

2013
INTERIM REPORT

EMBRACING
ECOLOGY &
CULTURE



NAGACORP
金界控股有限公司

NAGACORP LTD.//金界控股有限公司*

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918

*for identification purpose only





NAGA 2

THE ENTERTAINMENT CAPITAL OF INDOCHINA

NAGAWORLD



NAGA 2







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CORPORATE INFORMATION

NagaCorp Ltd. (“NagaCorp” or the “Company”) is the largest hotel, gaming and leisure operator in Cambodia, and the Company has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2006. In fact, NagaCorp became the first company with operations in Cambodia to become a public listed entity, as well as the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh’s only integrated hotel-casino entertainment complex and we enjoy a 70-year casino licence that will run till 2065, as well as a 41-year monopoly within a 200km radius of Phnom Penh that expires in 2035.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*)

Philip Lee Wai Tuck (*Chief Financial Officer*)

Chen Yepern

Non-executive Director

Timothy Patrick McNally (*Chairman*)

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Lim Mun Kee

Michael Lai Kai Jin

AUDIT COMMITTEE

Lim Mun Kee (*Chairman*)

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Michael Lai Kai Jin

REMUNERATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

NOMINATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

AML OVERSIGHT COMMITTEE

Timothy Patrick McNally (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Michael Lai Kai Jin

COMPANY SECRETARY

Lam Yi Lin

AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck

Lam Yi Lin

AUDITOR

BDO Limited

SOLICITORS

Troutman Sanders

Reed Smith Richards Butler

PRINCIPAL BANKERS

Malayan Banking Berhad (*Phnom Penh Branch*)

CIMB Bank Plc (*Phnom Penh Branch*)

United Overseas Bank Limited (*Hong Kong Branch*)

INVESTOR RELATIONS

We acknowledge the importance of maintaining communication with our shareholders and investors through channels like the annual report and accounts, interim report and accounts, press releases and announcements. Our interim report contains details of financial and other relevant information about the Company's activities. We welcome enquiries about the Company's activities and will handle them in a timely fashion.

LISTINGS

The Company's shares have been listed on the Main Board of the Stock Exchange since 19 October 2006.

INTERIM REPORT 2013

This Interim Report, in both English and Chinese, is available in printed form and on the Company's website – www.nagacorp.com.

STOCK CODE

3918

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CAMBODIA

NagaWorld Building
Samdech Techo Hun Sen Park
P.O. Box 1099, Phnom Penh
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Wanchai, Hong Kong
Tel : +852 2877 3918 Fax: +852 2523 5475

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHIEF EXECUTIVE OFFICER

Tan Sri Dr Chen Lip Keong

CHIEF FINANCIAL OFFICER

Philip Lee Wai Tuck

INVESTOR RELATIONS (NORTH AMERICA)

Kevin Nyland, *Vice President*

INVESTOR RELATIONS (EUROPE)

David Ellis

CORPORATE FINANCE / INVESTOR RELATIONS (ASIA PACIFIC)

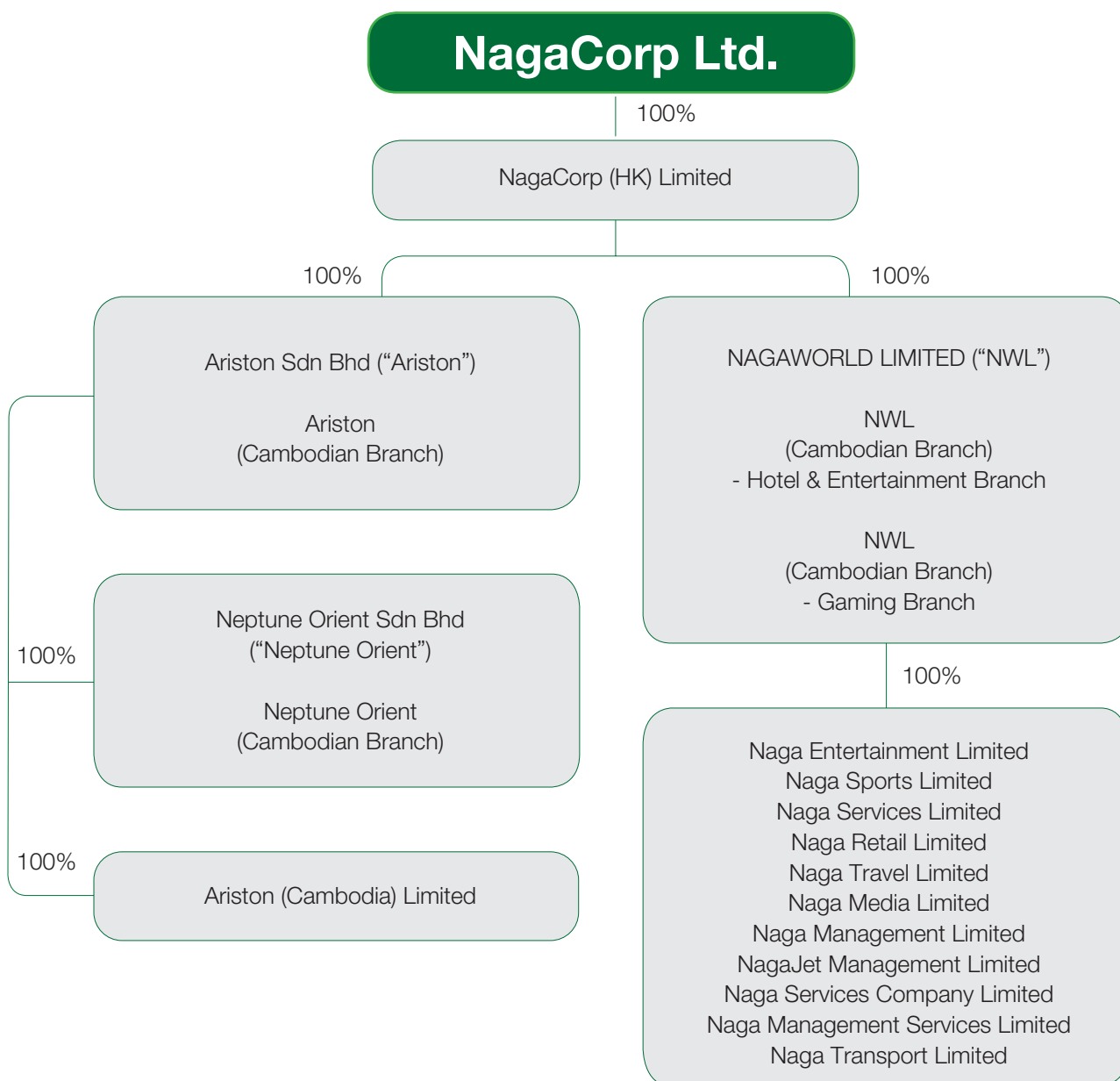
Gerard Chai, *Director*
Tan Sean Czoon, *Director*

