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**NAGACORP LTD.**

**金界控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 3918**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**Unaudited condensed consolidated interim results for the six months ended 30 June 2011**

- Revenue increased by 65% to approximately US\$111.8 million
- Gross profit increased by 59% to approximately US\$79.9 million
- Net profit increased by 118% to approximately US\$45.9 million
- Earnings per share of US cents 2.21 per share
- Declared an interim dividend of US cents 1.54 per share (or equivalent to HK cents 12.01 per share), representing a dividend payout ratio of approximately 70% based on the net profit generated for the period. The Company will make further announcement in respect of the book closure period and the payment of interim dividend in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- Proposed interim dividends increased by 118%

The board of directors (the "Board") of NagaCorp Ltd. (the "Company" and together with its subsidiaries the "Group") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2011. The Board has resolved to declare an interim dividend of US cents 1.54 per share (or equivalent to HK cents 12.01 per share) for the six months ended 30 June 2011, representing a dividend payout ratio of approximately 70% based on the net profit generated for the period.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2011</b>	<b>2010</b>
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Revenue</b>	2	111,786	67,771
Cost of sales		<u>(31,838)</u>	<u>(17,498)</u>
<b>Gross profit</b>		79,948	50,273
Other income		831	386
Administrative expenses		(14,424)	(11,777)
Other operating expenses		<u>(18,450)</u>	<u>(15,702)</u>
<b>Profit before taxation</b>	3	47,905	23,180
Income tax	4	<u>(1,989)</u>	<u>(2,120)</u>
<b>Profit attributable to owners of the Company</b>		<u>45,916</u>	<u>21,060</u>
<b>Earnings per share (US cents)</b>	6	<u>2.21</u>	<u>1.01</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit for the period</b>	45,916	21,060
Other comprehensive income for the period:		
Exchange adjustments	<u>(2)</u>	<u>93</u>
<b>Total comprehensive income attribute to owners of the Company for the period</b>	<u><u>45,914</u></u>	<u><u>21,153</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Note</i>	<b>30 June 2011 US\$'000 (Unaudited)</b>	<b>31 December 2010 US\$'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	165,943	155,767
Interest in leasehold land held for own use under operating lease		636	639
Intangible assets	9	85,710	87,483
Trade receivables	10	1,331	3,431
Deposit payments for purchase of raw materials	11	<u>3,190</u>	<u>-</u>
		<u>256,810</u>	<u>247,320</u>
<b>Current assets</b>			
Consumables		655	571
Trade and other receivables	10	26,116	24,936
Deposit payments for purchase of raw materials	11	5,150	5,737
Fixed deposits at bank		40,500	21,100
Cash and cash equivalents		<u>41,543</u>	<u>22,852</u>
		<u>113,964</u>	<u>75,196</u>
<b>Current liabilities</b>			
Trade and other payables	12	15,839	13,825
Dividend payable		16,101	-
Current tax liability		331	-
Obligations under finance leases		<u>1</u>	<u>1</u>
		<u>32,272</u>	<u>13,826</u>
<b>Net current assets</b>		<u>81,692</u>	<u>61,370</u>
<b>Total assets less current liabilities</b>		338,502	308,690
<b>Non-current liabilities</b>			
Obligations under finance leases		<u>2</u>	<u>3</u>
<b>NET ASSETS</b>		<u>338,500</u>	<u>308,687</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	26,026	26,026
Reserves		<u>312,474</u>	<u>282,661</u>
<b>TOTAL EQUITY</b>		<u>338,500</u>	<u>308,687</u>

Notes:

## 1. Basis of preparation and principal accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information contains selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2010. The condensed consolidated interim financial information does not include all of the information required for a full set of annual financial statements prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (the “IASB”), and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2010 (“2010 annual financial statements”).

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in its 2010 annual financial statements, except for the adoption of certain new or revised standards and interpretations issued by the IASB which are effective for the current accounting period as follows:

IFRSs (Amendments)	Improvements to IFRSs
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Interpretation 14	Prepayments of a Minimum Funding Requirement
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures

The adoption of the above new/revised IFRSs had no material effect of the reported results or financial position of the Group for both the current and prior reporting periods.

The IASB has also issued the following amendments, new or revised standards and interpretations, potentially relevant to the Group’s operations, which are not yet effective for the accounting period beginning on or before 1 January 2011 and which have not been early adopted in these condensed consolidated financial statements.

		Effective for accounting period beginning on or after
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 1 (Revised)	Presentation of Financial Statements	1 July 2012
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19 (2011)	Employee Benefits	1 January 2013
IAS 27 (2011)	Separate Financial Statements	1 January 2013
IAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

The directors of the Company (the “Directors”) are in the process of making an assessment of the expected impact of these amendments, new or revised standard and interpretations in the period of initial application. So far it was considered that their adoption is unlikely to have a significant impact on the Group’s results of operations and financial position.

