—	—	51	—	51
Wong Choi Kay	—	—	26	—	26
Total	697	98	768	2	1,565

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(a) Directors' remuneration (continued)

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

	Annual performance bonus	Discretionary bonus	Basic salaries, allowances and benefits in kind	Retirement scheme contributions	2005 Total
	$'000	$'000	$'000	$'000	$'000
Executive Directors					
Tan Sri Dr Chen Lip Keong	—	—	240	—	240
Tian Toh Seng	—	—	134	—	134
Lee Wing Fatt	—	—	127	—	127
David Martin Hodson	—	—	47	—	47
Monica Lam Yi Lin	—	—	43	2	45
Lew Shiong Loon	—	—	96	—	96
Independent Non-executive Directors					
Timothy Patrick McNally	—	—	47	—	47
Wong Choi Kay	—	—	24	—	24
Total	—	—	758	2	760

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

An analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2006 Number of individuals	**2005 Number of individuals**
Not more than $50,000	2	4
$50,001 - $100,000	2	1
$100,001 - $150,000	2	2
$150,001 - $200,000	1	—
$200,001 - $250,000	—	1
Over $250,000	1	—
	8	8

(Expressed in United States dollars)

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(a) Directors' remuneration (continued)

There were no emoluments paid during the current year or prior year to former directors in connection with their retirement from the Group. There were no amounts paid during the current year or prior year to directors as an inducement to join or upon joining the Group and no director waived any emoluments.

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

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

(b) Directors' interests

An analysis of directors' interests by director is as follows:

	Beneficially owned ordinary shares in NagaCorp Ltd.	
	2006	**2005**
Tan Sri Dr Chen Lip Keong (refer to note 29)	1,391,967,104	1,136,120,510

No other director was the beneficial owner of the Company's ordinary shares during the current year or prior year.

There was no share options issued to directors under the Company's share option scheme.

6 DIRECTORS' REMUNERATION, DIRECTORS' INTERESTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(c) Senior management remuneration

Of the eighteen individuals at 31 December 2006 (2005: ten) with the highest emoluments, eight as at 31 December 2006 (2005: eight) are directors whose emoluments are disclosed in note 6(a). The aggregate of the emoluments in respect of the other ten individuals as at 31 December 2006 (2005: two) are as follows:

	2006	2005
	$'000	$'000
Basic salaries, housing and other allowances and benefits in kind	731	225
Retirement scheme contributions	—	—
Discretionary bonus	28	—
	759	225

The emoluments of the ten individuals as at 31 December 2006 (2005: two) with the highest emoluments are within the following bands:

	2006 Number of individuals	2005 Number of individuals
Not more than $50,000	1	—
$50,001 - $100,000	6	—
$100,001 - $150,000	3	2
$150,001 - $200,000	—	—
	10	2

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7 INCOME TAX

Income tax in the income statement represents:

	2006	2005
	$'000	$'000
Current tax expense (note (a))	1,521	1,352

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

	2006	2005
	$'000	$'000
Profit before taxation	34,139	26,293
Profits tax using Cambodian corporation tax rate	6,828	5,259
Tax exempt profits from Cambodian operations (note (a))	(6,826)	(5,257)
Obligation payments (note (a))	1,519	1,350
Actual tax expense	1,521	1,352

Notes:

(a) Income tax in the income statement

Income tax represents obligation payments of $126,563 (2005: $112,500) per month payable to the Ministry of Economy and Finance ("MOEF") of Cambodia payable by NRCL Gaming Branch as explained below and minimum profits tax of $1,966 (2005: $1,840) for the NRCL Hotel and Entertainment Branch.

(i) Casino tax and licence fees

As described in note 2, under the Sihanoukville Development Agreement ("SDA") and the Supplementary Sihanoukville Development Agreement ("SSDA") dated 2 January 1995 and 2 February 2000 respectively, the Royal Government of Cambodia ("the Government") has granted a casino licence to a subsidiary, Ariston, which in turn assigned the rights to operate gaming activities in Cambodia to NRCL.

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 NRCL all the tax incentives that had been 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 NRCL 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. NRCL has obtained a legal opinion that no casino taxes and licence fees are payable until the relevant legislation is enacted.

7 INCOME TAX (continued)

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

(i) Casino tax and licence fees (continued)

In May 2000, the MOEF levied an "Obligation Payment" of $60,000 per month on NRCL 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. NRCL has also obtained a legal opinion confirming that the Obligation Payment is not payable prior to January 2000. In December 2003, the MOEF revised the Obligation Payment from $60,000 per month to $100,000 per month for the year ended 31 December 2004, $112,500 per month for the year ended 31 December 2005 and $126,563 per month for the year ended 31 December 2006.

Such payments will be subject to an annual increase of 12.5% thereafter until the full completion of NagaWorld. On 13 November 2006, the MOEF revised the terms of the increase in the Obligation Payments with NRCL and agreed a 12.5% annual increase for a period of seven years to 2013.