COMPANY WEBSITE

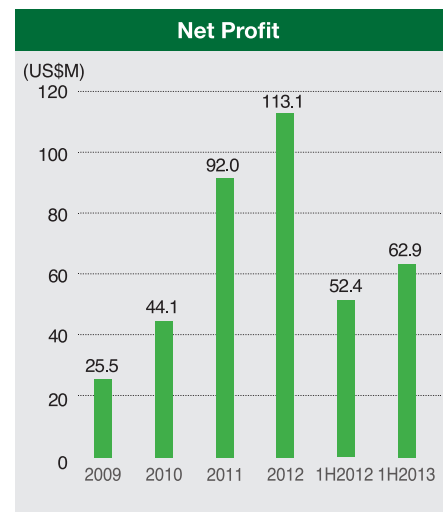
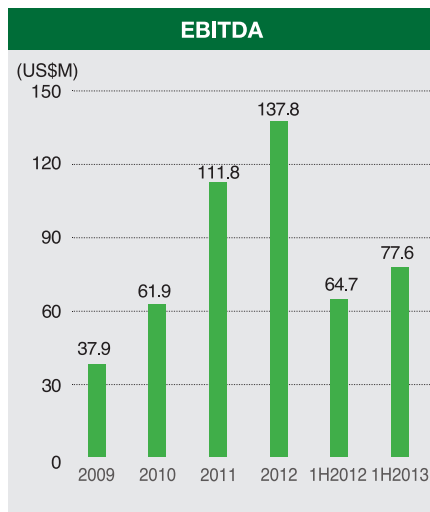
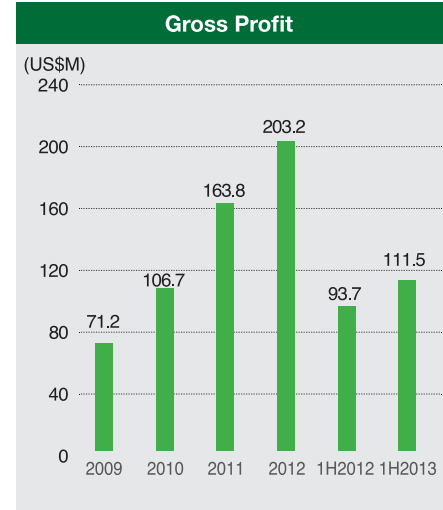
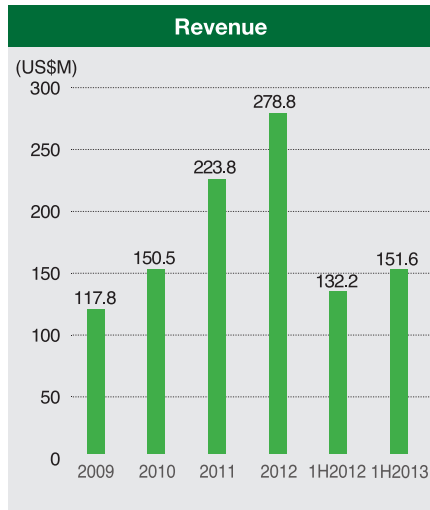
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CORPORATE STRUCTURE

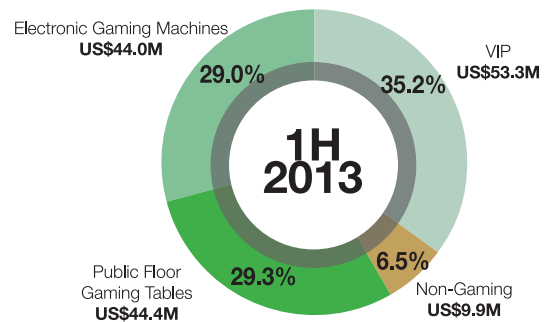
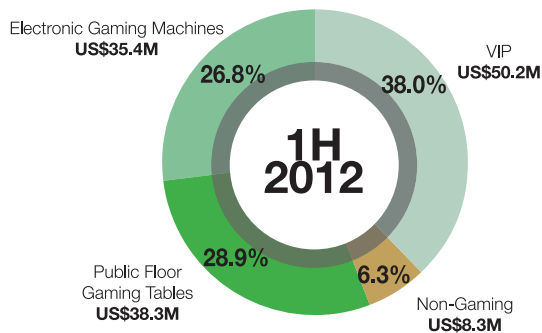


FINANCIAL HIGHLIGHTS



Revenue (US\$132.2 million)

Revenue (US\$151.6 million)



CHAIRMAN & CEO'S STATEMENT



Timothy Patrick McNally
Chairman

DEAR SHAREHOLDERS,

We are pleased to report that NagaCorp continues to outperform its regional gaming competitors in the first six months of 2013. We reported a net profit of US\$62.9 million for the first six months of 2013, 20% higher than the same period last year. We achieved these results as gaming in the Asia Pacific region continues to shine on the global stage.

The Company's improved performance was primarily from gaming revenue, achieved through higher business volumes from the mass market and higher margins from the VIP market. At the same time, we continue to maintain a prudent business strategy and operational efficiency.

TOURISM AND LOCAL ECONOMIC STAMINA

International tourist arrivals to Cambodia continued to help drive NagaCorp's performance in the mass gaming market. During the first five months of 2013, tourist arrivals increased by 19% to approximately 1.8 million visitors, compared to the same period in 2012. Vietnam (19%), Korea (12%) and China (11%) continued to make up the top three countries from which visitors arrived. They collectively account for 42% of total tourist arrivals to Cambodia in the first five months of 2013 (Source: Ministry of Tourism, Cambodia). It's particularly noteworthy that visitors from China increased by 53% during this period. The continued growth in visitation from these gaming-centric countries is one of the prime drivers for our growth.

Domestically, Cambodia's economic growth remains strong, with support from increasing investments in both public and private sectors. The Asian Development Bank has projected that Cambodia's economy will grow 7.2% in 2013 and 7.5% in 2014. Along with this growth, foreign direct investments ("FDI") into Cambodia has increased over the last decade, with the United Nations reporting that FDI inflows to Cambodia was approximately US\$1.6 billion in 2012.

The increase in FDI and tourist visitations points to the rising profile of Cambodia as a business and leisure destination, boding well for the Company's operations.

CHAIRMAN & CEO'S STATEMENT

OPTIMUM EFFICIENCY, POISED FOR GROWTH

The Company's strategy of continuous improvement in its mass market segment has led to increased business volumes. Following the success of NagaRock and Saigon Palace, we continue our strategy to segment our mass market by opening the Aristocrat Private Club in July 2013. Our loyalty program, the Golden Edge Rewards Club, has been tracking well with increasing registration. Since its launch in January 2012, the program has successfully captured more than 28,000 members. This has allowed us to better understand our members' profiles and create targeted marketing efforts, as well as conducting player development initiatives to increase visitation frequency, contributing to growth in our mass market.

At the same time, the Company will continue to develop its VIP market. Since the implementation of the new incentive program for overseas junkets in March 2013, the Company has slowly experienced a change in players' profiles and betting patterns, which is expected to translate into higher business volume and incremental revenue contribution. In particular, the Company believes that the impact of its overseas junkets incentive program will be seen towards the end of 2013 and into 2014. We will continue our efforts to sign on more junkets around the region under the incentive program.

The opening of five luxury private gaming suites in January 2013, and another two slated for opening later in 2013 will further enhance the VIP experience. These luxury VIP suites provide individual private gaming space for high-end VIP players who seek ultimate comfort, convenience and privacy. In addition, the Company is planning to launch a new luxurious VIP gaming area, integrated with entertainment and restaurants on the rooftop of the existing Pool Block by 2014.

NagaWorld's strategic marketing efforts in key target markets aims to provide internationally recognized services to both gaming and non-gaming patrons and continues to carve NagaWorld a unique niche in an increasingly competitive landscape. In May 2013, Rolex opened a boutique in NagaWorld, adding to the collection of luxury brands such as Cartier and Piaget within the property. This is the first time that these luxury brands have entered Cambodia and the Company believes their presence will enhance the high-end retail experience of its patrons. This will further strengthen NagaWorld's overall appeal to both the VIP and mass markets.