## 2. Revenue

Revenue represents net house takings arising from casino operations and income from other operations which are set out as follows:

	Six months ended 30 June	
	2011	2010
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Casino operations	63,542	39,059
Income from gaming machine stations	38,802	24,312
Hotel room income, sales of food and beverages and others	<u>9,442</u>	<u>4,400</u>
	<u>111,786</u>	<u>67,771</u>

## 3. Profit before taxation

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

	Six months ended 30 June	
	2011	2010
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest income	(731)	(231)
Auditor's remuneration		
- Current period	104	101
- Under-provision for the prior period	53	87
Amortisation of casino licence premium	1,773	1,773
Depreciation and amortisation	5,761	5,139
Impairment loss on trade receivables	-	1,303
Exchange loss, net	36	126
Fuel expenses	3,848	3,067
Operating lease charges for:		
- office and car park rental	233	223
- land lease rental	93	93
- hire of equipment	932	795
Staff costs ( <i>Note (a)</i> )		
- Salaries, wages and other benefits	10,876	8,661
- Contributions to defined contribution retirement scheme	<u>4</u>	<u>3</u>

Note:

(a) The staff costs include the following:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Directors' remuneration		
- Basic salaries and allowances	562	346
- Contributions to defined contribution retirement scheme	-	1
Senior management's remuneration		
- Basic salaries, allowances and benefits-in-kind	<u>1,381</u>	<u>1,014</u>

#### 4. Income tax

Income tax in the profit or loss represents:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax expense		
- Current period	1,989	1,756
- Under-provision in prior period	-	364
	<u>1,989</u>	<u>2,120</u>

Taxation represents the monthly gaming obligation payment of (1) US\$228,068 (six months ended 30 June 2010: US\$202,728) and monthly non-gaming obligation payment of US\$103,500 (six months ended 30 June 2010: US\$90,000) payable to The Ministry of Economy and Finance of Cambodia (the "Ministry") by NagaWorld Limited Gaming Branch, a branch registered under the name of NagaWorld Limited ("NWL"), a subsidiary of the Company incorporated in Hong Kong. There are no Malaysian or Hong Kong income taxes payable by the Group.

#### 5. Dividends payable to owners of the Company attributable to the period

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Dividend paid during the period:		
2009 Interim dividend: US cents 0.33 per ordinary share	<u>-</u>	<u>6,917</u>

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interim dividend declared after the end of reporting period		
2011: US cents 1.54 per ordinary share	32,141	-
2010: US cents 0.71 per ordinary share	<u>-</u>	<u>14,742</u>
	<u>32,141</u>	<u>14,742</u>

## 6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US\$45,916,000 (six months ended 30 June 2010: US\$21,060,000) and the weighted average number of 2,082,078,875 (2010: 2,082,078,875) ordinary shares in issue during the six months ended 30 June 2011.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 7. Segment information

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

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

### *Segment results, assets and liabilities*

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

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

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



	<b>Casino operations</b> <i>US\$'000</i>	<b>Hotel and entertainment operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<i>Segment revenue:</i>			
Six months ended 30 June 2011 (unaudited):			
Revenue from external customers	102,344	9,442	111,786
Inter-segment revenue	<u>-</u>	<u>11,808</u>	<u>11,808</u>
Reportable segment revenue	<u>102,344</u>	<u>21,250</u>	<u>123,594</u>
Six months ended 30 June 2010 (unaudited):			
Revenue from external customers	63,371	4,400	67,771
Inter-segment revenue	<u>-</u>	<u>4,788</u>	<u>4,788</u>
Reportable segment revenue	<u>63,371</u>	<u>9,188</u>	<u>72,559</u>
<i>Segment profit/(loss):</i>			
30 June 2011 (Unaudited)	49,838	7,026	56,864
30 June 2010 (Unaudited)	<u>33,213</u>	<u>(1,900)</u>	<u>31,313</u>
<i>Segment assets:</i>			
30 June 2011 (Unaudited)	377,438	172,150	549,588
31 December 2010 (Audited)	<u>332,121</u>	<u>157,019</u>	<u>489,140</u>

Reconciliation of reportable segment revenue and profit or loss to revenue and profit or loss per the condensed consolidated financial information is as follows:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Revenue</b>		
Reportable segment revenue	123,594	72,559
Elimination of inter-segment revenue	<u>(11,808)</u>	<u>(4,788)</u>
<b>Consolidated revenue</b>	<u>111,786</u>	<u>67,771</u>
<b>Profit</b>		
Reportable segment profit	56,864	31,313
Depreciation and amortisation		
- reportable segment	(7,508)	(6,882)
- unallocated	(26)	(30)
Unallocated head office and corporate expenses	<u>(1,425)</u>	<u>(1,221)</u>
<b>Consolidated profit before taxation</b>	<u>47,905</u>	<u>23,180</u>

## 8. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment totalling US\$16,124,000 which included US\$14,792,000 in respect of capital work-in-progress in relation to construction in NagaWorld. The additions have been included in the assets of the segment of hotel and entertainment operations as disclosed in note 7.

