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**NAGACORP**

金界控股有限公司

**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 2016**

**Unaudited condensed consolidated interim results for the six months ended 30 June 2016**

- Net profit increased by 24% to US\$125.2 million
- VIP rollings increased by 26% to US\$4.5 billion
- Mass Market table buy-ins increased by 17% to US\$305.6 million
- Mass Market EGMs bills-in increased by 18% to US\$741.8 million
- Basic earnings per Share of US cents 5.51
- An interim dividend for Shareholders and a distribution for the holder of the Convertible Bonds of US cents 2.77 per Share/Conversion Share (or equivalent to HK cents 21.47 per Share/Conversion Share) has been declared, representing a payout ratio of 60% based on the net profit generated for the Period. The interim dividend and distribution shall be paid on Tuesday, 13 September 2016

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 2016 (the “Period”). The Board has resolved to declare an interim dividend for shareholders of the Company (the “Shareholders”) and a distribution for the holder of the Convertible Bonds of US cents 2.77 per ordinary share of the Company (the “Shares”)/Conversion Share (or equivalent to HK cents 21.47 per Share/Conversion Share) for the Period, representing a dividend and distribution payout ratio of 60% based on the net profit generated for the Period. The interim dividend and distribution shall be paid on Tuesday, 13 September 2016.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME**

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(Reclassified)</i>
<b>Revenue</b>	2	<b>288,479</b>	261,449
Cost of sales		<u>(81,733)</u>	<u>(78,361)</u>
<b>Gross profit</b>		<b>206,746</b>	183,088
Other income		<b>2,325</b>	2,779
Administrative expenses		<b>(24,496)</b>	(22,134)
Other operating expenses		<u>(55,636)</u>	<u>(49,797)</u>
<b>Profit before taxation</b>	3	<b>128,939</b>	113,936
Income tax	4	<u>(3,752)</u>	<u>(12,916)</u>
<b>Profit attributable to owners of the Company</b>		<u><b>125,187</b></u>	<u>101,020</u>
<b>Earnings per share (US cents)</b>			
<b>Basic</b>	6	<u><b>5.51</b></u>	<u>4.45</u>
<b>Diluted</b>	6	<u><b>5.26</b></u>	<u>4.45</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit for the period</b>	<b>125,187</b>	<b>101,020</b>
<b>Other comprehensive income for the period:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange adjustments	<u>864</u>	<u>-</u>
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<u><b>126,051</b></u>	<u><b>101,020</b></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>533,530</b>	407,080
Interest in leasehold lands held for own use under operating lease		<b>1,306</b>	1,308
Intangible assets	9	<b>67,975</b>	69,748
Prepayments for Construction and fitting-out		<b>66,726</b>	47,003
Prepayments – non-current		<b>1,150</b>	689
Promissory notes	10	<b>7,969</b>	6,885
		<u><b>678,656</b></u>	<u>532,713</u>
<b>Current assets</b>			
Consumables		<b>1,044</b>	1,177
Trade and other receivables	11	<b>90,699</b>	45,999
Pledged deposits		<b>683</b>	-
Cash and cash equivalents		<b>135,325</b>	143,081
		<u><b>227,751</b></u>	<u>190,257</u>
<b>Current liabilities</b>			
Trade and other payables	12	<b>39,736</b>	34,824
Current tax liability		<b>2,384</b>	1,570
		<u><b>42,120</b></u>	<u>36,394</u>
<b>Net current assets</b>		<u><b>185,631</b></u>	<u>153,863</u>
<b>NET ASSETS</b>		<u><b>864,287</b></u>	<u>686,576</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>28,375</b>	28,375
Reserves		<b>835,912</b>	658,201
<b>TOTAL EQUITY</b>		<u><b>864,287</b></u>	<u>686,576</u>

*Notes:*

**1. Basis of preparation and principal accounting policies**

The unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) 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 “Stock Exchange” and the “Listing Rules”, respectively).