Tan Sri Dr Chen Lip Keong
Chief Executive Officer



CHAIRMAN & CEO'S STATEMENT

Naga2, with a total built-up area of 116,358 square metres, will feature over 1,000 hotel rooms, 50 luxury VIP suites, up to 18,738 square metres of retail space, a 4,000 seating capacity MICE/theatre facilities and additional gaming space (up to 300 gaming tables and 500 electronic gaming machines). The piling work for Naga2 is now well in progress and the project is slated for completion by end 2015 or early 2016. This will position the Company as the leading integrated gaming and entertainment destination in Indochina. This will also benefit Cambodia as our host nation, and in turn, deliver value to our shareholders.

COMPETITIVE INTERIM DIVIDEND PAYOUT RATIO OF 70%

As a top-performing gaming stock on the Hong Kong Stock Exchange, NagaCorp continues to deliver profitability and business volume growth at an impressive level compared to other gaming operations in the region, including name brand properties in Macau.

The board of directors (the "Board") of the Company has resolved to declare payment of an interim dividend of US cents 1.93 per share (or equivalent to HK cents 14.96 per share) for the six months ended 30 June 2013 payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 27 August 2013. This represents a dividend payout ratio of approximately 70%, based on the net profit generated for the period.

SOCIAL RESPONSIBILITIES

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. This year is no different. We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.



CHAIRMAN & CEO'S STATEMENT

CORPORATE GOVERNANCE

NagaCorp has engaged an independent professional party to review the internal controls of the Company and its subsidiaries (collectively the "Group") with a focus on anti-money laundering. The independent professional party will issue its findings in a report, details of which will be enclosed in our annual report for the year ending 31 December 2013. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are set out in this report.

OUR APPRECIATION

The Board would like to express their appreciation to our employees for their hard work and dedication, and to our shareholders, customers, and suppliers for their continued support.

Timothy Patrick McNally

Chairman

Tan Sri Dr Chen Lip Keong

Chief Executive Officer

Hong Kong, 7 August 2013





MANAGEMENT DISCUSSION & ANALYSIS

The Group owns, manages and operates the largest integrated gaming and entertainment hotel complex in Cambodia – NagaWorld. NagaWorld is the only licensed casino in the capital city of Phnom Penh. NagaWorld features a world-class 700-room hotel, 15 food & beverage outlets and entertainment outlets like a nightclub, karaoke lounge and spa. NagaWorld is also widely recognised as a popular meetings, incentives, conventions and exhibitions (“MICE”) facilities destination in Indochina. This includes 25,000 square metres of meeting and ballroom space, a stand-alone 6,500 square-metre ballroom, a 60-seat auditorium, and an exhibition space. There are also 3 luxury boutiques in NagaWorld, namely Cartier, Piaget and Rolex; additionally, Mont Blanc and Jaeger LeCoultre will be opening their boutiques in 2H2013. These luxury brands are all opening up for business for the first time ever in the history of Cambodia.

As at 30 June 2013, NagaWorld had available in operation approximately 178 gaming tables and 1,450 electronic gaming machines. With a built-up area of approximately 113,307 square metres, NagaWorld’s size and facilities positions it as the leading integrated gaming and entertainment destination in Indochina.

The Group holds a casino licence granted to the Group by the Royal Government of Cambodia, for a duration of 70 years commencing from 2 January 1995, and has 41 years of exclusivity within a 200-km radius of Phnom Penh, Cambodia (excluding the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS

Table 1: Performance Highlights

For the period ended 30 June 2013 and comparative period:

	1H2013	1H2012	Increase/ (Decrease)
	US\$'000	US\$'000	%
Mass Market: Public Floor Gaming Tables			
– Buy-ins	192,228	159,979	20.2%
– Win rate	23.1%	23.9%	—
– Revenue	44,346	38,287	15.8%
Mass Market: Electronic Gaming Machines			
– Bills-in	557,867	465,416	19.9%
– Win rate	10.9%	11.7%	—
– Win per unit per day (WUD) (US\$)	224	238	(5.9%)
– Revenue	44,030	35,423	24.3%
– No. of machines at end of period	1,450	1,351	7.3%
VIP Market			
– Rollings	2,013,915	2,041,455	(1.3%)
– Win rate	2.6%	2.5%	—
– Revenue	53,342	50,231	6.2%
– No. of visitors (persons)	11,543	10,963	5.3%
Non-Gaming			
– Room revenue	3,860	2,664	44.9%
– Food & Beverage revenue	5,390	4,961	8.6%
– Other non-gaming revenue	676	675	—
– Total revenue	9,926	8,300	19.6%

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

Located within the gaming-centric region of Indochina (Cambodia, Laos, Myanmar, Thailand and Vietnam), with an estimated combined population of more than 240 million people (Source: International Monetary Fund), the Group's property, NagaWorld, continues to deliver encouraging financial and operational results. During the first six months of 2013, the Group's revenue increased from US\$132.2 million to US\$151.6 million year-on-year and net profit increased by 20.0% to US\$62.9 million. The increase was mainly from gaming revenue, through higher business volumes from the Mass Market and higher margins from the VIP Market (VIP players brought in by commission-based junkets, and junkets under the new incentive programme, as well as direct players visiting the casino).

International tourist arrivals to Cambodia continued to significantly outpace worldwide tourism growth of 4% in 2012 and projected between 3% and 4% in 2013 by the United Nations World Tourism Organization, by recording an increase of 19% to approximately 1.8 million visitors in the first five months of 2013, compared to the same period in 2012. Vietnam (19%), Korea (12%) and China (11%) continued to make up the top three countries from which visitors hail. They collectively account for 42% of total tourist arrivals to Cambodia in the first five months of 2013, growing at 19% year-on-year (Source: Ministry of Tourism, Cambodia, ("MOTC")). Of particular interest, visitors from China increased by 53% year-on-year, to 202,427 visitors in the first five months of 2013. The continued growth in visitation from these gaming-centric countries is one of the prime drivers for the Group's business growth.

Domestically, Cambodia's economic growth remains strong with support from increasing investments in both the public and private sectors. In 2012, Cambodia's gross domestic product (GDP) expanded 7.3%, according to the Cambodian Ministry of Economy and

Finance ("CMOEF"). The Asian Development Bank in April 2013 projected that Cambodia's economy would grow at 7.2% in 2013 and 7.5% in 2014, along with recovery in Europe and the United States. On 24 July 2013, the CMOEF announced that based on preliminary data from January through June 2013, Cambodia's growth was 7.6% (Source: Phnom Penh Post).

The Group is of the view that the favourable macro environment in Cambodia and the Indochina region as a whole, which continues to drive foreign direct investments ("FDI") and tourism in the following years, shall spur the Group's business growth.

Mass Market (Public Floor Gaming Tables and Electronic Gaming Machines)

The Group's strategy to ever improve on the performance of the Mass Market has led to incremental business volumes. During the period, the Group recorded a 20.2% increase in Public Floor Gaming Tables buy-ins and a 19.9% increase for Electronic Gaming Machines ("EGM") bills-in, in line with the increasing tourist arrivals to Cambodia and increasing prosperity of the country. Tourism arrivals into Cambodia increased 19% for the first five months of 2013. Of particular interest is the increase in visitation from China of 53%.

NagaRock and Saigon Palace, two successful examples of the Mass Market, continued to attract higher-end public floor players who look for some distance from the crowd, with higher table limits.