## 9. Intangible assets

The intangible assets include the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period extended to the end of 2035 in consideration of US\$108 million, less accumulated amortisation of US\$22.3 million (31 December 2010: US\$20.5 million).

## 10. Trade and other receivables

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables – non current assets (note)	1,331	3,431
Trade receivables – current assets	<u>28,507</u>	<u>31,295</u>
	29,838	34,726
Less: Allowance for impairment loss included in current portion	<u>(11,190)</u>	<u>(11,190)</u>
	18,648	23,536
Deposits, prepayments and other receivables	7,764	4,343
Amounts due from related companies	<u>1,035</u>	<u>488</u>
	27,447	28,367
Less: Trade receivables classified as non-current assets	<u>(1,331)</u>	<u>(3,431)</u>
Balance classified as current assets	<u><u>26,116</u></u>	<u><u>24,936</u></u>

Note: The balance is unsecured, bears an interest of 8.5% per annum since 1 January 2011 and repayable by December 2012.

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current to within 1 month	746	916
1 to 3 months	1,470	3,610
3 to 6 months	2,398	1,538
6 to 12 months	30	174
More than 1 year	<u>14,004</u>	<u>17,298</u>
	<u><u>18,648</u></u>	<u><u>23,536</u></u>

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At beginning of period/year	11,190	3,971
Impairment loss recognised	<u>-</u>	<u>7,219</u>
At end of period/year	<u><u>11,190</u></u>	<u><u>11,190</u></u>

The credit policy on gaming revenue is 7 days from the end of tour. Trade receivables relate mostly to junket operators and local operators who have a good track record with the Group or were active during the period. As at 30 June 2011, the Group has certain concentration of credit risk at 57% (31 December 2010: 66%) of the total trade and other receivables that was due from the five largest operators.

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

#### 11. Deposit payments for purchase of raw materials

As at the end of reporting period, deposit payments for the purchase of construction raw materials relate to deposits made for purchases of raw materials necessary for the construction in NagaWorld. The materials have not been received by the Group as at the period end. It is anticipated that the materials will be used within the next twelve months.

#### 12. Trade and other payables

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables ( <i>Note</i> )	354	444
Unredeemed casino chips	6,615	6,185
Construction creditors	4,187	3,514
Deposits	122	320
Other creditors and accruals	<u>4,561</u>	<u>3,362</u>
	<u><u>15,839</u></u>	<u><u>13,825</u></u>

Note:

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Due within 1 month or on demand	299	407
Due after 1 month but within 3 months	55	-
Due after 3 months but within 6 months	-	15
Due over 1 year	-	22
	<hr/>	<hr/>
	<u>354</u>	<u>444</u>

### 13. Share capital

#### (i) Authorised

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
8,000,000,000 ordinary shares of \$0.0125 each	<u>100,000</u>	<u>100,000</u>

#### (ii) Issued and fully paid

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<i>No of shares</i>	<i>US\$'000</i>	<i>No of shares</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
At beginning and end of period/year	<u>2,082,078,875</u>	<u>26,026</u>	<u>2,082,078,875</u>	<u>26,026</u>

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

### 14. Proposed acquisition of subsidiaries

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group owns, manages and operates the largest integrated entertainment hotel complex in Cambodia and the only casino in Phnom Penh, the capital city. It holds a casino licence (the “Casino Licence”) granted to the Group by the Royal Government of Cambodia (the “Cambodian Government”), for a duration of 70 years commencing from 2 January 1995, and 41 years of exclusivity within a 200-km radius of Phnom Penh, Cambodia (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The Company completed an initial public offering of its shares (the “IPO”) and became a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 October 2006.

## RESULTS

### Performance Highlights

For the period ended 30 June 2011 and comparative periods

	<b>1H 2011</b> <i>US\$'000</i>	<b>1H 2010</b> <i>US\$'000</i>
<b>Public Floors Gaming Tables</b>		
- Total Buy-ins	116,916	88,523
- Gross Revenue	27,857	18,835
- Win rate	23.8%	21.3%
- Average no. of gaming tables in daily operation	66	59
- Average revenue per table per day (US\$)	2,336	1,760
<b>Slot Machines</b>		
- Total Bills-in	379,569	246,419
- Revenue	38,802	24,312
- Win rate (Hold rate)	11.8%	12.2%
- No. of machines at end of period	1,035	846
- Win per unit per day (US\$)	236	214
- Naga’s average share	69%	51%
<b>Junket Floor Gaming Tables</b>		
- Total Rollings	1,569,544	909,915
- Revenue	35,685	20,224
- Win rate	2.3%	2.2%
- Number of visitors (persons)	7,009	3,008
- Average no. of gaming tables in daily operation	65	64
- Average revenue per table per day (US\$)	3,034	1,744
<b>Hotel and Entertainment Operations</b>		
- Total Revenue	9,442	4,400
- Food & Beverage and other revenue	7,230	2,887
- Room revenue	2,212	1,513
- No. of rooms	500	500
- Average room rate	52	57
- Average room occupancy rate	75.2%	42.4%

Net profit for the first six months of 2011 increased by 118% to approximately US\$45.9 million. This compared to approximately US\$21.1 million for the same period in 2010. The Company's significant net profit achievement was partnered with a gross profit increase of 59% to approximately US\$79.9 million for the first six months ended 30 June 2011, from US\$50.3 million for the same period in 2010.