The unaudited condensed consolidated interim financial information has been prepared on the historical basis.

The unaudited 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 2015. The unaudited 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 IASB, and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 (the “2015 annual financial statements”).

Certain comparative figures were reclassified to conform with the presentation of the Period.

Except as described below, the unaudited 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 2015 annual financial statements.

**Convertible bonds**

Convertible bonds that contain conversion option are classified into equity or liability on initial recognition according to the terms of the convertible bonds.

The convertible bonds issued by the Company on 17 May 2016 (the “Convertible Bonds”) are on a perpetual basis with no maturity date and the holder of the Convertible Bonds is not entitled to request the Company to redeem the bonds for cash. In addition, the conversion option will be settled by exchanging the Company’s new Shares, at the option of the holder of the Convertible Bonds, pursuant to the terms of the Convertible Bonds. The Convertible Bonds as a whole are therefore classified as equity instruments and the fair value of which is included in equity upon initial recognition.

In subsequent periods, the Convertible Bonds will remain in equity until the embedded option is exercised (in which case the balance stated in Convertible Bonds will be transferred to share capital and share premium). No gain or loss is recognised upon conversion of the Convertible Bonds.

Transaction costs that relate to the issue of the Convertible Bonds are charged directly to equity.

**Share-based payments**

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

**Adoption of new or revised standards and interpretations effective on 1 January 2016:**

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Venture
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements

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

## New or revised IFRSs that have been issued but not yet effective

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 Period and which have not been early adopted in these condensed consolidated financial statements.

		<b>Effective for accounting period beginning on or after</b>
IFRS 9 (2014)	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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. Presently, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

## 2. Revenue

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Reclassified)</i>
Casino operations – gaming tables	<b>173,602</b>	163,326
Casino operations – electronic gaming *	<b>103,500</b>	88,108
Hotel room income, sales of food and beverage and others	<b>11,377</b>	10,015
	<b>288,479</b>	261,449

\* During the Period, revenue from electronic gaming included a fee of US\$60.0 million ("2016 EGM Fee") from certain investors for the placement and operating of electronic gaming machines ("EGM") in NagaWorld. During the Period, US\$30.0 million of the 2016 EGM Fee had been collected. The remaining US\$30.0 million is expected to be collected by year end and is included as trade receivables at the end of the Period. During the six months ended 30 June 2015, revenue from electronic gaming included negotiation fees of US\$40.0 million from investors for exclusive negotiation of the placement of EGM in NagaWorld.

## 3. Profit before taxation

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Amortisation of casino licence premium	<b>1,773</b>	1,773
Depreciation and amortisation	<b>21,909</b>	17,111
Staff costs		
– Salaries, wages and other benefits	<b>32,515</b>	30,641
– Contributions to defined contribution retirement scheme	<b>26</b>	24

#### 4. Income tax

Income tax in the profit or loss represents:

The monthly gaming obligation payment of (1) US\$410,987 (six months ended 30 June 2015: US\$365,322) and monthly non-gaming obligation payment of (2) US\$214,338 (six months ended 30 June 2015: US\$214,338) payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, branches registered in Cambodia. The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Period (six months ended 30 June 2015: Nil).

During the period ended 30 June 2015, having discussed with the MOEF, the Group paid an additional non-gaming obligation payment of US\$9,438,000 to the MOEF in respect of previous periods.

As at the date of this announcement, there is no additional non-gaming obligation, if any, for the Period. The final outcome is subject to future developments in this matter.

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax expense		
– Current period	3,752	3,478
– Additional non-gaming obligation payment	-	9,438
	<u>3,752</u>	<u>12,916</u>

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

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period		
2016: US cents 2.77 per Share	62,938	-
2015: US cents 2.67 per Share	-	60,612
	<u>62,938</u>	<u>60,612</u>

The final dividend of US\$42,962,000 for the year ended 31 December 2015 was proposed in February 2016 and paid in May 2016.