In addition, the MOEF has levied a new casino taxation certificate 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 payment 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 imposed of 2% on the late payment and 2% of interest per month. In addition, after 15 days of official government notice to the Company for the late payment an additional penalty of 25% will be imposed.

During 2004 and 2005, the Group and the Government were in discussions on the settlement of outstanding Gaming and non-Gaming Obligation Payments and their related tax penalties and late payment interest for the period to 31 December 2005.

On 11 May 2006, the Government formally confirmed the settlement terms of outstanding taxes for the period to 31 December 2005 in respect of outstanding Gaming Obligation Payments and non-Gaming Obligation Payments, and their related tax penalties and late payment interest. The Government confirmed that no additional penalties were due to the Government in respect of the year ended 31 December 2005 and that an additional $89,000 of late payment interest is due in respect of outstanding Gaming Obligation Payments and non-Gaming Obligation Payments for the year ended 31 December 2005 and on the previously agreed instalments in accordance with an agreement between the Group and Government dated 12 November 2004 in respect of Gaming Obligation Payments, non-Gaming Obligation Payments and their related penalties and late payment interest for the period ended 31 December 2004.

The outstanding Gaming Obligation Payments and non-Gaming Obligation Payments, and their related tax penalties and late payment interest for 2005, and the outstanding instalments in accordance with the agreement dated 12 November 2004 were settled by the Group in instalments from May to September 2006. The additional late payment interest that the Government formally confirmed on 11 May 2006 has been charged to the income statement during the year ended 31 December 2005.

(ii) Corporate and other taxes on gaming activities

Current tax expense represents Obligation Payments for NRCL Gaming Branch as explained above and minimum profits tax for the Hotel and Entertainment Branch.

NRCL Gaming Branch enjoys certain tax incentives relating to gaming activities which were granted by the Royal Government of Cambodia 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 NRCL, as set out in the letters from the MOEF dated 10 May 2000, 15 September 2000 and 30 November 2000. The tax incentives granted to NRCL 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 up to 31 December 1999.

7 INCOME TAX (continued)

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

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

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

As explained in note 7(a)(i) above in respect of gaming activities, NRCL has to pay the Obligation Payment. The MOEF confirmed, in a letter to NRCL dated 15 September 2000, clarifying that the Obligation Payment is a fixed gaming tax and with the payment of this fixed gaming tax, NRCL will be exempted from all category of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends. NRCL, however, is obliged to pay taxes on other non-gaming services and activities payable under the law of taxation of Cambodia.

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

A legal opinion has also been obtained confirming that NRCL 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 NRCL 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 NRCL 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 NRCL Gaming Branch in respect of tax on non-gaming activities of a fixed sum of $30,500 per month for the six months ended 31 December 2002. For the two years ended 31 December 2004, the non-gaming Obligation Payment was revised from $30,500 per month to $31,000 per month. In November 2004, the MOEF revised the non-gaming Obligation Payment from $31,000 per month to $34,875 per month for the year ended 31 December 2005 and in December 2005, the MOEF revised the non-gaming Obligation Payment to $39,235 per month for the year ended 31 December 2006. The monthly rate of non-gaming Obligation Payment will be reviewed annually according to circumstances.

The above non-gaming Obligation Payment is considered as representing various other taxes such as salary tax, fringe benefit tax, withholding tax and value-added tax which are included in operating expenses in the income statement. The non-gaming Obligation Payment is due to be paid monthly and in the event of default in payment, the penalties imposed are similar to the Gaming Obligation Payment penalties as stated in note 7(a)(i) above and arrears and related penalties and interest are similar to the Gaming Obligation Payments as stated in note 7(a)(i) above.

(b) Taxes on other businesses

NRCL Hotel and Entertainment Branch that owns NagaWorld has been granted tax incentives by the Council for the Development of Cambodia ("CDC") and the profits from the Branch will be taxed at 9% up to March 2008. Thereafter the profits from the Branch will be subject to normal profits tax of 20%. The Branch is required to pay a minimum profits tax of 1% of turnover in the event of a loss for the year or when the profits tax levied on the profits is less than the minimum profits tax. The CDC has also approved exemption from import duty on materials and equipment imported for the construction of NagaWorld.

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

7 INCOME TAX (continued)

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

Certain amendments to the existing Law on Investment ("LoI") and Law of Taxation ("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. NRCL 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 has yet to be enacted. However, the amendments to the LoI and LoT will apply to NRCL's Hotel and Entertainment Branch.

(d) Deferred taxation

No provision for deferred taxation has been recognised as the Group has no significant deferred tax assets or liabilities at the balance sheet date.