The Company's gross profit margins were 71.5% for the first six months of 2011, and 74.2% for the first six months of 2010. Revenue increased by 65% to approximately US\$111.8 million for the six months ended 30 June 2011, from approximately US\$67.8 million for the same period in 2010. Profits before taxation increased by 106% to approximately US\$47.9 million for the six months ended 30 June 2011, from approximately US\$23.2 million for the same period in 2010.

## **BUSINESS OVERVIEW**

Worldwide tourist travel grew by 4.5% in the first four months of 2011 compared to 2010 (Source: World Tourism Organization). Tourism in Cambodia increased by 13% to 1.4 million visitors during the first six months of 2011 compared to the corresponding period in 2010. Visitors from Vietnam are taking increased advantage of visa-free entry into Cambodia – 33% more Vietnamese visited the country between January and May this year than during the first five months of 2010 (Source: Ministry of Tourism of Cambodia).

However, annual tourist arrivals from South East Vietnam (which includes Ho Chi Minh City) into Cambodia only represents 4% of the population of that region of the country (Source: 2009 General Statistics Office of Vietnam). With a population of 14 million, and close proximity to Phnom Penh, South East Vietnam may be the Company's customer base.

Recovery in global travel during 2010 helped increase tourist arrivals into Cambodia by about 16% to 2.5 million, and increased tourism-generated revenue by 14.5% to US\$1.8 billion. The sharpest gains in arrivals during 2010 were from Asia, including Vietnam (up 48% to 467,000), Korea (up 47% to 290,000), and China (up 39% to 178,000) (Source: Ministry of Tourism of Cambodia).

Overall, tourism arrivals into Cambodia is expected to grow 140% over the next 10 years, from 2.5 million in 2010 to 6 million by 2020 (Source: Ministry of Tourism of Cambodia)

NagaWorld has been benefiting from sustained tourism arrivals in Cambodia, with a clear trend of more visitation to public floors and gaming machines, which yields a high margins gaming business.

The Company's revenue from junket floor tables has also seen gains, alongside its conservative credit policy, with increased numbers of junket players and overall higher check-in amounts.

With multiple food and beverage outlets, entertainment events, high quality hotel rooms, and meetings, incentives, conventions and exhibitions ('MICE') facilities, the Company's growing non-gaming business provides NagaWorld customers with world class variety and choice.

During the first half of this year NagaWorld co-marketed and hosted several promotional events. These efforts, along with expanding and constantly improving the Company's food and beverage outlets, helped NagaWorld secure the "Best Entertainment & Hospitality Services in Cambodia" award presented at the ASEAN Tourism Forum 2011 (ATF). Consecutively, ATF also named NagaWorld the "Best Business & MICE Services in Cambodia". These two prestigious awards affirm the Company's continued stature as the foremost destination in Indochina, for both business professionals and leisure travellers. Awards and recognition such as this attest to the Company's effective marketing efforts, resulting in an increase of non-gaming revenue from US\$4.4 million for the six months ended 30 June 2010 to US\$9.4 million for the six months ended 30 June 2011.

### **Public Floor Tables**

Revenue from public floor tables increased by 48% from US\$18.8 million for the six months ended 30 June 2010 to US\$27.9 million for the six months ended 30 June 2011, as a result of higher buy-ins and an increased win rate.

Buy-ins on the public floor increased from US\$88.5 million for the six months ended 30 June 2010 to US\$116.9 million for the six months ended 30 June 2011, while win rates improved from 21% for the six months ended 30 June 2010 to 24% for the six months ended 30 June 2011. For the six months ended 30 June 2011, there was an average of 66 public gaming tables in operation daily. The average revenue per table per day was approximately US\$2,336 for the period under review and approximately US\$1,760 for the same period in 2010.

This notable revenue growth from the Company's public floor gaming tables is a clear indicator that its business strategy of emphasizing the mass gaming market to build a strong business base is the right direction in the evolution of developing the correct gaming strategy. Key factors contributing to the increase in revenue were tighter supervision of the Company's table operations, increased efficiency and speed of the games, emphasis on a games mix that addresses demand and profitability, and better management of table limits.

### **Gaming Machine Stations**

For the six months ended 30 June 2011, total revenue for the gaming machines increased to US\$38.8 million, representing an increase of 60% over revenue of US\$24.3 million for the same period in 2010.

As at 30 June 2011, the total number of slot stations was 1,035, compared with 846 as at 30 June 2010.