As further detailed in note 13, distributions on Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed distributions on the Convertible Bonds is US\$12,174,000 (six months ended 30 June 2015: Nil) accordingly.

#### 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\$125,187,000 (six months ended 30 June 2015: US\$101,020,000) and the weighted average number of Shares of 2,269,988,875 (six months ended 30 June 2015: 2,269,992,190) in issue during the Period.

The calculation of diluted earnings per Share for the Period is based on the consolidated profit attributable to owners of the Company of US\$125,187,000 and weighted average number of Shares of 2,378,550,722 adjusted for the dilutive potential Shares as a result of issuance of the Convertible Bonds (*note 13*).

There were no dilutive potential Shares in existence during the six months ended 30 June 2015.

## 7. Segment information

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

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

### *Segment revenue and results*

The SEM monitors the revenue and results, attribute to each reportable segment as follows:

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.

Segment revenue and results are the measure reported to the SEM for the purpose of resource allocation and performance assessment. No segment assets and liabilities are presented as the information is not reported to the SEM in the resource allocation and assessment of performance.

	<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>
<b>Segment revenue:</b>			
<b>Six months ended 30 June 2016 (Unaudited):</b>			
Revenue from external customers	277,102	11,377	288,479
Inter-segment revenue	-	9,675	9,675
Reportable segment revenue	<u>277,102</u>	<u>21,052</u>	<u>298,154</u>
<b>Six months ended 30 June 2015 (Unaudited): (Reclassified)</b>			
Revenue from external customers	251,434	10,015	261,449
Inter-segment revenue	-	3,646	3,646
Reportable segment revenue	<u>251,434</u>	<u>13,661</u>	<u>265,095</u>
<b>Segment profit / (loss):</b>			
<b>Six months ended 30 June (Unaudited)</b>			
2016	153,830	6,039	159,869
2015	<u>146,471</u>	<u>(6,324)</u>	<u>140,147</u>



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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Reclassified)</i>
<b>Revenue</b>		
Reportable segment revenue	<b>298,154</b>	265,095
Elimination of inter-segment revenue	<b>(9,675)</b>	(3,646)
	<u><b>288,479</b></u>	<u>261,449</u>
<b>Profit</b>		
Reportable segment profit	<b>159,869</b>	140,147
Other revenue	<b>267</b>	390
Depreciation and amortisation	<b>(23,682)</b>	(18,884)
Unallocated head office and corporate expenses	<b>(7,515)</b>	(7,717)
	<u><b>128,939</b></u>	<u>113,936</u>

#### **8. Property, plant and equipment**

During the Period, the Group acquired property, plant and equipment totalling US\$148,756,000 (six months ended 30 June 2015: US\$32,451,000); which included US\$95,000,000 in respect of acquisition of NagaCity Walk, and US\$52,617,000 in respect of capital work in progress mainly in relation to construction within NagaWorld.

#### **9. Intangible assets**

The intangible assets include the casino licence premium, and the exclusivity premium of the casino licence for the exclusivity period to the end of 2035; in total consideration of US\$108,000,000, less accumulated amortisation of US\$40,025,000 (31 December 2015: US\$38,252,000).

#### **10. Promissory notes**

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately US\$7,969,000) (31 December 2015: US\$6,885,000) bought from a bank in Russia bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023. The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group's gaming and resort development project in Russia.

## 11. Trade and other receivables

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables, net of allowance for impairment loss	<b>47,863</b>	11,602
Deposits, prepayments and other receivables	<b>42,836</b>	34,397
	<b>90,699</b>	45,999

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

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current to within 1 month	<b>46,112</b>	8,864
1 to 3 months	<b>366</b>	1,015
3 to 6 months	<b>784</b>	190
6 to 12 months	-	-
More than 1 year	<b>601</b>	1,533
	<b>47,863</b>	11,602

The credit policy for gaming receivables is five to thirty days (31 December 2015: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2015: thirty days from end of month). Included in trade receivables is an amount of US\$30.0 million receivable from the 2016 EGM Fee as mentioned in note 2 above, which is expected to be collected by year end.