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $16,317,000 (2005: $22,283,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

	2006	2005
	$'000	$'000
Interim dividends declared and paid:		
2005: US cents 1.67 per ordinary share	—	20,737
2006: US cents 1.25 per ordinary share	18,000	—
Special dividend proposed after the balance sheet		
date of US cents 0.48 per ordinary share		
(2005: US cents Nil per ordinary share)	10,000	—
	28,000	20,737

The interim dividend of $18,000,000 relating to the year ended 31 December 2006 was declared and paid on 31 May 2006.

The special dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The directors do not recommend the payment of a final dividend.

(Expressed in United States dollars)

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $32,618,000 (2005: $24,941,000) and the weighted average number of 1,541,048,745 (2005: 1,297,667,589) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2005 and 2006.

The weighted average number of ordinary shares are as follows:

	2006	**2005**
At 1 January	1,297,667,589	1,240,000,080
Effect of shares issued to Tan Sri Dr Chen Lip Keong in settlement of US$55 million due to a related party *(note 28)*	126,942,800	—
Effect of capitalisation issue *(note 22)*	—	57,667,509
Effect of initial public offering *(note 22)*	116,438,356	—
At 31 December	1,541,048,745	1,297,667,589

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(Expressed in United States dollars)

11 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segment. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

	Casino operations	Corporate and hotel and entertainment operations	Total
	$'000	$'000	$'000
Revenue from external customers:			
Year ended 31 December			
2005	64,134	148	64,282
2006	85,121	291	85,412
Segment profit/(loss) from operations:			
Year ended 31 December			
2005	28,453	(2,160)	26,293
2006	38,748	(4,609)	34,139
Segment assets:			
31 December 2005	114,299	35,887	150,186
31 December 2006	116,915	131,060	247,975
Segment liabilities:			
31 December 2005	(123,792)	(5,098)	(128,890)
31 December 2006	(8,507)	(3,586)	(12,093)
Total net assets/(liabilities):			
31 December 2005	(9,493)	30,789	21,296
31 December 2006	108,408	127,474	235,882

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

All activities and net assets relate to continuing operations.

11 SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Cashflows from operating and investing activities can be analysed as follows:

	Casino operations	Corporate and Hotel and entertainment operations	Total
	$'000	$'000	$'000
Cashflow generated from/(used in) operating activities:			
31 December 2005	29,770	(4,722)	25,048
31 December 2006	(77,888)	(14,447)	(92,335)
Cashflow (used in)/generated from investing activities:			
31 December 2005	(123)	671	548
31 December 2006	(514)	(10,976)	(11,490)

All cashflows relate to continuing operations.

(b) Geographical segments

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

(c) Discontinued operations

There are no discontinued operations during the current year and prior year and there are no net assets relating to discontinued operations as at 31 December 2005 and 2006.

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(Expressed in United States dollars)

12 FIXED ASSETS

(a) The Group

	Plant and equipment	Buildings	Capital work-in–progress	Renovations furniture and fittings	Motor vehicles	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	$'000	$'000	$'000 (note (a))	$'000	$'000	$'000	$'000 (note (b))	$'000
Cost:								
At 1 January 2005	4,633	2,511	26,809	526	330	34,809	751	35,560
Additions	97	—	3,497	2	125	3,721	—	3,721
Transfer	—	700	(783)	83	—	—	—	—
Disposals	(12)	—	—	—	(88)	(100)	—	(100)
At 31 December 2005	4,718	3,211	29,523	611	367	38,430	751	39,181
At 1 January 2006	4,718	3,211	29,523	611	367	38,430	751	39,181
Additions	587	—	12,534	2	—	13,123	—	13,123
Transfer	—	595	(641)	46	—	—	—	—
Disposals	(45)	—	—	—	—	(45)	—	(45)
At 31 December 2006	5,260	3,806	41,416	659	367	51,508	751	52,259
Accumulated depreciation:								
At 1 January 2005	3,404	66	—	275	269	4,014	55	4,069
Charge for the year	208	57	—	31	49	345	11	356
Disposals	(6)	—	—	—	(75)	(81)	—	(81)
At 31 December 2005	3,606	123	—	306	243	4,278	66	4,344
At 1 January 2006	3,606	123	—	306	243	4,278	66	4,344
Charge for the year	218	73	—	40	32	363	11	374
Disposals	(1)	—	—	—	—	(1)	—	(1)
At 31 December 2006	3,823	196	—	346	275	4,640	77	4,717
Net book value:								
At 31 December 2006	1,437	3,610	41,416	313	92	46,868	674	47,542
At 31 December 2005	1,112	3,088	29,523	305	124	34,152	685	34,837

12 FIXED ASSETS (continued)

(a) The Group (continued)

Notes:

The net book value of assets held under finance leases of the Group was $13,000 (2005: $16,000), and depreciation of $3,000 (2005: $1,000) was charged during the year.

