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 2018

Unaudited condensed consolidated interim results for the six months ended 30 June 2018

- Gross gaming revenue increased by 85% to US$713.9 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 29% to US$232.7 million
- Net profit increased by 20% to US$180.1 million
- VIP rollings increased by 117% to US$16.8 billion
- Mass Market table buy-ins increased by 53% to US$573.8 million
- Mass Market EGM bills-in increased by 22% to US$1.0 billion
- Basic earnings per share of US cents 4.15
- An interim dividend for Shareholders of US cents 2.49 per Share (or equivalent to HK cents 19.30 per Share) has been declared, representing a payout ratio of 60% based on the net profit generated for the Period. The interim dividend shall be paid on Monday, 10 September 2018.

The board of directors (the “Board”) of NagaCorp Ltd. (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2018 (the “Period”). The Board has resolved to declare an interim dividend for shareholders of the Company (the “Shareholders”) of US cents 2.49 per ordinary share of the Company (the “Shares”) (or equivalent to HK cents 19.30 per Share) for the Period, representing a dividend payout ratio of 60% based on the net profit generated for the Period. The interim dividend shall be paid on Monday, 10 September 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Six months ended 30 June	
		2018	2017
	Notes	***US$'000***	*US$'000*
		(Unaudited)	*(Unaudited)*
Revenue	*2*	**732,955**	401,598
Cost of sales		**(423,456)**	(161,719)
Gross profit		**309,499**	239,879
Other income		**4,417**	3,335
Administrative expenses		**(35,200)**	(27,001)
Other operating expenses		**(90,684)**	(61,521)
Profit from operations		**188,032**	154,692
Finance costs	*3*	**(3,494)**	-
Profit before taxation	*4*	**184,538**	154,692
Income tax	*5*	**(4,407)**	(4,060)
Profit attributable to owners of the Company		**180,131**	150,632
Earnings per share (US cents)			
Basic	*7*	**4.15**	6.12
Diluted	*7*	**4.15**	3.47

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	**180,131**	150,632
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
- exchange differences from translation of foreign operations	**(596)**	1,293
Total comprehensive income attributable to owners of the Company for the period	**179,535**	151,925

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 US$'000 (Unaudited)**	31 December 2017 US$'000 (Audited)
Non-current assets			
Property, plant and equipment	*9*	**1,224,232**	1,121,737
Interest in leasehold land held for own use under operating lease		**26,792**	26,950
Intangible assets	*10*	**60,881**	62,654
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		**77,423**	85,343
Promissory notes	*11*	**9,174**	9,584
		1,398,502	1,306,268
Current assets			
Consumables		**1,738**	1,795
Trade and other receivables	*12*	**141,594**	101,417
Cash and cash equivalents		**343,779**	52,794
		487,111	156,006
Current liabilities			
Trade and other payables	*13*	**96,806**	77,948
Contract liabilities		**9,861**	-
Current tax liability		**2,077**	1,781
		108,744	79,729
Net current assets		**378,367**	76,277
Total assets less current liabilities		**1,776,869**	**1,382,545**
Non-current liabilities			
Senior notes	*15*	**290,646**	-
Contract liabilities		**48,521**	-
		339,167	-
NET ASSETS		**1,437,702**	1,382,545
CAPITAL AND RESERVES			
Share capital		**54,263**	54,263
Reserves		**1,383,439**	1,328,282
TOTAL EQUITY		**1,437,702**	1,382,545

Notes:

1. Basis of preparation and principal accounting policies

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

The unaudited condensed consolidated financial statements contain 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 2017. The unaudited condensed consolidated financial statements 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 2017 (the "2017 annual financial statements").

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

Except as disclosed below, unaudited condensed consolidated financial information has been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in its 2017 annual financial statements.

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

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

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

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

(i) Classification and measurement of financial instruments

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

IFRS 9 basically retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

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

Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment of financial assets

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

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

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

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

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

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

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

The following tables summarised the impact of adopting IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of income for the six months ended 30 June 2018. There was no material impact on the Group's condensed consolidated statement of cash flows for the six months period ended 30 June 2018.