## 12. Trade and other payables

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables	<b>2,561</b>	2,624
Unredeemed casino chips	<b>17,428</b>	16,089
Deferred revenue	<b>2,144</b>	1,649
Deposits	<b>1,080</b>	718
Construction creditors	<b>4,693</b>	3,333
Accruals and other creditors	<b>11,830</b>	10,411
	<b>39,736</b>	34,824

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

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Due within 1 month or on demand	<b>2,496</b>	2,606
Due after 1 month but within 3 months	<b>47</b>	-
Due after 3 months but within 6 months	-	-
Due after 6 months but within 1 year	-	-
Due after 1 year	<b>18</b>	18
	<hr/>	<hr/>
	<b>2,561</b>	2,624
	<hr/> <hr/>	<hr/> <hr/>

### 13. Convertible bonds

On 17 May 2016, the Company issued the Convertible Bonds with a principal amount of US\$94,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. (as mentioned in note 14). The Convertible Bonds are denominated in United States dollars. The Convertible Bonds can be converted into Shares of the Company at the bondholder's option in accordance with terms of the Convertible Bonds. Based on the initial conversion price of HK\$1.6699 (equivalent to US\$0.2141) of the Convertible Bonds, 439,072,360 new ordinary shares (the "Conversion Shares") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds. Pursuant to the terms of the Convertible Bonds, the conversion price and the number of Conversion Shares in respect of the Convertible Bonds are subject to further adjustment in the event of any future capital restructuring. Distributions on the Convertible Bonds will be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the holder of the Convertible Bonds on the date on which the relevant dividend is paid to the Shareholders.

On initial recognition, the fair value of the Convertible Bonds amounting to US\$94,622,000 was determined by the fair value of the assets and liabilities acquired through acquisition of subsidiaries as detailed in note 14 and were included in equity.

Proposed distributions on the Convertible Bonds after the end of the reporting period amounted to US\$12,174,000 (six months ended 30 June 2015: Nil).

### 14. Acquisition of assets and liabilities through acquisition of subsidiaries

On 17 May 2016, the Group acquired 100% of the equity interest of TanSriChen (Citywalk) Inc. and its wholly-owned subsidiary (collectively the "Citywalk Group") which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of US\$94,000,000 which was satisfied by the issuance of the Convertible Bonds by the Company (note 13).

The fair value of identifiable assets and liabilities of the Citywalk Group as at the date of acquisition were:

	US\$'000
	<i>(Unaudited)</i>
Property, plant and equipment (note 8)	95,000
Interest in leasehold land held for own use under operating lease	20
Amount due to a holding company	(137)
Other payables	(261)
	<hr/>
	<b>94,622</b>
	<hr/> <hr/>

The fair value of consideration transfer:	US\$'000 <i>(Unaudited)</i>
Issuance of the Convertible Bonds with a principal amount of US\$94,000,000, at fair value <i>(note 13)</i>	<u>94,622</u>

Since the acquisition was considered as an acquisition of assets and liabilities and the consideration is accounted for as settled by the Company's equity instruments (i.e. the Convertible Bonds), it was an equity-settled share-based payment transaction and accordingly the fair value of the Convertible Bonds issued in connection with the acquisition is determined based on the fair value of the identifiable assets and liabilities acquired which amounted to US\$94,622,000.

**MARKET REVIEW**

The Cambodian economy continued to register stable growth. The International Monetary Fund is projecting Cambodia's real Gross Domestic Product to grow at 7% in both 2016 and 2017, with an inflation rate of 2.1% and 2.8%, respectively.