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

	The Group	
	2006	**2005**
	$'000	$'000
Hotel and casino complex, Cambodia	41,416	29,523

The hotel and casino complex in Cambodia, known as NagaWorld, is being constructed on land held under a lease expiring on 31 July 2066. The premium paid to obtain the lease of $751,000 is included within land and improvements at its amortised cost.

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

	The Group	
	2006	**2005**
	$'000	$'000
Cambodia	674	685

The land has a remaining leasehold period expiring on 31 July 2066. The lease is undertaken between NRCL and the Municipality of Phnom Penh, Cambodia.

(c) The Group

A surplus of approximately $10,251,000 arising as a result of an independent valuation of the Group's property as at 31 July 2006 carried out by C B Richard Ellis has not been incorporated in the Group's consolidated financial statements for the year ended 31 December 2006. It is the Group's policy to state its fixed assets at cost less accumulated depreciation and impairment loss in accordance with International Accounting Standard 16 "Property, plant and equipment" issued by the International Accounting Standards Board. If such revaluation surplus was included in the Group's consolidated financial statements, additional annual depreciation charges of approximately $205,000 would be incurred.

12 FIXED ASSETS (continued)

(b) The Company

	Plant and equipment
	$'000
Cost:	
At 1 January 2005 and 31 December 2005	3
At 1 January 2006 and 31 December 2006	3
Accumulated depreciation:	
At 1 January 2005	—
Charge for the year	1
At 31 December 2005	1
At 1 January 2006	1
Charge for the year	2
At 31 December 2006	3
Net book value:	
At 31 December 2006	—
At 31 December 2005	2

13 INTANGIBLE ASSETS

	The Group	
	2006	**2005**
	$'000	$'000
Casino licence premium and extended exclusivity premium, at cost:		
At beginning year	108,000	3,000
Additions	—	105,000
At end of year	108,000	108,000
Less amortisation:		
At beginning of year	2,782	1,500
Charge for year	3,547	1,282
At end of year	6,329	2,782
Net book value	101,671	105,218

During the prior year Ariston entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence for the period to the end of 2035 in consideration of $105 million. Refer to note 2 in respect of the Casino Licence and note 28 for the purchase of the extended exclusivity period.

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	**2005**
	$'000	$'000
Unlisted shares, at cost	15,500	15,500

(Expressed in United States dollars)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Place of business	Particulars of issued and paid up share capital	Effective equity held by the Company	Effective equity held by a subsidiary	Principal activities
NagaCorp (HK) Limited *	Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	—	Investment holding
Naga Resorts & Casinos Limited * @	Hong Kong	Cambodia	78,000,000 shares of HK$1 each	—	100%	Gaming, hotel and entertainment operations
Ariston Sdn. Bhd. #	Malaysia	Malaysia & Cambodia	56,075,891 shares of RM1 each	—	100%	Holds casino licence and investment holding
Neptune Orient Sdn. Bhd. #	Malaysia	Malaysia & Cambodia	250,000 shares of RM1 each	—	100%	Inactive
Ariston (Cambodia) Limited #	Cambodia	Cambodia	1,000 shares of KHR 120,000 (equivalent of US$31) each	—	100%	Inactive

The class of shares held is ordinary.

* The financial statements of these subsidiaries were audited by KPMG Hong Kong for each of the years covered by these financial statements.

\# The financial statements of these subsidiaries were audited by other member firms of KPMG International for each of the years covered by these financial statements.

@ The Gaming branch and Hotel and Entertainment branches of Naga Resorts & Casinos Limited were audited by other member firms of KPMG International for each of the years covered by these financial statements.

15 CONSUMABLES

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

16 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Trade receivables	8,351	7,467	338	—
Other receivables, deposits and prepayments (note)	3,940	2,136	2,335	1,729
Amounts due from subsidiaries (note 18)	—	—	136,364	13,375
Less: Allowance for doubtful debts	(159)	(159)	—	—
	12,132	9,444	139,037	15,104

Note: Included in other receivables, deposits and prepayments at 31 December 2005 were costs of $1,730,000 incurred in relation to the Company's proposed initial public offering which in 2006 have been offset against the proceeds within the share premium account.

Trade receivables (net of allowance for doubtful debts) expected to be recovered within twelve months from the balance sheet date are debtors with the following ageing analysis:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Current	5,635	6,268	13	—
1 to 3 months overdue	1,156	72	325	—
More than 3 months overdue	1,401	968	—	—
	8,192	7,308	338	—

The Group's credit policy is set out in note 27(c).

Notes to the Consolidated Financial Statements

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17 DEPOSIT PAYMENTS FOR THE PURCHASE OF RAW MATERIALS

	2006	2005
	$'000	$'000
Deposit payments for the purchase of raw materials	8,312	—

The deposit payments for the purchase of raw materials relate to deposits made for the purchase of materials for the construction of NagaWorld.