An improving regulatory environment and the sustained political stability which has further ensured the Company's monopoly position in the country played a significant part in the growth of this part of the business. With the sole casino in the city, growth of the gaming machines business can simply be achieved by placing the most correct, up-to-date gaming machines to satisfy customers' tastes and experiences.

Visibly recognizable growth was also reflected in the increase in bills-in from US\$246.4 million for the six months ended 30 June 2010 to US\$379.6 million for the six months ended 30 June 2011, with an average winning per unit per day of approximately US\$236 for the period under review and approximately US\$214 for the same period in 2010. Win rates for the Company's gaming machines remained consistent at 12% for both the six months ended 30 June 2010 and the six months ended 30 June 2011. Also notable is that the Company's average revenue share on its slot machines was 69% for the period ended 30 June 2011, compared to 51% for the same period in 2010.

## **Junket VIP Floor Tables**

For the six months ended 30 June 2011, revenue from the Company's junket business was US\$35.7 million, compared to US\$20.2 million for the six months ended 30 June 2010. Revenue from junket floor tables accounted for 32% of the Company's total revenue for the six months ended 30 June 2011, compared to 30% for the same period in 2010.

This growth is attributed to a pursuit of a conservative gaming policy aimed at earning stable revenue without gaming volatility. There is definitely visible improvement in the Company's junket business, which represents almost one third of total Gross Revenue for the six months ended 30 June 2011. The Company is pleased to see its junket business gaining momentum, despite its policies (implemented in 2009) of tight credit and wagering on cash terms.

The level of gaming activity conducted at junket floor tables, as measured by rollings, increased by 72% to approximately US\$1.6 billion for the six months ended 30 June 2011 from approximately US\$0.9 billion for the same period in 2010. Check-in amounts deposited by NagaWorld's junket players increased by 89% to approximately US\$355.6 million for the six months ended 30 June 2011, from approximately US\$188.1 million for the same period in 2010. There were approximately 7,009 junket players who visited the Company's casino for the six months ended 30 June 2011 compared to 3,008 junket players for same period in 2010. The increases in overall check-in amounts and number of players clearly validates that the Company's strict credit policy is not a deterrent to players' comfort level playing with cash.

The win rate of NagaWorld's junket business increased from 2.2% for the six months ended 30 June 2010 to 2.3% for the same period in 2011.

For the six months ended 30 June 2011, there was an average of 65 gaming tables in operation daily. The average revenue per table per day was approximately US\$3,034 for the period under review and approximately US\$1,744 for the same period in 2010.

## **Non-Gaming Revenue - Hotel, Food & Beverage and entertainment**

The company saw an increase of 114% in non-gaming revenue for the six months ended 30 June 2011.

With a total of 12 food and beverage outlets, the Company provides multiple choices of cuisine, including its Chinese fine-dining outlet Fortune Palace, Korean Grill, Le Gourmet French restaurant, and Italian restaurant Bistro Romano. Each of these restaurants offers a sophisticated dining experience. For the convenience of gamers, Nagaworld's renovated Grand Casino Restaurant is the most popular of its food and beverage outlets.

The public floor area on the ground floor of the NagaWorld complex is very busy. To ease the ground floor traffic, and as an extension of public floor space, a new Life Style Casino called Naga Rock Café will soon be added to NagaWorld's gaming space. Along with a wide variety of menu items and beverages, the outlet will offer poker and other public floor games, as well as an additional 300 slot machines for the enjoyment of the Company's customers.

To encourage the visitation of Cambodians without foreign passports, NagaWorld has recently opened an entrance on the road leading to the neighbouring Ministry of Foreign Affairs building.

NagaWorld is widely recognised as a popular entertainment and meetings, incentives, conventions and exhibitions ('MICE') destination in Indochina, well patronized by both the public and private sectors. The present MICE rooms (already the biggest in the city of Phnom Penh) are gradually lacking space.



The Company is currently constructing an additional block called the Pool Block, featuring a rooftop swimming pool, discotheque, additional 220 rooms, more gaming space and car park facilities. Also under construction is the renovation of additional 6 star suites with attached individual private gaming space – in the South Hotel Tower, for the enjoyment of junket players who seek privacy.

For the six months ended 30 June 2011, the Company derived revenue of US\$9.4 million from hotel and entertainment operations, representing an increase of 114% from revenue of US\$4.4 million for the same period in 2010.

Throughout the first half of 2011, NagaWorld's average room occupancy rate was 75.2%, compared to 42.4% for 30 June 2010. As the Company's occupancy rates continue to rise, it expects to see the results flow through to the mass market segment of the business.

This increase in non-gaming revenue was the result of the Company's strategic marketing efforts in key target markets and reflects providing these services to both gaming and non-gaming patrons.

### **Gross Profit**

Gross profit margins were 71.5% and 74.2% for the six months ended 30 June 2011 and 2010 respectively. The drop in gross profit margin was a result of a slight change in NagaWorld's business mix wherein for the six months ended 30 June 2011, revenue derived from non-junket business contributed 68% of total revenue compared to 70% for the same period in 2010. These business segments do not incur rolling commissions, compared to the junket business where commissions are paid based on rollings achieved by junket players.