Visitation to Cambodia continued to grow with international arrivals increasing by 2.4% to 2.0 million visitors in the first five months of 2016 compared to the same period in 2015. Visitor arrivals to Phnom Penh International Airport increased by 10% over the same period. The top three countries where visitors originated from were Vietnam (19%), China (16%) and Korea (8%), together accounting for 43% of total arrivals to Cambodia. In particular, visitors from China increased by 12% year-on-year to 325,206 visitors during the first five months of 2016 (Source: Ministry of Tourism, Cambodia). Visitor growth continues to be one of the growth drivers of the Group's business.

NagaWorld, which is situated in the Cambodian capital city of Phnom Penh, recorded gross gaming revenue ("GGR") growth of 10%, compared to an 11% decline in GGR in the first half of 2016 ("1H2016") for Macau. For the Period, the Group's net profit increased by 24% to US\$125.2 million. The positive results were attributable to an increase in business volume across all segments of the gaming business. In addition, the Group earned a fee of US\$60.0 million from electronic gaming which was recorded as EGM revenue for the Period. In comparison, during first half of 2015 ("1H2015"), the Group received a non-refundable EGM negotiation fee amounting to US\$40.0 million from investors for exclusive negotiation of the placement of up to 300 EGM in NagaWorld. As at 30 June 2016, NagaWorld had 296 gaming tables and 1,662 EGM in place.

**BUSINESS REVIEW**
**Table 1: Performance Highlights**

For the Period and comparative periods:

	<b>1H2016</b> <i>US\$'000</i>	1H2015 <i>US\$'000</i> <i>(Reclassified)</i>	Increase/ (Decrease) %
<b>Mass Market: Public Floor Tables</b>			
– Buy-ins	<b>305,569</b>	261,951	17
– Win rate	<b>20.3%</b>	21.3%	
– Revenue	<b>61,972</b>	55,874	11
– No. of tables at end of period	<b>87</b>	85	2
<b>Mass Market: EGM</b>			
– Bills-in	<b>741,770</b>	629,284	18
– Win rate	<b>8.5%</b>	10.7%	
– Revenue	<b>103,500</b>	88,108	17
– No. of machines at end of period	<b>1,662</b>	1,600	4
<b>VIP Market</b>			
– Rollings	<b>4,549,246</b>	3,624,742	26
– Win rate	<b>2.5%</b>	3.0%	
– Revenue	<b>111,630</b>	107,542	4
– No. of tables at end of period	<b>209</b>	176	19
<b>Gross Gaming Revenue</b>	<b>277,102</b>	251,434	10

## Mass Market (Public Floor Tables and EGM)

The Group achieved growth in the Mass Market segment with a 17% increase in Public Floor Tables buy-ins and an 18% increase in EGM bills-in. The business volume growth is attributable to visitor growth to the property and successful operational efficiencies implemented in 2015 that continued to provide convenience for players at the gaming tables and EGM.

The implementation of table buy-ins for all Public Floor Tables in 2015 continued to drive incremental growth in business volumes. In addition, the Group's collaboration with Chinese outbound travel agents and an independent airline operator to bring Chinese visitors into Cambodia contributed positively to visitor growth of the property. In January 2016, the independent airline operator commenced thrice weekly scheduled flights from the Chinese cities of Changsha and Xian to Cambodia.

During the Period, EGM revenue grew by 17%, as a result of an 18% increase in bills-in and the receipt of 2016 EGM Fee. The installation of "ticket-in, ticket-out" system to all EGM in 2015 continued to contribute incremental growth in bills-in.

As at 30 June 2016, the Group's loyalty program, the Golden Edge Rewards Club had approximately 13,900 active Mass Market members (31 December 2015: 12,200). This allows the Group to continue its efforts to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

## VIP Market

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

Rollings under the incentive program continued to grow with a sequential increase in 1H2016 compared to the second half of 2015. VIP rollings increased by 26% to US\$4.5 billion with a win rate of 2.5%. Despite a lower win rate during the Period, VIP Market revenue grew by 4% to US\$111.6 million. Since January 2016, the Group revised its overseas junket incentive program to improve its margins as it captures a larger share of the Asian VIP Market.