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

18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2006	2005
	$'000	$'000
Amounts due from Ariston Sdn. Bhd.	104,989	—
Amounts due from NagaCorp (HK) Ltd.	31,375	13,375
	136,364	13,375
Amounts due to Naga Resorts & Casinos Limited	(11,071)	(10,133)

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade payables	1,397	2,248	531	1,020
Deferred income	—	2,465	—	—
Unredeemed casino chips	3,641	4,635	—	—
Deposits	60	1,060	—	—
Construction creditors	1,365	647	—	—
Amount due to Ariston Holdings Sdn. Bhd. (note (a))	—	105,000	—	—
Non-gaming obligation payments and other taxes (note (b))	804	1,509	—	—
Tax penalties and late payment interest	939	1,622	—	—
Other creditors and accruals	1,767	2,811	907	136
Dividends payable	—	2,025	—	2,025
Amounts due to subsidiaries (note 18)	—	—	11,071	10,133
	9,973	124,022	12,509	13,314

Notes:

(a) The amount due to Ariston Holdings Sdn. Bhd., a company controlled by the ultimate controlling shareholder, of $105 million as at 31 December 2005 related to the acquisition of the extended exclusivity period of the gaming licence (refer to notes 13 and 28). The amount due to Ariston Holdings Sdn. Bhd. is unsecured, interest-free and repayable on demand. The amount due to Ariston Holdings Sdn. Bhd. has been settled during 2006 (refer to note 28) which comprised a cash contribution of $55 million and the issue of 202,332,411 ordinary shares in the company with a fair value of $50 million.

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

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Due within 1 month or on demand	118	86	22	3
Due after 1 month but within 3 months	477	31	477	31
Due after 3 months but within 6 months	1	134	1	134
Due over 6 months	801	1,997	31	852
Total	1,397	2,248	531	1,020

20 PROVISIONS

	The Group Litigation
	$'000
Balance at 1 January 2005	2,096
Provisions made during the year	—
Balance at 31 December 2005	2,096
Balance at 1 January 2006	2,096
Provisions made during the year	—
Balance at 31 December 2006	2,096
Non-current	—
Current	2,096
	2,096

Litigation

The provision for litigation relates to the winnings of a Specialised Tour Group ("ST Group"), who had allegedly resorted to cheating. Refer to note 25(b) for further details.

21 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	The Group					
	2006			2005		
	Principal	Interest	Payments	Principal	Interest	Payments
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	2	1	3	3	1	4
Between one and five years	11	2	13	10	1	11
After 5 years	—	—	—	5	1	6
	13	3	16	18	3	21

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22 CAPITAL AND RESERVES

(a) The Group

	Share capital	Share premium	Reserve on consolidation	Capital contribution reserve	Exchange Reserve	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2005	15,500	—	(12,812)	568	—	13,836	17,092
Profit for the year	—	—	—	—	—	24,941	24,941
Interim dividend declared	—	—	—	—	—	(20,737)	(20,737)
At 31 December 2005	15,500	—	(12,812)	568	—	18,040	21,296
At 1 January 2006	15,500	—	(12,812)	568	—	18,040	21,296
Issue of shares	9,717	135,198	—	—	—	—	144,915
Capital contribution	—	—	—	55,000	—	—	55,000
Capitalisation issue	721	(721)	—	—	—	—	—
Profit for the year	—	—	—	—	—	32,618	32,618
Interim dividend declared	—	—	—	—	—	(18,000)	(18,000)
Exchange adjustments	—	—	—	—	53	—	53
At 31 December 2006	25,938	134,477	(12,812)	55,568	53	32,658	235,882

(b) The Company

	Share capital	Share premium	Capital contribution reserve	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2005	15,500	—	—	246	15,746
Profit for the year	—	—	—	22,283	22,283
Interim dividend declared	—	—	—	(20,737)	(20,737)
At 31 December 2005	15,500	—	—	1,792	17,292
At 1 January 2006	15,500	—	—	1,792	17,292
Issue of shares	9,717	135,198	—	—	144,915
Capital contribution	—	—	55,000	—	55,000
Capitalisation issue	721	(721)	—	—	—
Profit for the year	—	—	—	16,317	16,317
Interim dividend declared	—	—	—	(18,000)	(18,000)
At 31 December 2006	25,938	134,477	55,000	109	215,524

22 CAPITAL AND RESERVES (continued)

(c) Share capital

(i) Authorised:

	2006	2005
	$'000	$'000
8,000,000,000 ordinary shares of $0.0125 each	100,000	100,000

(ii) Issued and fully paid:

	2006		2005	
	Number of shares	$'000	Number of shares	$'000
At 1 January	1,240,000,080	15,500	1,240,000,080	15,500
Shares issued during the year	777,332,411	9,717	—	—
Capitalisation issue	57,667,509	721	—	—
At 31 December	2,075,000,000	25,938	1,240,000,080	15,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(iii) Shares issued during the year

On 11 May 2006, the Company issued 202,332,411 ordinary shares of $0.0125 each to Tan Sri Dr Chen Lip Keong pursuant to an agreement with, amongst others, Ariston Sdn. Bhd. 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.