### **Administrative and other operating expenses**

Administrative and other operating expenses increased by 20% to approximately US\$32.9 million for the six months ended 30 June 2011, from approximately US\$27.5 million for the same period in 2010. The change was due to an increase in fuel consumption for the operation of various gaming, hotel space and additional food and beverage outlets opened in the third quarter of 2009; additional staff costs; and promotional events hosted by NagaWorld.

### **Finance costs**

The Company did not incur finance costs as there were no financing arrangements for the six months ended 30 June 2011.

### **Net Profit**

Profit attributable to owners of the Company or net profit increased by 118% to approximately US\$45.9 million for the six months ended 30 June 2011, from approximately US\$21.1 million for the same period in 2010. For the six months ended 30 June 2011 net profit margins improved to 41.1% from 31.1% during the same period of 2010.

This also means that the Company has more efficiency in its business, which is achieved through:

1. Pursuit of a **conservative gaming policy**, while generating steadily increasing gaming income, eg., monitoring junket floor table limits.

2. Devising **an ever-improving gaming strategy**, eg., the public floor's current emphasis on high-yield mass market (slots and public floor) toward building a strong base.
3. **Operational efficiency**, eg., NagaWorld hotel casino complex has continuous improving facilities, leading to more footfall and optimum mass market figures, higher non-gaming revenue, along with very strict cost control and monitoring.

Earnings per share were approximately US cents 2.21 (HK cents 17.24 per share) and US cents 1.01 (HK cents 7.88 per share) for the six months ended 30 June 2011 and 2010 respectively.

## **FINANCIAL REVIEW**

### **Pledge of Assets**

As at 30 June 2011 the Group had not pledged any assets for bank borrowings (31 December 2010: Nil).

### **Contingent Liabilities**

As at 30 June 2011, the Group had no contingent liabilities.

### **Very Substantial Acquisition**

The Company entered into a conditional Share Purchase Agreement on 13 June 2011 with Tan Sri Dr Chen Lip Keong to acquire TSC Inc. and City Walk Inc.

The agreed consideration for the transaction is US\$369,000,000, divided as to US\$275,000,000 for TSC Inc. and US\$94,000,000 for City Walk Inc. The consideration will be settled, at the option of Dr Chen, in the form of consideration shares (being new ordinary shares of the Company), to be allotted and issued at a price of HK\$1.8376 per consideration share; or in the form of convertible bonds issued by the Company and convertible at the option of the bondholder into conversion shares (being new ordinary shares in the Company), also to be allotted and issued at a conversion price of HK\$1.8376 per conversion share; or through a combination of consideration shares and convertible bonds, to an aggregate value of US\$369,000,000. The total number of new ordinary shares of the Company that stand to be allotted and issued as consideration shares or on exercise of the convertible bonds is 1,566,282,107 shares.

The Extraordinary General Meeting of the Company to approve the transaction will be held on a date to be announced.

Please refer to the Company's announcements dated 13 June 2011 and 22 June 2011 for details to the transaction.

### **Exchange rate risk**

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

### **Issue of New Shares**

There were no share issues during the period under review.

## **Liquidity, Financial Resources and Gearing**

As at 30 June 2011, the Group had total cash and cash equivalents of approximately US\$82.0 million (31 December 2010: approximately US\$44.0 million).

As at 30 June 2011, the Group had net current assets of approximately US\$84.9 million (31 December 2010: approximately US\$61.4 million).

As at 30 June 2011, the Group had no outstanding borrowings (31 December 2010: US\$ Nil).

## **Capital and Reserves**

As at 30 June 2011, the capital and reserves attributable to owners of the Company was approximately US\$338.5 million (31 December 2010: approximately US\$308.7 million).

## **Staff**

For six months ended 30 June 2011, the Group employed, on average, a work force of 3,345 (For six months ended 30 June 2010: 3,233) stationed mostly in Cambodia, Malaysia and Hong Kong. Remuneration and staff costs for the six months ended 30 June 2011 was approximately US\$10.9 million (for the six months ended 30 June 2010: approximately US\$8.7 million).

## **Employee benefits**

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

## **Trade receivables and credit policy**

NagaWorld is committed to delivering excellence in services and products to its gaming customers and good relationships with its junket operators are crucial toward satisfying this objective. The Company has maintained a win-win cordial commercial relationship with many of these junket operators for a long period of time, spanning many ups and downs in economic cycles. Mutual support is essential, as the Company's junket business continues to make an important contribution to its business. However, the Company continues to closely monitor and review the performance of its operators.

The Company has closely monitored the changes in trade receivables and focused on their recovery, resulting in a 14% decrease in trade receivables from US\$34.7 million to US\$29.8 million. The Company feels this is a manageable level of receivables and is pleased with the downward trend going forward.