Impact on the condensed consolidated statement of financial position as of 30 June 2018 (increase/(decrease)):

	US$'000
Equity	
Retained earnings *(note 1B(a))*	(57,271)
Total equity	(57,271)
Current liabilities	
Trade and other payables	
- Deferred revenue *(note 1B(b))*	(1,111)
Contract liabilities *(note 1B(a) and 1B(b))*	9,861
Total current liabilities	8,750
Non-current liabilities	
Contract liabilities *(note 1B(a) and 1B(b))*	48,521
Total non-current liabilities	48,521

The impact on the condensed consolidated statement of income for the six months ended 30 June 2018 (increase/(decrease)):

	US$'000
Revenue *(notes 1B(a))*	4,375
Profit before taxation	4,375
Income tax	-
Profit for the Period	4,375
Total comprehensive income for the Period	4,375

(a) Timing of revenue recognition of licence fee income

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

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

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

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

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

(b) Presentation of contract liabilities

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

Contract liabilities recognised in relation to gaming and hotel and entertainment operations were previously presented as deferred revenue.

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	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Casino operations – gaming tables	**653,958**	285,009
Casino operations – electronic gaming machines *	**59,908**	101,795
Hotel room income, sales of food and beverage and others	**19,089**	14,794
	732,955	401,598

* During the six months ended 30 June 2017, revenue from EGM included a fee of US$60.0 million earned in respect of the assignment of a licensing right to certain investors to operate a number of EGM for a period of 10 years. No similar fee was earned in the current Period.

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

	30 June 2018	1 January 2018
	$'000	$'000
	(Unaudited)	(Unaudited)
Receivables	**95,278**	58,336
Contract liabilities	**58,382**	62,919

The contract liabilities mainly relate to the advance consideration received from customers. US$4,537,000 of the contract liabilities as of 1 January 2018 has been recognised as revenue for the Period from performance obligations satisfied during the Period.

3. Finance costs

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interest expenses and transaction costs relating to senior notes *(Note 15)*	**3,494**	-

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Amortisation of casino licence premium	**1,773**	1,773
Depreciation and amortisation	**42,920**	24,527
Staff costs		
– Salaries, wages and other benefits	**45,768**	34,560
– Contributions to defined contribution retirement scheme	**24**	21

5. Income tax

Income tax in the profit or loss represents:

The monthly gaming obligation payment of (1) US$520,157 (six months ended 30 June 2017: US$462,362) and monthly non-gaming obligation payment of (2) US$214,338 (six months ended 30 June 2017: US$214,338) payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, branches registered in Cambodia. The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Period (six months ended 30 June 2017: Nil).

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Current tax expense		
- Current period	**4,407**	4,060

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

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

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interim dividend declared after the end of reporting period		
2018: US cents 2.49 per Share	**108,079**	-
2017: US cents 2.08 per Share	**-**	90,379
	108,079	90,379

The final dividend of US$62,732,000 for the year ended 31 December 2017 was proposed in February 2018 and paid in May 2018.

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US$180,131,000 (six months ended 30 June 2017: US$150,632,000) and the weighted average number of shares of 4,341,008,041 (six months ended 30 June 2017: 2,459,988,875) in issue during the Period.

There were no dilutive potential shares during the Period.

The calculation of diluted earnings per share for the six months ended 30 June 2017 was based on the consolidated profit attributable to owners of the Company of US$150,632,000 and weighted average number of shares of 4,341,008,041 adjusted for the dilutive potential shares as a result of outstanding convertible bonds during that period *(note 14)*.

	Number of Shares Six months ended 30 June 2018	2017
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**4,341,008,041**	2,459,988,875
Effect of dilution – weighted average number of shares:		
- Convertible bonds	**-**	1,881,019,166
Weighted average number of shares for the purposes of diluted earnings per share	**4,341,008,041**	4,341,008,041

8. Segment information

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

- Casino operations: this segment comprises all gaming activities at both Naga1 and Naga2 ("combined NagaWorld complex").
- 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 attributable 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.