On 19 October 2006 and 2 November 2006, as part of the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 575 million ordinary shares for gross proceeds amounting to $105,416,667 of which $7,187,500 was the par value of the ordinary shares issued, $98,229,167 was the premium on the issue of the ordinary shares and $10,501,799 was the issue costs.

(iv) Capitalisation issue

On 4 October 2006, an amount of $720,844 standing to be credit of the share premium account was applied in paying up in full 57,667,509 ordinary shares of $0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every 0.04 shares then held.

(v) Capital contribution

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, Tan Sri Dr Chen Lip Keong.

22 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company 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 and they fall due in the ordinary course of business.

(ii) Reserve on consolidation

The reserve on consolidation relates to the pooling of interests under the share swap agreement between, amongst others, Starling Trading Limited, Medallion Asian Fund, the Company and the then sole ultimate controlling shareholder dated 6 June 2003 under which the share capital of the subsidiaries was classified as a reserve on consolidation.

(iii) Capital contribution reserve

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

(iv) Exchange reserve

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

(e) Distributable reserves

At 31 December 2006, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $55.1 million of which $55 million related to the capital contribution reserve to which the directors of the Company have no current intention of distributing.

After the balance sheet date, the directors proposed a final dividend of 0.48 cents per ordinary share (2005: US cents Nil per share) amounting to $10 million (2005: $Nil), after the Company received a dividend from its subsidiary of $10 million. The dividend has not been recognised as a liability at the balance sheet date.

23 LEASE COMMITMENTS

At 31 December 2006, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Within one year	472	185	287	—
After one year but within five years	1,428	742	673	—
After five years	13,507	13,705	—	—
	15,407	14,632	960	—
Land in Phnom Penh for hotel and entertainment complex (note)				
Within one year	170	185	—	—
After one year but within five years	703	742	—	—
After five years	13,507	13,705	—	—
	14,380	14,632	—	—

Significant leasing arrangements in respect of land held under operating leases are described in note 12.

Note: Hotel and entertainment complex, Phnom Penh

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

24 CAPITAL COMMITMENTS

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

	The Group	
	2006	**2005**
	$'000	$'000
Hotel and casino complex, Phnom Penh		
– contracted but not incurred	8,890	6,128
– authorised but not contracted	33,035	55,547
	41,925	61,675

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

25 LITIGATION

(a) Use of vessel

NRCL operated its casino until 30 September 2003 on a vessel rented from Punca Rahmat Sdn Bhd ("Punca"), a company incorporated in Malaysia. NRCL relocated its casino business from the vessel to the land based NagaWorld complex on 1 October 2003.

Punca leased the vessel from the vessel owner, a company incorporated in Singapore. Punca and the owner were in dispute with regard to extension of the charter and new charter fees. The owner on 3 September 2001, through its solicitors, issued a notice to Punca to terminate the lease.

The dispute between Punca and the owner has not disrupted the operations of the casino of NRCL and is not expected to do so in the future as NRCL's operations have moved from the vessel to the land based NagaWorld Complex on 1 October 2003.

NRCL has also received confirmation from Punca that NRCL will not be liable for any amount incurred by Punca in the settlement of the dispute with the owner beyond the agreed lease rental payable to Punca.

(b) ST group cheating case

A Specialised Tour Group ("ST group") comprising 20 members won approximately $2 million during the period from 23 April 2003 to 25 April 2003. Based on the information provided and review of internal security records, the Group believes the ST group may have resorted to cheating in gambling. Therefore, NRCL withheld the money and lodged a report to the Cambodia local court.

NRCL has lodged a report to the Cambodia Ministry of Interior's Police Headquarters and an order was issued by police in Cambodia to NRCL to withhold payment of monies to the ST group until their investigations were completed. On 11 June 2003, a charge warrant was issued by the Prosecutor of the Phnom Penh Municipal Court against certain ST group members. On 12 June 2003, the Phnom Penh Municipal Court issued an order temporarily restraining the company from making the $2 million payment to the ST group until completion of the Phnom Penh Municipal Court's investigations.

In July 2003, the ST group members obtained a discharge warrant from the Phnom Penh Municipal Court discharging them from the criminal charges, and obtained a further warrant from the Phnom Penh Municipal Court cancelling their earlier order that restrained NRCL from making payment to the ST group. NRCL has filed an appeal in the Cambodia Appeal Court against both warrants.

NRCL has commenced a civil action in the Phnom Penh Municipal Court against the ST group members in respect of the disputed amount. On 29 August 2003, the Court of Appeal issued a warrant temporarily suspending the requirements of NRCL from paying the $2 million to the ST group members, pending the judgement of the Cambodia Appeal Court. NRCL has since, on 4 August 2003, received a further demand for the outstanding sum and has been threatened with possible legal action and publicity of the incident.