In the EGM segment, the number of EGM in operation at the end of the period increased from 1,351 to 1,450. This is primarily due to additional EGM in Saigon Palace, which opened in December 2012. EGM revenue increased by 24.3% to US\$44.0 million during the period as a result of higher bills-in.

MANAGEMENT DISCUSSION & ANALYSIS

Included in EGM are Electronic Table Games (“ETG”), which help to redirect players with smaller bet sizes from the Public Floor Gaming Tables to the EGM. This helps to drive incremental business volume in the overall Mass Market as it frees up space for more mid-end Mass Market players and at the same time, players with smaller bet sizes can enjoy their games in the ETG areas at their own pace and discretion.

The Group’s loyalty programme, the Golden Edge Rewards Club, has been tracking well with increasing registration. Since its launch in January 2012, the programme has successfully captured more than 28,000 members. This has allowed the Group to better understand its members’ profiles and create targeted marketing efforts, as well as conducting player development initiatives to increase visitation frequency, contributing to growth in the Mass Market.

VIP Market

Rollings in the VIP Market was relatively flat while win rate improved from 2.5% to 2.6%, resulting in a 6.2%

increase in VIP Market revenue to US\$53.3 million. The increase in win-rates was primarily a result of the Group’s new incentive programme as explained below.

The Group’s VIP Market comprises the players brought in by junkets, who are either under a commission-based model or incentive programme and direct players without an intermediary.

In March 2013, in addition to the business segment which is commission-based, the Group introduced a new incentive programme for its junket operators. Under the incentive programme, the Group is able to increase the existing table limits, whilst managing volatility, as well as credit risks. This enables the Group to gain a wider segment of the VIP business.

Since implementing the incentive programme, the Group observed greater increase in better quality VIP players. The financial effects of the incentive programme are illustrated in Table 2 below.

Table 2: Financial Effects For Overseas Junket Operators (under the incentive programme and commission-based model)

	1H2013	FY2012	FY2011
	US\$’m	US\$’m	US\$’m
Rollings	1,014	1,935	1,171
Win rate	2.2%	1.8%	1.9%
Revenue	22	35	22
Direct costs*	20	40	25
Gross profit/(loss)	2	(5)	(3)
Gross profit/(loss) margin	9.1%	(14.3%)	(13.6%)

* Direct costs comprise rolling commissions, operator’s incentives and complimentaries

MANAGEMENT DISCUSSION & ANALYSIS

The Group has seen a turnaround of the overseas junket segment through higher win rate and higher gross profit margin in 1H2013 (compared to a gross loss in 2011 and 2012), as illustrated in Table 2. The Group expects the improvement of this business trend to carry forward to the second half of the year.

In order to place the Group's VIP market within competitive position within the region, the Company has successfully raised approximately US\$156 million through a top-up placement (please refer to the section on "Issue of New Shares" for more details). The placement proceeds will be utilised for according better quality VIP services and experiences to our customers, upgrading facilities in NagaWorld and improving the position of our working capital.

Non-Gaming – Hotel, Food & Beverage and Entertainment

Non-Gaming revenue increased by 19.6% to US\$9.9 million during the period; in particular, room revenue increased 45.0% mainly due to an increase in average room rates during the period. Food & Beverage revenue also increased 9.0%, in tandem with the increase in the overall visitations to NagaWorld.

The Company's strategic marketing efforts in key target markets aims to provide internationally recognised services to both gaming and non-gaming patrons and continues to carve NagaWorld a unique niche in an increasingly competitive landscape. In May 2013, Rolex opened a boutique in NagaWorld, adding to the collection of luxury brands such as Cartier and Piaget within the property. This is the first time that these luxury brands have entered Cambodia and the Group believes their presence will enhance the high-end retail experience of its patrons. This will further strengthen NagaWorld's overall appeal to both the VIP and Mass Markets.

Revenue and Gross Profit Analysis

Table 3(a)

1H2013	Revenue		Gross Profit		Gross Profit Margin
	US\$m	%	US\$m	%	%
Mass Market	88.4	58%	83.2	75%	94%
VIP Market	53.3	35%	21.9	19%	41%
Non-Gaming	9.9	7%	6.4	6%	65%
Total	151.6	100%	111.5	100%	74%

MANAGEMENT DISCUSSION & ANALYSIS

Table 3(b)

1H2012	Revenue		Gross Profit		Gross Profit Margin
	US\$m	%	US\$m	%	%
Mass Market	73.7	56%	69.7	74%	95%
VIP Market	50.2	38%	19.1	20%	38%
Non-Gaming	8.3	6%	5.0	6%	60%
Total	132.2	100%	93.8	100%	71%

The Group recorded a gross profit increase of 19% to US\$111.5 million for the period. The Mass Market continues to generate a high margin of 94% and contributes a significant 75% to the Group's total gross profit. In addition, the gross profit margin of the VIP Market increased from 38% to 41%, due to the turnaround of the overseas junkets business. This has resulted in the overall improvement in gross profit margin from 71% to 74%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 15.0% to US\$34.3 million during the period from US\$29.8 million in same period of 2012. The increased expenses were required to support the higher business volume across most segments. Staff related costs also increased due to the hiring of experienced and qualified staff to facilitate the regional marketing efforts and ongoing property enhancements of NagaWorld.

Finance Costs

The Group did not incur any finance costs as there were no financing arrangements as at 30 June 2013. The Group has continued to remain ungeared.

Net Profit

Net profit attributable to shareholders of the Group, or net profit, increased by 20.0% to US\$62.9 million for the period ended 30 June 2013. Net profit margin for the period also improved from 39.6% to 41.4%.

The higher business volume registered especially in the Mass Market and improved margins in the VIP Market coupled with continuous improvement in operational efficiency and measures implemented in cost controls, contributed to the increase in net profit. The Group shall continue to drive revenues and attain net profits to the benefit of all shareholders.

Earnings per share were US cents 2.87 (HK cents 22.24 per share) and US cents 2.52 (HK cents 19.53 per share) for the 6 months ended 30 June 2013 and 2012 respectively.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Pledge of Assets

As at 30 June 2013, the Group had not pledged any assets for bank borrowings (31 December 2012: Nil).

Contingent Liabilities

As at 30 June 2013, the Group had no contingent liabilities (31 December 2012: Nil).

Exchange Rate Risk

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

Issue of New Shares

Pursuant to the Placing and Subscription Agreement dated 13 March 2013, the Company allotted and issued 200,000,000 new ordinary shares of US\$0.0125 each at a subscription price of HK\$6.05 per share to Fourth Star Finance Corp., a substantial shareholder of the Company, on 27 March 2013 following completion of the top-up placing of an aggregate of 200,000,000 existing shares to not less than six independent investors at a placing price of HK\$6.05 each. The net proceeds from this placing of shares amounting to approximately HK\$1.2 billion (or equivalent to approximately US\$156 million) were intended to be used for future growth and market penetration of the Company's overseas high-premium direct-players programme and the junket incentive programme.

The 200,000,000 subscription shares were allotted and issued under the general mandate granted to the directors by its shareholders at the annual general meeting of the Company held on 24 May 2012.

Liquidity, Financial Resources and Gearing

As at 30 June 2013, the Group had total cash and cash equivalents and fixed deposits at bank of US\$223.6 million (31 December 2012: US\$73.2 million).

As at 30 June 2013, the Group had net current assets of US\$212.2 million (31 December 2012: US\$68.9 million). The Group had net assets of US\$566.5 million as at 30 June 2013 (31 December 2012: US\$401.9 million).