	Casino operations *US$'000*	**Hotel and entertainment operations** *US$'000*	**Total** *US$'000*
Segment revenue:			
Six months ended 30 June 2018 (Unaudited):			
Timing of revenue recognition			
At a point in time	**691,841**	**10,710**	**702,551**
Transferred overtime	**22,025**	**8,379**	**30,404**
Revenue from external customers	**713,866**	**19,089**	**732,955**
Inter-segment revenue	**(865)**	**7,242**	**6,377**
Reportable segment revenue	**713,001**	**26,331**	**739,332**
Six months ended 30 June 2017 (Unaudited):			
Revenue from external customers	386,804	14,794	401,598
Inter-segment revenue	(1,600)	15,006	13,406
Reportable segment revenue	385,204	29,800	415,004

	Casino operations	Hotel and entertainment operations	Total
	US$'000	*US$'000*	*US$'000*
Segment profit:			
Six months ended 30 June (Unaudited)			
2018	**237,683**	**2,728**	**240,411**
2017	177,272	12,613	189,885

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

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Reportable segment revenue	**739,332**	415,004
Elimination of inter-segment revenue	**(6,377)**	(13,406)
Consolidated revenue	**732,955**	401,598
Profit		
Reportable segment profit	**240,411**	189,885
Other revenue	**219**	-
Depreciation and amortisation	**(44,693)**	(26,300)
Unallocated head office and corporate expenses	**(11,399)**	(8,893)
Consolidated profit before taxation	**184,538**	154,692

9. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling US$145,256,000 (six months ended 30 June 2017: US$183,391,000).

10. 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$47,119,000 (31 December 2017: US$45,346,000).

11. Promissory notes

On 6 September 2013, the Company entered into an investment agreement (the "Investment Agreement") with certain Russian governmental authorities pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately US$350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("PERC"). This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, PERC purchased these promissory notes in Rubles to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately US$9,174,000) (31 December 2017: US$9,584,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

12. Trade and other receivables

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Trade receivables, net of allowance for impairment loss	**95,278**	58,336
Deposits, prepayments and other receivables	**46,316**	43,081
	141,594	101,417

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

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Current to within 1 month	**86,565**	47,111
1 to 3 months	**1,219**	2,329
3 to 6 months	**3,890**	6,095
6 to 12 months	**1,421**	163
More than 1 year	**2,183**	2,638
	95,278	58,336

The credit policy for gaming receivables is five to thirty days (31 December 2017: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2017: thirty days from end of month).

13. Trade and other payables

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Trade payables	**2,694**	2,590
Unredeemed casino chips	**31,233**	24,391
Deferred revenue	**-**	1,273
Deposits	**13**	680
Construction creditors	**8,286**	7,039
Accruals and other creditors	**54,580**	41,975
	96,806	77,948

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

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Due within 1 month or on demand	**2,694**	2,590
Due after 1 month but within 3 months	**-**	-
Due after 3 months but within 6 months	**-**	-
Due after 6 months but within 1 year	**-**	-
Due after 1 year	**-**	-
	2,694	2,590

14. Convertible bonds

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

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

15. Senior notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of US$300,000,000 with maturity on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be convertible into Shares.

The obligations under the Senior Notes are secured by guarantees given by certain subsidiaries of the Company.

MARKET REVIEW

The Cambodian economy continued to register stable growth in the first half of 2018 ("1H2018"). The International Monetary Fund is projecting real gross domestic product growth of 6.9% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years (Source: International Monetary Fund - World Economic Outlook Database April 2018).

In the first four months of 2018, visitation to Cambodia continued to grow with international arrivals increasing 14% to 2.2 million visitors. China continues to be the leading source of visitation to Cambodia, growing by 79% to 0.6 million visitors in the first four months of 2018. China (30%), Vietnam (12%) and Laos (7%) are the top three sources of arrivals, collectively accounting for 49% of total visitation to Cambodia. Arrivals at Phnom Penh International Airport grew 41% over the same period (Source: Ministry of Tourism, Cambodia). Overall visitation growth continues to be the key driver of growth for the Group.

The Group achieved an increase in gross gaming revenue ("GGR") of 85% to US$713.9 million and an increase in net profit of 20% to US$180.1 million for the Period. Net profit for the Period would have increased by 99% for comparison purpose, removing the impact of the 2017 EGM US$60.0 million assignment rights, which the Company has not opted for a similar transaction in 1H2018.