Management has credit guidelines and supervision in place for monitoring the Company's junket operators, and depending on the performance and other criteria as set by the Company from time to time, some unqualified operators are not granted a credit facility. By doing so, the Company believe that this revised credit policy will be beneficial to the control and management of trade receivables in the future.

For the period under review, no provision for doubtful debts was made by the Group (31 December 2010; US\$7.2 million).

## **Development of NagaWorld**

NagaWorld today is a popular tourist destination. The Company's hotel and casino complex appeals to guests from a wide variety of backgrounds, cultures and interests – guests not only from the Asia Pacific region, but worldwide. NagaWorld's facilities operate at an international standard and the Company is proud to continually receive praise and accolades from global media, investors and repeat guests. NagaWorld's built-up area of approximately 110,768 square meters provides both scope and variety.

A new lounge and club targeted toward sophisticated high-end local clientele has just been completed, helping to ensure NagaWorld's competitive position on Indochina's fast-growing entertainment scene. Also, with the completion of a third wing later this year, it will house, among others, a rooftop swimming pool, health club, discotheque, offices, an additional 220 hotel rooms, more gaming space, an additional multi-purpose hall able to accommodate 1,000 people, and additional car parking. These incremental hotel rooms will be positioned at a lower price point to appeal to a wider segment of the Company's casino guests.

The Company is also currently constructing additional 6-star suites, each with private gaming space, in its South Hotel Tower for its high-end junket guests.

All of the Company's development efforts are aimed at strengthening NagaWorld's position as the gaming and entertainment hub of Indochina. However, this leadership position also means increasing popularity, and a strain on the Company's current facilities. Occupancy rates remain high and NagaWorld's public floor tables and gaming machines see consistent high levels of activity. The additional third wing and its rooms and other facilities will help alleviate an immediate need for space, however, strengthening the Company's long term competitive edge and maintaining its momentum require strategic vision in addressing this critical issue.

## **PROSPECTS**

During the period under review, the Company achieved a record-breaking 118% increase in net profit compared to the same period last year. The Company achieved these results by controlling costs and staying focused on an efficient business mix, which has produced higher net profit margins and lower earnings volatility for the Company.

The Company believes that its integrated marketing strategy for Vietnam, and eventually for Thailand and other markets in the region will continue to generate growth from all segments of its business. The Company will continue to pursue market opportunities as they emerge.

NagaCorp's junket business continues to be an important component of the Company's business model. With its conservative credit policy and relatively low table limit firmly in place, the Company is pleased to see its junket business making good progress. The positive growth in this segment of the business occurred in conjunction with credit policies that grant limited credit lines to certain junket operators under strict guidelines and supervision, as well as efforts to encourage wagering on cash terms.

As the Company continues to push forward with its strategy of maintaining a conservative gaming policy aimed at regional mid-size junket players, and fostering relationships with reputable operators, the Company believes that it has only just begun to tap into the junket market, especially within the burgeoning economies of Vietnam, China and Thailand. For the 6 months ended 30 June 2011 the junket business from Vietnam accounts for only 12% of headcount but 47% of rollings. Customers from China account for 13% of junket rollings while modest junket numbers from Thailand continue to improve. NagaCorp believes that moving away from low-end junkets and furthering its penetration into these critical junket markets where the potential is sizeable, is key to the future growth of this part of the business.

As NagaCorp reports its most profitable interim results in the history of the Company, it is optimistic about the future. The Company believes that being centrally located in the gaming culture of Asia will continue to offer scope and unique market opportunities. For example, with a combined population of almost 160 million and rapidly growing economies, Cambodia's neighbours, Thailand and Vietnam present prime opportunities for NagaCorp's mass market segment of the business.

On a macro-economic level, Cambodia's key economic indicators are steadily keeping pace with its regional neighbours. Foreign Direct Investment (FDI) into Cambodia increased by 25% during 2009-2010 (Source: International Monetary Fund). China, Korea, Malaysia, Vietnam and Taiwan accounted for 78% of investments into Cambodia during this period. (Source: World Bank). These investments go toward constructing and developing critical infrastructure projects, such as the Neak Loeung Bridge. Being built with a grant from Japan at an expected cost of about US\$95 million, the bridge is scheduled for completion in March 2015. It will eventually replace the current ferry service across the Mekong River between Vietnam and Cambodia and reduce the travel time between the two countries by about 1 hour from the present 5½ hours (Source: Agence Kampuchea Presse; Cambodia New Vision).

During 1998-2007, Cambodia's GDP growth was strong – averaging 9.1% per year. This period of impressive growth was interrupted in 2008-2009, but is recovering strongly and forecast to grow between 6.5-6.8% annually from 2011 to 2015 (Source: Ministry of Economy and Finance of Cambodia, International Monetary Fund). Gross National Income (GNI) per capita during 2010 increased 17% over 2009 (Source: World Bank). Cumulatively, GNI increased by 46% during 2006-2010. This strong economic growth is tightly woven into the country's stable political environment.