As at 30 June 2013 and 31 December 2012, the Group had no outstanding borrowings.

Capital and Reserves

As at 30 June 2013, the capital and reserves attributable to owners of the Company was US\$566.5 million (31 December 2012: US\$401.9 million).

Staff

As at 30 June 2013, the Group employed a total work force of 4,763 (as at 30 June 2012: 4,134), stationed in Cambodia, Hong Kong, Malaysia, Thailand, United Kingdom, United States and Vietnam. The remuneration and staff costs for the period were US\$15.5 million (for the six months ended 30 June 2012: US\$14.3 million).

Employee Benefits

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

MANAGEMENT DISCUSSION & ANALYSIS

Trade Receivables and Credit Policy

The Company continues to monitor the changes in trade receivables and focused on their recovery. The increase in net trade receivables from US\$6.9 million to US\$8.0 million during the period was due to a new credit facility given to an overseas junket operator under the new incentive programme.

For the period under review, the Group has not made any provision of impairment loss (31 December 2012: US\$0.1 million) and no bad debts were written off (31 December 2012: US\$2.4 million).

The Company has adhered to its strict credit guidelines implemented since 2009. From time to time, we review and monitor our junket operators to ensure they comply with the credit guidelines. We strive to maintain a win-win cordial commercial relationship with many of these junket operators for a long period of time. Mutual support from these junket operators are essential for the growth in the junket business going forward.

PROSPECTS

In the last decade, Cambodia's international profile has risen and FDI into the country has increased, with the United Nations reporting that FDI inflows to Cambodia was approximately US\$1.6 billion in 2012, up 73% from 2011. Driven by continued intraregional restructuring, lower-income countries such as Cambodia, Myanmar and Vietnam are bright spots for labour-intensive FDI. However, the increase in FDI in Cambodia is due not only to labour-intensive industries, but also in the banking and finance sector. Globally, Cambodia attracted the second largest number of retail banking projects, amounting to US\$2.3 billion, or 28% of the aggregate value of retail banking investment plans in the last decade (Source: United Nations World Investment Report 2013).

On 27 June 2013, Cambodia became the fourth Asian country to host the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Committee, with approximately 1,300 experts and delegates from over 120 countries joining the

meeting. During the event, the Cambodian Minister of Tourism revised upwards the country's forecast for international tourist arrivals from 7 million to 7.5 million by 2020. For 2013, MOTC has also increased its estimates of visitors from 3.8 million to 4.2 million, representing a 20% growth from 2012. Visitation from China to Cambodia continued to be strong with an increase of 53% to 202,427 visitors in the first five months of 2013. The Group is poised to take advantage of this for both its Mass and VIP Markets.

The increase in FDI and tourist visitations points to the rising profile of Cambodia as a business and leisure destination, boding well for the Group's operations. The Group believes that the momentum of growth in its business will carry over to the second half of 2013. Following the success of NagaRock and Saigon Palace, the Group continues its strategy to segmentise the Mass Market by opening the Aristocrat Private Club in July 2013, a premium Mass Market private club with 30 EGM and 5 gaming tables offering even higher table limits.

At the same time, the Group will continue to develop its VIP Market. Since the implementation of the new incentive programme for overseas junkets in March 2013, the Group has slowly experienced a change in players' profiles and betting patterns, which is expected to translate to higher business volume and incremental revenue contributions. In particular, the Group believes that the impact of its overseas junkets incentive programme will be seen towards the end of 2013. The Group will continue its efforts to sign on more junkets around the region under the incentive programme.

The opening of 5 luxury private gaming suites in January 2013, and another 2 slated for opening later in 2013 will further enhance the VIP experience. These luxury VIP suites provide individual private gaming space for higher-end VIP players who seek ultimate comfort, convenience and privacy. In addition, the Group is planning to launch a new luxurious VIP gaming area, integrated with entertainment and restaurants on the rooftop of the existing Pool Block by 2014.



MANAGEMENT DISCUSSION & ANALYSIS

The continued regional growth in the gaming markets of Singapore and Macau signifies the growing demand in the Asian gaming market, especially from China, whose economy is showing resilience despite a dire international context. Taking a broader perspective, China has now overtaken the Euro area and is on course to become the world's largest economy around 2016, after allowing for price differences (Source: Organization for Economic Cooperation and Development, March 2013).

Naga2, with a total built-up area of 116,358 square metres, will feature over 1,000 hotel rooms, 50 luxury VIP suites, up to 18,738 square metres of retail space, a 4,000 seating capacity MICE/theatre facilities and additional gaming space (up to 300 gaming tables and 500 EGM). The piling works for Naga2 are now well in progress and the project is slated for completion by end 2015 or early 2016. This will position the Group as the leading integrated gaming and entertainment destination in Indochina.

INTERIM DIVIDEND

The Board has resolved to declare payment of an interim dividend of US cents 1.93 per share (or equivalent to HK cents 14.96 per share) for the six months ended 30 June 2013 payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 27 August 2013. This represents a dividend payout ratio of approximately 70%, based on the net profit generated for the period. The interim dividend shall be paid on Friday, 27 September 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend for the six months ended 30 June 2013, the Company's register of members will be closed from Monday, 26 August 2013 to Tuesday, 27 August 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2013, all completed transfers forms accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 August 2013.



DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors who held office at 30 June 2013 had the following interests in the shares and underlying shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Interests in Issued Shares

Name of director	Capacity	Number of ordinary shares/ underlying shares held	% of total issued ordinary shares <i>(Note 1)</i>
Tan Sri Dr Chen Lip Keong	Interest in controlled corporation- Cambodia Development Corporation ("CDC") <i>(Note 2)</i>	162,260,443 (L)	7.11(L)
Tan Sri Dr Chen Lip Keong	Beneficiary of a trust declared by Fourth Star Finance Corp. <i>(Note 3)</i>	703,534,854 (L)	30.83 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	86,000,000 (L)	3.77 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner <i>(Note 4)</i>	1,566,282,107 (L)	68.63 (L)

Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 shares as at 30 June 2013.
- (2) Details of the interest in the Company held by CDC are set out in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below.
- (3) Details of the interest in the Company held by Fourth Star Finance Corp. are set out in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below.
- (4) These 1,566,282,107 underlying shares are the consideration for the very substantial acquisition for TanSriChen Inc. and TanSriChen (CityWalk) Inc. (the "Target Companies", each a "Target Company") under the conditional Share Purchase Agreement and a supplemental agreement entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011 and 28 December 2011 respectively. These underlying shares will not be issued until the respective completion applicable to each of the Target Companies. The deadline for the fulfillment of the conditions precedent in respect of the purchases of each Target Company is 12 June 2016.
- (5) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

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

The Company did not grant any share options during the six months ended 30 June 2013 and there are no outstanding share options as at 30 June 2013.

Apart from the foregoing, at no time during the six months ended 30 June 2013 was the Company, or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

So far as the directors or the chief executives of the Company are aware of, as at 30 June 2013, the shareholders, other than the directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

(1) Substantial Shareholders

Name of shareholder	Capacity	Number of ordinary shares held	% of total issued ordinary shares <small>(Note 1)</small>
Fourth Star Finance Corp. <small>(Notes 2 & 3)</small>	Trustee	703,534,854 (L)	30.83 (L)

DISCLOSURE OF INTERESTS

(2) Other Persons

Name of shareholder	Capacity	Number of ordinary shares held	% of total issued ordinary shares <small>(Note 1)</small>
Cambodia Development Corporation <small>(Note 2)</small>	Beneficial owner	162,260,443 (L)	7.11 (L)

Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 shares as at 30 June 2013.
- (2) The beneficial owner of Cambodia Development Corporation and Fourth Star Finance Corp. is Tan Sri Dr Chen Lip Keong.
- (3) Fourth Star Finance Corp. is the trustee of a trust of which Tan Sri Dr Chen Lip Keong is a beneficiary.
- (4) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above and so far as the directors and the chief executives of the Company are aware of, as at 30 June 2013, no other party (other than the directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.