The results are mainly attributable to business volume growth across all segments of the business. This growth in business volume can be explained by the following:

1. The opening of Naga2 in November 2017 significantly increased the appeal, capacity, quality, range and reach of VIP, mass gaming and non-gaming offerings, such as up-market gaming and complementary entertainment facilities and equally attractive non-gaming products/facilities including spa, theatre, shopping, competitive rooms and food and beverage ("F&B") offerings. Naga2 is transformative and has provided the Group with a competitive integrated casino resort product comparable to integrated resorts in other established gaming destinations in Asia.

2. The increase in VIP business volume of the Group in 1H2018 was due to an increase of business at both properties, in particular in Naga2 where there has been customer demand for higher table limits and hence, increased rollings. In addition to a few other Macau-based junket operators who are already operating with the Group, another notable Macau-based junket operator, Suncity has signed an incentive agreement with the Group to set up a fixed base business operation with full-fledged office facilities, which commenced business on 1 March 2018 and contributed to increased number of players and rollings. An increasing number of South East Asian players, noticeably from Thailand, have also visited NagaWorld during the Period in addition to the traditional large number of Malaysians and customers from other regions.

3. Visitation and tourism growth continued to underpin the property's headcount growth. In particular, visitation from China increased substantially. China is the leading source of visitation to Cambodia, growing by 79% to 0.6 million visitors in the first four months of 2018. As a result, the average daily foot traffic of the overall property has increased significantly and has also helped the Mass Market business.

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

5. Minimal cannibalization has been observed between the two properties, with Naga1 property retaining most of its existing players while Naga2 is attracting customers who are new to NagaWorld.

6. It is noteworthy that despite the Group registering an increase of about 903 rooms and other gaming and non-gaming facilities upon the opening of Naga2, headcount only increased by 36% from 6,406 (as at 30 June 2017) to 8,699 (as at 30 June 2018).

The Senior Notes issued by the Group in May 2018 of an aggregate principal amount of US$300.0 million, have been assigned by a Moody's credit rating one notch above that of Cambodia's sovereign rating and increased the cash float of the Group. The Senior Notes led to increased confidence of both junket operators and players which in turn led to increase check-in and higher bets. VIP revenue increased by 163% on the back of a record US$16.8 billion in VIP rollings for the Period.

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

Management of the Group continues to adopt a conservative gaming policy, diluting the risks by offering more incentives to junket operators. With improvements in operating efficiencies and rigorous financial discipline on costs control, the Group has been able to keep its operating costs reasonably low. Despite the significant increase in gross floor areas (gaming and non-gaming) following the completion and opening of Naga2, the increase in administrative and operating expenses was relatively low.

From the angle of attracting the Chinese market, the Group is confident and "China ready" to tap the vast potential of the wave of consumerism from China, from which outbound visitation is expected to reach 200 million by 2020 (Source: CLSA, 19 July 2017). Chinese arrivals to Cambodia of about 1.2 million visitors in 2017 represents a small percentage of the opportunity. Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and will continue to be well positioned as a noted emerging integrated resort in Asia.

BUSINESS REVIEW

Table 1: Performance Highlights

For the Period and the first half of 2017 ("1H2017"):

	1H2018 ***US$'000***	1H2017 *US$'000*	Increase/ (Decrease) *%*
Mass Market: Public Floor Tables			
– Buy-ins	**573,764**	375,162	53
– Win rate	**17.6%**	19.9%	
– Revenue	**101,134**	74,485	36
Mass Market: EGM			
– Bills-in	**1,042,571**	853,072	22
– Win rate	**8.1%**	7.7%	
– Revenue *(Note #1)*	**59,908**	101,795	(41)
VIP Market			
– Rollings	**16,839,635**	7,765,690	117
– Win rate	**3.3%**	2.7%	
– Revenue	**552,824**	210,524	163
GGR *(Note #1)*	**713,866**	386,804	85

Note #1: the EGM revenue and GGR in 1H2017 includes a fee of US$60.0 million earned in respect of the assignment of a licensing right to certain investors to operate a number of EGM. No similar fees were earned in 1H2018.