## Non-Gaming – Hotel, Food & Beverage and Entertainment

Non-gaming revenue increased by 14% to US\$11.4 million, primarily resulting from higher occupancy, in particular, with the growth of Chinese tour groups brought in under the Group's collaboration with Chinese outbound travel agents.

## Revenue and Gross Profit Analysis

Table 2(a)

1H2016	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	165.5	57	162.7	79	98
VIP Market	111.6	39	34.8	17	31
Non-Gaming	11.4	4	9.2	4	81
Total	288.5	100	206.7	100	72

**Table 2(b)**

1H2015	Revenue ( <i>reclassified</i> )		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	143.9	55	140.7	77	98
VIP Market	107.5	41	34.3	19	32
Non-Gaming	10.0	4	8.1	4	81
Total	261.4	100	183.1	100	70

The Group recorded a gross profit increase of 13% to US\$206.7 million for the Period. Overall gross profit margin increased to 72%. The increase in gross profit of the Mass Market by 16% to US\$162.7 million was driven by higher Public Floors Tables buy-ins, EGM bill-ins and the receipt of the 2016 EGM Fee. The Mass Market continued to generate a high margin of 98%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 4% to US\$55.2 million during the Period. This marginal increase in expenses was attributed to prudent cost control to support the higher business volume across all segments. The Group continued to hire experienced and qualified staff to facilitate regional marketing efforts and ongoing property enhancements at NagaWorld.

### **Finance Costs**

The Group did not incur any finance costs during the Period.

### **Net Profit**

Net profit attributable to the shareholders of the Group, or net profit, increased by 24% to US\$125.2 million for the Period. Net profit margin for the Period increased to 43% attributed to better cost control, 2016 EGM Fee and lower tax expenses.

Basic earnings per Share were US cents 5.51 (HK cents 42.70) and US cents 4.45 (HK cents 34.49) for the 1H2016 and 1H2015, respectively.

Diluted earnings per Share were US cents 5.26 (HK cents 40.77 per Share) and US cents 4.45 (HK cents 34.49 per Share) for 1H2016 and 1H2015, respectively.

## **FINANCIAL REVIEW**

### **Pledge of Assets**

As at 30 June 2016, the Group had the Promissory Notes amounting to US\$8.0 million (31 December 2015: US\$6.9 million) and pledged deposits for issuance of a bank guarantee of US\$0.7 million (31 December 2015: Nil).

### **Contingent Liabilities**

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Tan Sri Dr Chen Lip Keong (“Dr Chen”), the CEO of the Company, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,051,000 (the “2015 Bonus Entitlement”) for the financial year ended 31 December 2015.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such payment. The Company and Dr Chen agreed that it is in the interests of the Company to defer the obligation to make the payment of the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators set for the year ending 31 December 2016 (the “KPIs”). For record purposes, Dr Chen has foregone bonus of US\$18.6 million from the financial years 2010 to 2014.

The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement shall be extended to the financial years ending 31 December 2016 and 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

Except for the above and as disclosed elsewhere in the Group’s interim financial information, there were no other contingent liabilities as at 30 June 2016.

### **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 Riel and Russian Ruble. The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

### **Issue of New Shares**

No Shares were issued by the Company during the Period.

### **Issue of Convertible Bonds**

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of US\$94.0 million which was satisfied by the issuance of the Convertible Bonds by the Company in accordance with the terms of the share purchase agreement dated 13 June 2011, as supplemented by supplemental agreements dated 28 December 2011 and 28 December 2015, entered into between the Company and Dr Chen (the “Share Purchase Agreement”).

Based on the initial conversion price of HK\$1.6699 (equivalent to US\$0.2141) of the Convertible Bonds, 439,072,360 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full. Pursuant to the terms of the Convertible Bonds, the conversion price and the number of Conversion Shares are subject to further adjustment in the event of any future capital restructuring.