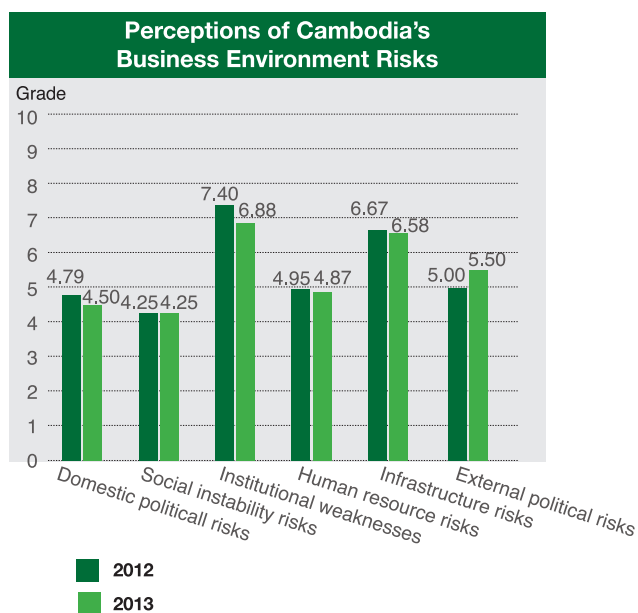
INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

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

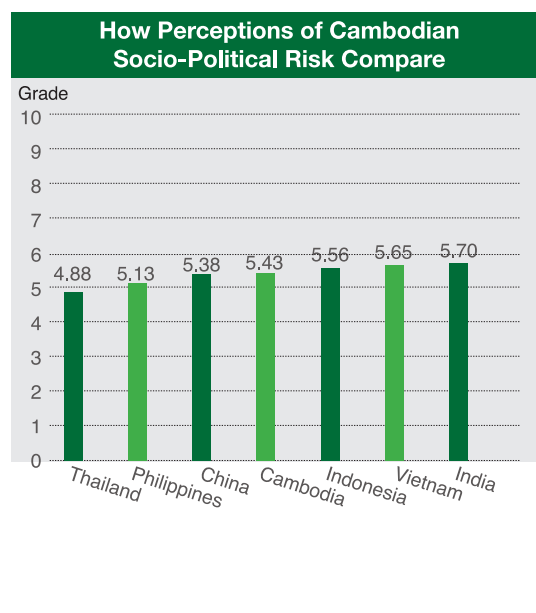
TO THE BOARD OF NAGACORP LTD.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia, particularly as they relate to NagaCorp's casino, hotel and entertainment business operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks, social instability risks, institutional weaknesses, human resource risks, infrastructure risks and external political risks.

Based on the assessments and reviews carried out between late November 2012 and early January 2013, we summarised our findings below:



Grades range from zero to 10, with zero being the best grade possible and 10 the worst.



Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

We quantify investment risks in Cambodia through the measure of the following variables:

- Domestic political risks
- Social instability risks
- Institutional weaknesses
- Human resource risks
- Infrastructure risks
- External political risks



INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equals the score of a broader variable, while the weighted sum of the grades of the broad variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). PERC's most recent risk survey gives Cambodia an overall risk grade of 5.43 (slightly better than one year ago). Cambodia is still a poor country, but it has made huge strides over the past decade in developing its economy, improving the quality of its institutions, and interfacing more with the rest of the world. It also has a relatively stable government and a credible track record for treating foreign direct investors that instills some confidence. In fact, the country has one of the most liberal environments for foreign investment of any country in Southeast Asia.

Foreign investors have generally been treated well in Cambodia and the government has not gone back on contract terms and incentives offered. To be sure, there have not been many disputes that have actually involved the local court system, but those in the hotel, garment, real estate, and financial services sectors, as well as embassy officials of foreign governments and managers of non-governmental organizations (NGOs) are positive about the government's treatment of foreign investors.

Moreover, there is little likelihood that the government will change in ways that fundamentally alter the environment for foreign investors for the worst. There have been no examples of nationalization or expropriation, nor are there likely to be. The civil and political environments are stable and likely to remain so. Also, the government's economic policy is prudent so it is unlikely that there will be a balance of payments crisis, a chronically weak exchange rate, hyper-inflation or controls placed on capital inflows and outflows. Finally, Cambodia's relations with its neighbors are generally good. This most serious risk is that border disputes with Thailand could flare up periodically and hurt business along the border with that country, but any such conflicts will be contained to small areas. They will be limited in magnitude and duration, and will not threaten the overall economy or the operations of most foreign investors.

POSITIVE DEVELOPMENTS

- Domestic political risks are stable. The outcome of the coming national elections to be held this year is not in doubt. The ruling CPP will win and Hun Sen will be reappointed as prime minister. Medium-term succession risks are also declining.
- In large part because confidence in the government's open door policy toward foreign investment is growing, more foreign investment is entering the country and the range of industries in which it is going is broadening. This is helping to diversify the economy, providing a more solid base for future growth.
- Cambodia's economy is likely to keep growing by close to 7% per annum due to improvements in agriculture, the strong expansion of tourism, and gains in manufacturing production (and exports). The construction sector will also drive growth. If the government can reduce energy and fuel costs, there is a potential for growth to average an even faster rate in the medium term.
- Improvements in physical infrastructure, especially the national road system, are making it easier for companies to locate manufacturing operations further away from Phnom Penh, bringing down logistics costs, and facilitating the growth in tourism, particularly from neighboring Vietnam and Thailand.
- Problems in other countries – like sharply rising labor costs in China, increasing labor militancy in Indonesia, and safety concerns in Bangladesh – are likely to stimulate new investment and trade in Cambodia, particularly with Japan and Korea. Cambodian exports will also benefit from incentives given by major markets like the EU and the US that are not offered to most other Asian countries.



INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

THE CHALLENGES

- The biggest infrastructure challenge Cambodia faces is the high cost of electric power and fuel. The country is increasing its power generation capacity rapidly and the supply of electricity is much more reliable than it was, but the continuing high cost of electricity is hurting the country's competitiveness by undermining other advantages like the low cost of labor.
- There is a need to raise the supply and quality of labor by improving education. Labor demands for higher wages could escalate since workers know the government is likely to be more sympathetic to their demands in an election year. In addition, labor shortages in Phnom Penh are growing. This is especially the case for skilled and more experienced labor, but the construction boom and rapid growth of services are starting to squeeze the supply of even unskilled labor in the capital region.
- One of the country's biggest needs is to build the capacity of public institutions, improving service delivery and good governance. The more the economy develops and the more diversified it becomes, the bigger the problems of bureaucratic inefficiency and corruption likely to become – not so much in absolute terms but as a frustration for companies that need to respond quickly and flexibly in an increasingly competitive environment.
- Cambodia suffers from a continuing image problem. The country has shortcomings, but many of these are grossly exaggerated in the international media. This list includes the extent that the government is authoritarian, the magnitude of corruption as an impediment to business, and the extent that human rights are violated. The country also does not get the credit it deserves for the improvements it is making in people's livelihoods and meeting the aspirations of most Cambodians. This image problem hurts both the public and private sectors and is a challenge for both to manage better.