Mass Market (Public Floor Tables and EGM)

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins increased by 53% and EGM bills-in increased by 22%. The business volume growth is attributable to the increasing visitation at both Naga 1 and Naga2 as a result of the tourism growth into Cambodia, particularly from China which recorded 79% growth in the first four months of 2018.

The Company's loyalty program, the Golden Edge Rewards Club, continues to enable the Group to understand its players' profile, create targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend.

VIP Market

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

VIP Market continues to register strong growth, as a result of increasing market acceptance of the combined NagaWorld complex as an integrated gaming and entertainment destination. During the Period, the Group also opened new fixed base VIP rooms at Naga2 with two junket operators, contributing to the increase in number of higher end VIP players from the region and rollings. Overall, the VIP Market segment has seen a 117% increase in rollings to US$16.8 billion with a win rate of 3.3%. This has translated into a 163% increase in VIP Market revenue to US$552.8 million during the Period.

Non-Gaming – Hotel, Food & Beverage and Entertainment

Non-gaming revenue increased to US$19.1 million, primarily contributed by 69% increase in room nights sold with the opening of Naga2, as well as better performance across all the food and beverage outlets in line with the overall increase in visitation to the combined NagaWorld complex. The 2,000-seat theatre in Naga2 has also attracted local interest and the hosting of international shows is expected to increase both gaming and non-gaming business volume.

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		**Gross Profit**		**Gross Profit Margin**
1H2018	**US$'m**	**%**	**US$'m**	**%**	**%**
Mass Market	**161.1**	**22**	**156.1**	**50**	**97**
VIP Market	**552.8**	**75**	**138.2**	**45**	**25**
Non-Gaming	**19.1**	**3**	**15.2**	**5**	**80**
Total	**733.0**	**100**	**309.5**	**100**	**42**

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
1H2017	US$'m	%	US$'m	%	%
Mass Market	176.3	44	172.5	72	98
VIP Market	210.5	52	56.0	23	27
Non-Gaming	14.8	4	11.4	5	77
Total	401.6	100	239.9	100	60

The Group recorded a gross profit increase of 29% to US$309.5 million for the Period which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 42% (six months ended 30 June 2017: 60%). Mass Market continued to generate a high gross profit margin of 97%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 34% to US$81.2 million during the Period. These increases in expenses were required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements of the combined NagaWorld complex.

Finance Costs

During the Period, the Group incurred finance costs of US$3.5 million (six months ended 30 June 2017: Nil) for the interest expenses and transaction costs relating to the Senior Notes issued.

Net Profit

Net profit attributable to the Shareholders, or net profit, increased by 20% to US$180.1 million for the Period. Net profit margin for the Period decreased to 25% as a result of the increase in contribution from VIP Market which has lower margin.

Basic earnings per share was US cents 4.15 (HK cents 32.16) and US cents 6.12 (HK cents 47.43) for 1H2018 and 1H2017 respectively.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of an Investment Agreement in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Tan Sri Dr Chen Lip Keong ("Dr Chen"), the chief executive officer of the Company, both parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US$11.8 million for the financial year ended 31 December 2017 (the "2017 Bonus Entitlement").

Pursuant to a resolution passed by the Board on 6 February 2018, the Board considered the matter relating to the payment of the 2017 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlement. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2017 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators (the "KPIs") set for the year ending 31 December 2018. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2017 Bonus Entitlement should be extended to the financial year ending 31 December 2018 or beyond at the sole election of Dr Chen and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total bonuses of US$18.6 million from the financial years 2010 to 2014.

There were no other contingent liabilities as at 30 June 2018 other than additional obligation payment as described in note 5, if any.

Exchange Rate Risk

The Group's income is earned principally in US$. The Group's expenditure is paid principally in US$ and to a lesser extent in Cambodian Riel and Russian Ruble ("RUB"). The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

Issue of New Shares

No Shares were issued by the Company during the Period.

Issue of Senior Notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of Senior Notes by the Company of an aggregate principal amount of US$300.0 million with maturity on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be convertible into Shares.