Tourist arrivals to Cambodia during the first half of the year represented an increase of 13% to 1.4 million (Source: Ministry of Tourism of Cambodia). The majority of these visitors who come to Phnom Penh also visit NagaWorld, making the company's hotel and entertainment complex one of the most visited sites in the Kingdom of Cambodia. This increased traffic translates into greater volume at NagaWorld, driving higher gaming revenue. During the past five years, the Company's performance has been on an upward trend and produced impressive results. NagaWorld performance continues to keep pace with robust levels of intra-regional travel and consumer spending, which is stimulating growth in gaming revenue. The Company has remained comparatively in line with regional competitors on a revenue basis, and has performed as a beacon in terms of net profit and return on investment.

However, during the next 3-5 years, NagaWorld's growth trajectory is expected to put significant strain on the Company's capacity. Operational issues such as hotel room demand, public floor congestion, and public car parking all need to be addressed. The Company's corporate vision is to become an internationally competitive, world class corporation with sustained excellence in all that it does. To get there, the Company must act on its vision and maintain its long term growth strategy – acting in a timely manner and seizing the moment.

Since the Company's early beginnings in 1995 on a barge located on the Mekong River, the NagaCorp story has revolved around growth. Never remaining stagnant is the Company's mantra and driving force. With that in mind, the Company explored the best possible course of action to address this issue of growth and the need for expansion.

On 13 June 2011 NagaCorp announced a very substantial acquisition and connected transaction with NagaCorp Chief Executive Officer and majority shareholder, Tan Sri Dr Chen Lip Keong that will lead to major growth of the Company's footprint in Cambodia. Within a 5 year period, three projects, namely the TSCLK Complex, NagaCity Walk and Tourist Garden will be developed, which will then be acquired by NagaCorp upon completion.

These projects cost US\$369 million and will be developed by Tan Sri Dr Chen Lip Keong via TSC Inc., who will bear all development, financing and cost inflation risk. NagaCorp will have no commitments or obligations until the completion of the projects. Upon completion, NagaCorp will acquire TSC Inc. from Tan Sri Dr Chen Lip Keong in exchange for shares/convertible bonds.

The Company is optimistic about future opportunities that lie ahead. In conjunction with this optimism, NagaCorp must be competitive internationally as it aims toward a robust, sustained customer pool in the Indochina region.

The Company's vision is to become a regional powerhouse. To do this, NagaCorp will stay focused on this strategic roadmap:

- 1. Cambodia:** Realization of certain critical mass and securing further stability in the Company's home market, already its biggest market.
- 2. Expansion to Vietnam** (population of 91 million and GDP of US\$104 billion):
  - a. Developing a marketing roadmap with reputable advertising/marketing firms
  - b. Creating a 'superhighway' in the sky and on the road – creating more direct transportation options for guests – particularly in Ho Chi Minh City
  - c. More emphasis on public floor visitors
- 3. Thailand Initiatives** (population of 67 million and GDP of US\$319 billion):
  - a. Create a winning environment for junket groups
  - b. More emphasis on the junket market

NagaWorld is intent on enhancing its position as Indochina's premier hotel casino complex, offering international standard services and products to its customers and visitors coming from surrounding and growing economies, and beyond. The Company is intent on becoming more competitive throughout the region and internationally, both in terms of scale, and the range of facilities it offers. That means excellence on an international level in everything NagaWorld brings to its customers: rooms, MICE facilities, restaurants, entertainment and gaming facilities. The success of the Company's gaming and entertainment business will, in turn, continue to benefit Cambodia as a host nation and continue generating return for the company, its shareholders and investors.

## **COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES**

In the Directors' opinion, having considered among others, the findings of reviews conducted by the independent professional parties, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by 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 six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The interim results for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **INTERIM DIVIDEND**

The Board has resolved to declare payment of an interim dividend of US cents 1.54 per share (or equivalent to HK cents 12.01 per share) for the six months ended 30 June 2011 to shareholders of the Company. This represents a dividend pay-out ratio of approximately 70%, based on the net profit generated for the period. The Company will make further announcement in respect of the book closure period and the payment of interim dividend in accordance with the requirements under the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report of the Group for the six months ended 30 June 2011 containing, among others, the interim financial information of the Group will be despatched to our shareholders and available at the Company's website [www.nagacorp.com](http://www.nagacorp.com) and the website of the Stock Exchange.

On behalf of the Board of  
**NAGACORP LTD.**  
**Timothy Patrick McNally**  
*Chairman*

As at the date of this announcement, the Directors of the Company are:

### *Executive Directors*

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

### *Non-executive Director*

Timothy Patrick McNally

### *Independent Non-executive Directors*

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

Hong Kong, 8 August 2011

\* *For identification purpose only*

Please also refer to the electronic version of the same on the Company's website [www.nagacorp.com](http://www.nagacorp.com).

For the purpose of this announcement, amounts denominated in US\$ have been converted to HK\$ at an exchange rate of US\$1.0 to HK\$7.8.