Robert Broadfoot

Managing Director

PERC

Hong Kong, 11 January 2013

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

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





CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance and ensuring integrity, transparency and adequate level of disclosure.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the opinion of the directors, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2013.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing, among other things, the objectivity and credibility of financial reporting and internal control. The Audit Committee consists of the independent non-executive directors namely, Mr. Lim Mun Kee (Chairman), Mr. Michael Lai Kai Jin and Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir.

For the six months ended 30 June 2013, the Audit Committee has reviewed the financial reports and statements as well as the internal control reports of the Company.

The Audit Committee has reviewed this interim report, and in particular the condensed consolidated financial statements for the six months ended 30 June 2013 and the financial standards adopted by the Group, and was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirement and that adequate disclosure have been made.

The Company has engaged BDO Limited, who has reviewed the condensed consolidated financial statements for the six months ended 30 June 2013 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board in the above areas.

The Nomination Committee consists of Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.



CORPORATE GOVERNANCE REPORT

For the six months ended 30 June 2013, the Nomination Committee has considered, among other things, the composition of the Board, the independence of independent non-executive directors and related matters.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendation to the Board on the Company's policy and structure for remuneration of the directors and senior management of the Company.

The Remuneration Committee consists of Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2013, the Remuneration Committee has considered and proposed, among other things, the directors' fee for putting forward to shareholders for approval at the 2013 annual general meeting.

INTERNAL CONTROLS

The AML Oversight Committee is responsible for formulating policies and strategies on anti-money laundering ("AML") development and acts as the oversight committee on AML matters.

AML Oversight Committee consists of Mr. Timothy Patrick McNally (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2013, the AML Oversight Committee has considered, among other things, reports and documents in relation to internal controls of the Group.

The Company has engaged an independent professional party to review and audit internal controls of the Group with a focus on AML for the six months ended 30 June 2013. The independent professional party will issue its findings in a report and details of which will be enclosed in our annual report for the financial year ending 31 December 2013.

The Company has engaged an independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2012 and set out the findings of the assessment in this interim report. Please refer to "Independent Review of Investment Risks in Cambodia" on pages 29 to 31 for details.

CHANGE IN DIRECTORS' INFORMATION

The change in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Timothy Patrick McNally, *Chairman*

Mr. McNally entered into a letter of appointment (the "Appointment Letter") with the Company for a term of 3 years from 1 July 2013 to 30 June 2016, subject to re-election. The director's fee of Mr. McNally has been revised from HK\$400,000 to US\$150,000 per annum, payable quarterly, with effect from 1 July 2013. The advisory fee payable to Mr. McNally has been revised from US\$2,000 to US\$3,000 per day with effect from 1 July 2013. The Appointment Letter also provides that Mr. McNally is entitled to an annual fee of US\$40,000, payable quarterly, for assignments and work performed on a regular basis on behalf of the Company.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 59 which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. and its subsidiaries as of 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Federation of Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Tony Yuk Tung Chan

Practising Certificate Number P04654

25th Floor, Wing On Centre,
111, Connaught Road Central
Hong Kong

Hong Kong, 7 August 2013

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2013 \$'000 (Unaudited)	2012 \$'000 (Unaudited)
Revenue	4	151,644	132,241
Cost of sales		(40,099)	(38,489)
Gross profit		111,545	93,752
Other income		398	771
Administrative expenses		(20,394)	(17,242)
Other operating expenses		(26,141)	(22,646)
Profit before taxation	5	65,408	54,635
Income tax	6	(2,556)	(2,238)
Profit attributable to owners of the Company		62,852	52,397
Earnings per share (US cents)	8	2.87	2.52

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Six months ended 30 June	
	2013 \$'000 (Unaudited)	2012 \$'000 (Unaudited)
Profit for the period	62,852	52,397
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments	(1)	—
Total comprehensive income attributable to owners of the Company for the period	62,851	52,397

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Note	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	257,365	237,576
Interest in leasehold land held for own use under operating lease		621	624
Intangible assets	11	78,616	80,389
Prepayments for purchase of construction materials	13	17,688	14,436
		354,290	333,025
Current assets			
Consumables		1,297	1,142
Trade and other receivables	12	18,809	20,890
Fixed deposits at bank	14	157,350	15,000
Cash and cash equivalents		66,295	58,225
		243,751	95,257
Current liabilities			
Trade and other payables	15	31,114	26,010
Current tax liability		426	373
		31,540	26,383
Net current assets		212,211	68,874
NET ASSETS		566,501	401,899

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Note	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	16	28,526	26,026
Reserves		537,975	375,873
TOTAL EQUITY		566,501	401,899

Approved and authorised for issue by the Board on 7 August 2013.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Note	Capital					Retained profits	Total
		Share capital	Share premium	Merger reserve	contribution reserve	Exchange reserve		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2012 (audited)		26,026	135,498	(12,812)	55,568	65	148,133	352,478
Changes in equity for the six months ended 30 June 2012:								
Profit and other comprehensive income for the period		—	—	—	—	—	52,397	52,397
2011 final dividend declared		—	—	—	—	—	(32,280)	(32,280)
Balance at 30 June 2012 and 1 July 2012 (unaudited)		26,026	135,498	(12,812)	55,568	65	168,250	372,595
Changes in equity for the six months ended 31 December 2012:								
Profit for the period		—	—	—	—	—	60,744	60,744
Other comprehensive income		—	—	—	—	(2)	—	(2)
Total comprehensive income for the period		—	—	—	—	(2)	60,744	60,742
2012 interim dividend declared	7	—	—	—	—	—	(31,438)	(31,438)
Balance at 31 December 2012 (audited)		26,026	135,498	(12,812)	55,568	63	197,556	401,899

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Note	Share capital	Share premium	Merger reserve	Capital contribution reserve	Exchange reserve	Retained profits	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013 (audited)		26,026	135,498	(12,812)	55,568	63	197,556	401,899
Changes in equity for the six months ended 30 June 2013:								
Issue of shares under placement	16	2,500	153,629	—	—	—	—	156,129
Share placement expenses		—	(1,206)	—	—	—	—	(1,206)
Profit for the period		—	—	—	—	—	62,852	62,852
Other comprehensive income		—	—	—	—	(1)	—	(1)
Total comprehensive income for the period		2,500	152,423	—	—	(1)	62,852	217,774
2012 final dividend declared		—	—	—	—	—	(53,172)	(53,172)
Balance at 30 June 2013 (unaudited)		28,526	287,921	(12,812)	55,568	62	207,236	566,501

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 (unaudited)

(Expressed in United States dollars)

	Six months ended 30 June	
	2013 \$'000 (Unaudited)	2012 \$'000 (Unaudited)
Cash generated from operations	91,288	68,707
Tax paid	(2,503)	(2,197)
Net cash from operating activities	88,785	66,510
Net cash used in investing activities	(182,463)	(35,693)
Net cash from/(used) in financing activities	101,748	(3)
Net increase in cash and cash equivalents	8,070	30,814
Cash and cash equivalents at beginning of period	58,225	29,264
Cash and cash equivalents at end of period	66,295	60,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

1. CORPORATE INFORMATION

The Company is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld Building, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

The condensed consolidated financial statements for the six months ended 30 June 2013 comprise the Company and its subsidiaries.