The obligations under the Senior Notes are secured by guarantees given by certain subsidiaries of the Company. The Senior Notes mature in three years (May 2021) and are repayable at their nominal value of US$300.0 million. The Company may redeem all or a portion of the Senior Notes at the redemption prices specified in the offering memorandum, plus accrued and unpaid interest to the redemption date, subject to the terms and conditions specified in the offering memorandum.

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

Liquidity, Financial Resources and Gearing

As at 30 June 2018, the Group had total cash and cash equivalents of US$343.8 million (31 December 2017: US$52.8 million). The cash and cash equivalents were mainly denominated in US$.

As at 30 June 2018, the Group had net current assets of US$378.4 million (31 December 2017: US$76.3 million). The Group had net assets of about US$1.4 billion as at 30 June 2018 (31 December 2017: US$1.4 billion).

As at 30 June 2018, the Group had outstanding Senior Notes with carrying amount of US$290.6 million (31 December 2017: Nil).

As at 30 June 2018, the presentation of the Group's gearing ratio calculated as total debts less cash and cash equivalents divided by equity, is not applicable (31 December 2017: Not applicable).

Capital and Reserves

As at 30 June 2018, the capital and reserves attributable to owners of the Company was US$1.4 billion (31 December 2017: US$1.4 billion).

Employees

As at 30 June 2018, the Group employed a total work force of 8,699 (31 December 2017: 8,618), 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$45.8 million (six months ended 30 June 2017: US$34.6 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 Period 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. Net trade receivables increased from US$58.3 million to US$95.3 million during the Period.

During the Period, there is no provision for impairment loss of the Group (six month ended 30 June 2017: US$1.7 million).

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure that they are competitive and are in line with the Group's risk management strategy. During the 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

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

Events after Reporting Period

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

PROJECT UPDATES AND PROSPECTS

Update on the Investment Project in Vladivostok

In respect of the Group's gaming and resort development project in Vladivostok, Russia, site clearing commenced in 2016.

An office has been established in the city centre of Vladivostok, Russia and certain key personnel have been appointed to monitor various aspects of the progress of the project which remains broadly on schedule for completion in 2019.

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

Prospects

The continued growth of visitation to Cambodia is a reflection of the development of Cambodia as a prominent regional tourism and investment destination, brought about by continued political and social stability in the country. NagaWorld, which is a major attraction located in the city centre of Phnom Penh and the entertainment centre of the Mekong region, is poised to benefit from this growth.

The Ministry of Tourism of Cambodia targets to attract 7.0 million visitors by 2020, of which 2.0 million will be Chinese visitors (Source: Khmer Times, 4 January 2017). The Group is well positioned and is "China ready" to tap the vast potential of the wave of consumerism from China, from which outbound travel is expected to reach 200 million people by 2020 (Source: CLSA, 19 July 2017). Given the close geopolitical relationship of Cambodia and China, the Group sees good prospects ahead and continues to be well positioned as a notable emerging integrated resort in Asia.

The continued solid and stable growth in the Mass Market segment has laid down a strong foundation for the Group to capture growth opportunities in the VIP Market segment. As the Group continues its trajectory of asset and business growth, it is also gaining increasing prominence and confidence among the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, fueling business growth and expansion.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, the Directors 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 during 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

The Board has resolved to declare payment of an interim dividend for Shareholders of US cents 2.49 per Share (or equivalent to HK cents 19.30 per 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 Thursday, 23 August 2018.

The interim dividend shall be paid on Monday, 10 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend for the Period, the Company's register of members will be closed on Thursday, 23 August 2018, on which no transfer of Shares will be registered. The ex-dividend date will be Tuesday, 21 August 2018. 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 Wednesday, 22 August 2018.

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

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

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 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, 24 July 2018

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

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

Non-executive Director
Timothy Patrick McNally

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

For the purpose of this announcement, amounts denominated in US$ have been converted to Hong Kong dollars ("HK$") and RUB at the respective exchange rates of US$1.0 to HK$7.75 (as at 31 December 2017: HK$7.75) and US$1.0 to RUB62.76 (as at 31 December 2017: RUB57.60).