At this juncture, NRCL has no obligation to pay the withheld money and compensate the ST group for legal costs. However a provision has been made for the ST group's winnings as set out in note 20.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted upon listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 19 October 2006 whereby the directors of the Company 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 and there are no outstanding share options at the year end.

27 RISK MANAGEMENT

(a) Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and currency risk 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 of directors, and regular reviews will be undertaken to ensure that the Group's policy guidelines are adhered to.

(b) Political and economic risks

The Group's activities are carried out in the Kingdom of 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 Royal Government of Cambodia ("Government") has been pursuing reform policies in recent years, no assurance can be given that the Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Government's pursuit of reforms will be consistent or effective. Changes in laws on taxation and investment and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition. The Group has political risk insurance to partially mitigate its exposure to the political and economic risk of its operations in Cambodia.

(c) Credit risk

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

At the balance sheet date, the Group has a certain concentration of credit risk at 61% (2005: 57%) of the total trade and other receivables that was due from the five largest STG operators.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

27 RISK MANAGEMENT (continued)

(d) Interest rate risk

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

	2006 Effective interest rate		2005 Effective interest rate	
	%	$'000	%	$'000
Fixed term deposits of 7 days or less	5%	73,461	—	—

(e) Foreign currency risk

The Group's income is principally earned in United States dollars ("US dollars"). The Group's expenditure is principally paid in US dollars and to a lesser extent in Cambodian riels. The Group does not therefore have significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential cost of exchange rate fluctuation.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values at the balance sheet date because of their short term maturity.

28 RELATED PARTY TRANSACTIONS

Significant transactions entered into between the Group, its related companies and controlling shareholder are as follows:

Advances to the controlling shareholder

NRCL has made certain advances to the controlling shareholder. The advances were non-trade in nature, on an interest-free and unsecured basis with no fixed terms of repayment. The amounts due from the controlling shareholder at each year end have been offset against the dividend payable to the controlling shareholder. The advances were settled in full on 31 August 2006.

Settlement of dividend payable to the controlling shareholder

On 24 August 2006, $1,571,000 of the $16,724,000 due to the controlling shareholder was settled by the assignment of $1,571,000 trade receivables due to the Company's subsidiary, NRCL, to the controlling shareholder.

Expenses

	2006	2005
	$'000	$'000
Travel expenses (note)	113	130

Note: The Group has used a related party for the provision of travel and tour services and hotel accommodation.

Intangible assets

On 12 August 2005, Ariston, a subsidiary of the company, and the Government entered into an Addendum Agreement which extended the exclusivity period of the Casino Licence within 200 kilometres of Phnom Penh (except the Cambodia-Vietnam Border Area, Bokor, Kirirom Mountains and Sihanoukville) (the "Designated Area") for the period to the end of 2035 in consideration for the surrender by Ariston of the rights and concessions granted under the Sihanoukville Development Agreement signed on 2 January 1995 and Supplemental Sihanoukville Development Agreement signed on 2 February 2000, both between Ariston and the 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 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 Government with an effective date of 12 August 2005 in consideration for $105 million.

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

- On 11 May 2006, the Company issued 202,332,411 ordinary shares of $0.0125 each to Tan Sri Dr Chen Lip Keong pursuant to an agreement with, amongst others, Ariston Sdn. Bhd. 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.

(Expressed in United States dollars)

29 ULTIMATE CONTROLLING SHAREHOLDER

At 31 December 2006, Tan Sri Dr Chen Lip Keong is interested in 1,391,967,104 ordinary shares of the 2,075,000,000 issued ordinary shares of the Company of which 1,230,769,876 ordinary shares are registered in his name and the remaining 161,197,228 ordinary shares are registered in the name of and beneficially owned by the Cambodia Development Corporation, a company incorporated in the British Virgin Islands. The entire issued share capital of Cambodia Development Corporation is beneficially owned by Tan Sri Dr Chen Lip Keong.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2006

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting year ended 31 December 2006 and which have not been adopted in these financial statements.

		Effective for accounting period beginning on or after
IFRS 7	Financial instruments: Disclosure	1 January 2007
Amendment to IAS 1	Presentation of financial statements: Capital disclosures	1 January 2007

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial positions.