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

As at 30 June 2016, the Group had total cash and cash equivalents and pledged deposits of US\$136.0 million (31 December 2015: US\$143.1 million).

As at 30 June 2016, the Group had net current assets of US\$185.6 million (31 December 2015: US\$153.9 million). The Group had net assets of US\$864.3 million as at 30 June 2016 (31 December 2015: US\$686.6 million).

As at 30 June 2016 and 31 December 2015 respectively, the Group had no outstanding external borrowings. The Group has continued to remain ungeared.

### **Capital and Reserves**

As at 30 June 2016, the capital and reserves attributable to owners of the Company was US\$864.3 million (31 December 2015: US\$686.6 million).



## **Employees**

As at 30 June 2016, the Group employed a total work force of 6,036 (31 December 2015: 5,763), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the Period were US\$32.5 million (six months ended 30 June 2015: US\$30.7 million).

## **Employee Benefits**

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

## **Trade Receivables and Credit Policy**

The Group continues to monitor the changes in trade receivables. The increase in net trade receivables from US\$11.6 million to US\$47.9 million during the Period was due to US\$30.0 million receivable from the 2016 EGM Fee as mentioned in note 2 above.

During the Period, the Group prudently made provision for impairment loss of US\$0.8 million (six month ended 30 June 2015: Nil).

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

## **Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries**

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of US\$94.0 million which was satisfied by the issuance of the Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement.

Based on the initial conversion price of HK\$1.6699 (equivalent to US\$0.2141) of the Convertible Bonds, 439,072,360 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full. Pursuant to the terms of the Convertible Bonds, the conversion price and the number of Conversion Shares are subject to further adjustment in the event of any future capital restructuring.

Immediately following the completion of the acquisition, the Citywalk Group became a wholly-owned subsidiary of the Company and the financial results of the Citywalk Group has been consolidated into the Group.

## **Events after Reporting Period**

No major subsequent events has occurred since the end of the Period and up to the date of this announcement.

## **PROJECT UPDATES AND PROSPECTS**

### **Update on NagaCity Walk and Naga2**

Reference is made to the announcements of the Company dated 13 June 2011, 28 December 2011 and 29 December 2015, and the Circular, in relation to the acquisition by the Company of the NagaCity Walk Project and the TSCLK Project.

As disclosed in the announcement of the Company dated 29 December 2015, the Company and Dr Chen entered into a second supplemental agreement on 28 December 2015 to extend the completion date for the sale and purchase of the NagaCity Walk and the TSCLK Complex from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the Company and Dr Chen may agree in writing).

On 17 May 2016, pursuant to the Share Purchase Agreement, Dr Chen notified the Company of his election of split completion, whereby the NagaCity Walk completion would take place in advance of the TSCLK Complex completion. The NagaCity Walk completion, comprising the transfer of the entire issued share capital of TanSriChen (Citywalk) Inc. to the Company and the issue of the Convertible Bonds to Dr Chen took place on 17 May 2016.

Located right next to NagaWorld, NagaCity Walk offers duty-free shopping operated by China Duty Free Group (“CDFG”) as its anchor tenant. CDFG has scheduled an opening ceremony in NagaCity Walk in August 2016. It is expected that the opening of NagaCity Walk will draw more visitation from China to NagaWorld which further strengthens NagaWorld’s position as a leading integrated gaming and entertainment destination in the Mekong region.

Dr Chen has made considerable progress in development of the TSCLK Complex Project during the Period. It is expected that the TSCLK Complex will be operational in 2017.

### **Update on the Investment Project in Vladivostok**

Piling work on site commenced in 2016 in respect of the Group’s gaming and resort development project in Vladivostok, Russia; while an office has been established in the city centre and a certain number of key personnel have been appointed to monitor various aspects of the progress of the project, which remains broadly on schedule for operation by 2018.

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

### **Prospects**

Cambodia continues to attract visitors from both China and other nations; benefiting from its appeal as a tourism destination and the abundance of business opportunities that exist in an emerging economy with political stability. According to Ministry of Tourism Cambodia, Cambodia is expected to attract nearly 1.0 million Chinese visitors in 2016 and targeting to attract up to 2.0 million Chinese visitors by 2020 (Source: Chinadaily.com, 25 June 2016). The Group’s property, NagaWorld - one of the main tourist destinations located in the city centre of Phnom Penh, is poised to benefit from this growth.

The Group’s collaboration with Chinese outbound travel agents and an independent airline operator to bring Chinese visitors into Cambodia since 2015 has made a positive contribution. As a result, the Group is targeting additional cities later this year and continuing to promote Phnom Penh as a tourist destination for Chinese visitors by improving accessibility to Phnom Penh.

The Group aspires to further penetrate the regional gaming markets of both the VIP Market and Mass Market, by offering attractive commercial terms to junket operators and agents as a result of NagaWorld’s low cost structure. The 26% increase in VIP rollings during the Period demonstrates the success of NagaWorld’s incentive program in promoting NagaWorld to a wider range of operators and players in the region.

The Group continued its efforts to provide internationally recognised products and services to both gaming and non-gaming patrons whilst continuing to grow market share through its unique position in the region. The opening of the NagaCity Walk in August 2016 will mark a significant step in the Group's development. NagaCity Walk will enhance the overall retail experience available to patrons and further strengthen NagaWorld's appeal to both the VIP Market and Mass Market. CDFG, the largest duty-free operator in China, has leased about 3,900 square metres in the NagaCity Walk to operate duty-free shopping at the premises. In addition, the expected opening of the TSCLK complex in 2017 is expected to enhance NagaWorld's appeal to both the Mass Market and VIP Market across the region.

#### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

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

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

#### **AUDIT COMMITTEE**

The unaudited interim results for the Period 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.

The unaudited interim results for the Period have also been reviewed by the external auditor of the Company.

#### **INTERIM DIVIDEND AND DISTRIBUTION**

The Board has resolved to declare payment of an interim dividend for Shareholders and a distribution for the holder of the Convertible Bonds of US cents 2.77 per Share/Conversion Share (or equivalent to HK cents 21.47 per Share/Conversion Share) for the Period. This represents a payout ratio of approximately 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 24 August 2016.

Pursuant to the terms and conditions of the Convertible Bonds, distributions on the Convertible Bonds shall be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the holder of the Convertible Bonds on the same date on which the relevant dividend is paid to the Shareholders. Distribution on the Convertible Bonds will be paid to the holder shown on the register of bondholders at the close of business on Tuesday, 6 September 2016, pursuant to the terms and conditions of the Convertible Bonds.

The interim dividend and distribution shall be paid on Tuesday, 13 September 2016.

## **CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF BONDHOLDERS**

For the purpose of determining the following entitlements:-

(i) Interim dividend for the Period

The Company's register of members will be closed on Wednesday, 24 August 2016, on which no transfer of Shares will be registered. The ex-dividend date will be Monday, 22 August 2016. In order to qualify for the interim dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 August 2016.

(ii) Distribution for the Period

Pursuant to the terms and conditions of the Convertible Bonds, the register of bondholders will be closed from Wednesday, 31 August 2016 to Tuesday, 6 September 2016, during which no transfer of Convertible Bonds will be registered.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, the Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities.

## **PUBLICATION OF FINANCIAL INFORMATION**

This announcement is available for viewing on the Company's website at [www.nagacorp.com](http://www.nagacorp.com) and the website of Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the Period containing, among others, the interim financial information of the Group will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 8 August 2016

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

*Executive Directors*

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck, Chen Yiy Fon 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

For the purpose of this announcement, amounts denominated in US\$ have been converted to HK\$ and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2015: HK\$7.75) and US\$1.0 to RUB64.26 (as at 31 December 2015: RUB72.88).