Five-year Financial Summary

(Expressed in United States dollars)

	2002 (note (a))	2003 (note (a))	2004	2005	2006
	$'000	$'000	$'000	$'000	$'000
Consolidated income statement					
Revenue	61,702	55,175	58,534	64,282	85,412
Profit attributable to equity shareholders of the Company	29,865	16,069	17,654	24,941	32,618
Interim dividends	27,772	—	32,000	20,737	18,000
Special dividend	—	—	—	—	10,000
Total dividends attributable to the year	27,772	—	32,000	20,737	28,000
Earnings per share (US cents) (note (b))	2.30	1.24	1.36	1.92	2.12
Dividend per share (US cents) (note (b))	2.24	—	2.58	1.67	1.25
Consolidated balance sheet					
Property, plant and equipment and interest in leasehold land held for own use under operating leases	8,112	23,519	31,491	34,837	47,542
Intangible assets	1,800	1,650	1,500	105,218	101,671
Advance to the Royal Government of Cambodia	4,250	4,250	4,250	—	—
Net current assets/(liabilities)	1,207	2,026	(20,149)	(118,744)	86,680
Employment of capital	15,369	31,445	17,092	21,311	235,893
Represented by:					
Share capital	15,500	15,500	15,500	15,500	25,938
Reserves	(131)	15,938	1,592	5,796	209,944
Shareholders' funds	15,369	31,438	17,092	21,296	235,882
Other non-current liabilities	—	7	—	15	11
Capital employed	15,369	31,445	17,092	21,311	235,893
Net assets per share (US cents) (note (b))	1.18	2.42	1.32	1.64	11.37

Notes: (a) The consolidated financial information has been prepared using the historical cost method in accordance with the "pooling of interests" method, as if the Group had been in existence throughout the period 1 January 2002 to 31 December 2006.

(b) Earnings per share, dividend per share and net assets per share include the capitalised 57,667,509 ordinary shares of $0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every 0.04 shares then held on 4 October 2006.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of NagaCorp Ltd. (the "Company") will be held at Suite 2806, 28/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 May 2007 at 2:00 p.m. for the following purposes:-

Ordinary business

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31 December 2006.

2. To declare a special dividend in respect of the year ended 31 December 2006.

3. To re-elect the retiring directors.

4. To elect Mr. Jimmy Leow Ming Fong as an independent non-executive director of the Company with immediate effect.

5. To approve the directors' remuneration for the year ended 31 December 2006 and to fix directors' remuneration for the year ending 31 December 2007.

6. To re-appoint KPMG as auditors and authorise the board of directors to fix their remuneration.

7. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:-

(A) **"That:-**

(i) subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company 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 of the Company) which may require the exercise of such powers be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly;

(iv) for the purpose of this resolution:-

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

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

(2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(b) "Rights Issue" means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company)."

Notice of Annual General Meeting

(B) **"That:**

(i) subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on the Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited under the Code on Share Repurchases and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of the shares of the Company, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;

(iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (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 law or the articles of association of the Company to be held; and

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

(C) **"That** conditional upon the resolutions numbered 7(A) and 7(B) set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 7(A) set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 7(B) set out in the notice convening this meeting, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the said resolutions."

By Order of the Board of Directors
Timothy Patrick McNally
Chairman

Hong Kong, 20 April 2007

Notice of Annual General Meeting

Registered Office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:-	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Notes:

(i) Resolution numbered 7(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 7(A) and 7(B) are passed by the shareholders.

(ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.

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

(iv) In order to be valid, a form of proxy must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(v) The transfer books and register of members will be closed from 9 May 2007 to 15 May 2007, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 May 2007.

(vi) In respect of ordinary resolution numbered 3 above, Tan Sri Dr Chen Lip Keong, Mr. Tian Toh Seng, Mr. Lew Shiong Loon, Mr. Lee Wing Fatt, Mr. David Martin Hodson, Mr. John Pius Shuman Chong, Ms. Monica Lam Yi Lin, Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji shall retire by rotation and, Tan Sri Dr Chen Lip Keong, Mr. David Martin Hodson, Ms. Monica Lam Yi Lin, Mr. Timothy Patrick McNally, Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji being eligible, have offered themselves for re-election at the above meeting. Details of the above directors are set out in Appendix I to the accompanied circular dated 20 April 2007. Mr. Tian Toh Seng, Mr. Lew Shiong Loon, Mr. Lee Wing Fatt and Mr. John Pius Shuman Chong do not offer themselves for re-election and accordingly will cease to be directors on conclusion of the above meeting.

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

(viii) In respect of ordinary resolution numbered 7(B) above, the directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The Explanatory Statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 20 April 2007.

As at the date of this notice, the Chairman and Independent Non-executive Director is Mr. Timothy Patrick McNally, the CEO and the Executive Director is Tan Sri Dr Chen Lip Keong, the other Executive Directors are Mr. David Martin Hodson, Mr. Tian Toh Seng, Mr. Lee Wing Fatt, Mr. Lew Shiong Loon, Ms. Monica Lam Yi Lin and Mr. John Pius Shuman Chong and the Independent Non-executive Directors are Tun Dato' Seri Abdul Hamid Bin Haji Omar, Ms. Wong Choi Kay and Mr. Zhou Lian Ji.

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Phnom Penh
Kingdom of Cambodia

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