The condensed consolidated financial statements are expressed in United States dollars.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The 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 financial position and performance of the Group after the Group’s audited consolidated financial statements for the year ended 31 December 2012 (the “2012 annual financial statements”). The condensed consolidated financial statements do not include all of the information required for a full set of annual financial statements prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (the “IASB”), and should be read in conjunction with the 2012 annual financial statements.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in the 2012 annual financial statements, except for the adoption of certain new or revised standards and interpretations issued by the IASB which are effective for the current accounting period as follows:

IFRSs (Amendments)	Annual Improvements 2009 to 2011 Cycle
Amendments to IFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investment in Associates and Joint Ventures

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

The IASB has also issued the following amendments, new or revised standards and interpretations, potentially relevant to the Group's operations, which are not yet effective for the accounting period beginning on or before 1 January 2013 and which have not been early adopted in these condensed consolidated financial statements.

		Effective for accounting period beginning on or after
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
IFRIC Interpretation 21	Levies	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

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 standards and interpretations in the period of initial application. Presently, the Directors are of the opinion that these amendments are unlikely to have a significant impact on the Group's results of operations and financial position.

4. REVENUE

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	97,688	88,518
Casino operations – electronic gaming machine stations	44,030	35,423
Hotel room income, sales of food and beverage and others	9,926	8,300
	151,644	132,241

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interest income	(203)	(429)
Auditor's remuneration		
– Current period	127	125
– Under-provision for prior period	146	59
Amortisation of casino licence premium	1,773	1,773
Depreciation and amortisation	10,431	8,251
Impairment loss on trade receivables	—	89
Reversal of impairment loss on trade receivables previously recognised	—	(259)
Exchange loss, net	445	199
Fuel expenses	4,391	4,483
Operating lease charges for:		
– office and car park rental	567	280
– land lease rental	93	93
– hire of equipment	1,737	956
Staff costs (<i>Note (a)</i>)		
– Salaries, wages and other benefits	15,509	14,302
– Contributions to defined contribution retirement scheme	7	4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

5. PROFIT BEFORE TAXATION (Continued)

Note:

(a) Included in staff costs are the following:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Basic salaries and allowances	856	1,027
Senior management's remuneration		
– Basic salaries, allowances and benefits-in-kind	1,400	1,722

6. INCOME TAX

Income tax in profit or loss represents:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax expense		
– Current period	2,556	2,238

Taxation represents the monthly gaming obligation payment of (1) \$288,650 (six months ended 30 June 2012: \$256,577) and monthly non-gaming obligation payment of (2) \$137,396 (six months ended 30 June 2012: \$116,438) payable to The Ministry of Economy and Finance of Cambodia by NagaWorld Limited Gaming Branch, a branch registered under the name of NAGAWORLD LIMITED, a subsidiary of the Company incorporated in Hong Kong. There are no Malaysia or Hong Kong income taxes payable by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

7. DIVIDENDS PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE PERIOD

	Six months ended 30 June	
	2013 \$'000 (Unaudited)	2012 \$'000 (Unaudited)
Interim dividend declared after the end of reporting period:		
2013: US cents 1.93 per ordinary share	43,996	—
2012: US cents 1.51 per ordinary share	—	31,438
	43,996	31,438

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$62,852,000 (six months ended 30 June 2012: \$52,397,000) and the weighted average number of 2,188,156,223 (six months ended 30 June 2012: 2,082,078,875) ordinary shares in issue during the six months ended 30 June 2013.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9. 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

9. SEGMENT INFORMATION (Continued)

Segment results, assets and liabilities

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

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

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

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
Segment revenue:			
Six months ended 30 June 2013 (unaudited):			
Revenue from external customers	141,804	9,840	151,644
Inter-segment revenue	—	15,737	15,737
Reportable segment revenue	141,804	25,577	167,381
Six months ended 30 June 2012 (unaudited):			
Revenue from external customers	124,022	8,219	132,241
Inter-segment revenue	—	16,686	16,686
Reportable segment revenue	124,022	24,905	148,927
Segment profit:			
30 June 2013 (unaudited)	70,885	9,864	80,749
30 June 2012 (unaudited)	56,708	10,674	67,382
Segment assets:			
30 June 2013 (unaudited)	475,432	258,299	733,731
31 December 2012 (audited)	419,529	235,839	655,368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

9. SEGMENT INFORMATION (Continued)

Segment results, assets and liabilities (Continued)

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	167,381	148,927
Elimination of inter-segment revenue	(15,737)	(16,686)
Consolidated revenue	151,644	132,241
Profit		
Reportable segment profit	80,749	67,382
Other revenue	46	—
Depreciation and amortisation	(12,204)	(10,024)
Unallocated head office and corporate expenses	(3,183)	(2,723)
Consolidated profit before taxation	65,408	54,635

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment totalling \$30,215,000 which included \$28,386,000 in respect of capital work-in-progress in relation to the construction of NagaWorld. The additions of \$28,560,000 have been included in the assets of the segment of hotel and entertainment operations as disclosed in note 9, while the remaining additions of \$1,403,000 have been included in those of the segment of casino operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

11. INTANGIBLE ASSETS

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
<hr/>		
Casino licence premium and extended exclusivity premium		
Cost		
At beginning and at end of period/year	108,000	108,000
<hr style="border-top: 1px dashed #000;"/>		
Accumulated amortisation		
At beginning of period/year	27,611	24,064
Charge for the period/year	1,773	3,547
<hr/>		
At end of period/year	29,384	27,611
<hr style="border-top: 1px dashed #000;"/>		
Net book value		
At end of period/year	78,616	80,389
<hr/>		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

12. TRADE AND OTHER RECEIVABLES

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Trade receivables	16,536	15,459
Less: Allowance for impairment loss	(8,537)	(8,537)
	7,999	6,922
Deposits, prepayments and other receivables	10,810	13,968
	18,809	20,890

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

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Current to within 1 month	772	1,331
1 to 3 months	2,793	794
3 to 6 months	428	—
6 to 12 months	562	—
More than 1 year	3,444	4,797
	7,999	6,922

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

12. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
At beginning of period/year	8,537	11,469
Impairment loss recognised	—	89
Bad debts written off	—	(2,362)
Reversal of impairment loss previously recognised	—	(659)
At end of period/year	8,537	8,537

The Group recognises impairment loss on individual assessments. The Group's credit policy is set out in note 20(c).

13. PREPAYMENTS FOR PURCHASE OF CONSTRUCTION MATERIALS

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

14. FIXED DEPOSITS AT BANK

The deposits bear interest of 0.09% to 1.5% (31 December 2012: 1.75% to 1.9%) per annum and mature in various period up to September 2013 (31 December 2012: mature in various periods up to January 2013).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

15. TRADE AND OTHER PAYABLES

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Trade payables	1,102	1,170
Unredeemed casino chips	9,058	10,030
Deferred revenue	357	357
Deposits	4,577	100
Construction creditors	7,670	6,849
Accruals and other creditors	8,350	7,504
	31,114	26,010

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

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Due within 1 month or on demand	1,102	1,012
Due after 1 month but within 3 months	—	20
Due after 3 months but within 6 months	—	60
Due after 6 months but within 1 year	—	78
Total	1,102	1,170

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

16. SHARE CAPITAL

(i) Authorised

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

(ii) Issued and fully paid

	30 June 2013		31 December 2012	
	No. of shares (Unaudited)	\$'000	No. of shares (Audited)	\$'000
At beginning of period/year	2,082,078,875	26,026	2,082,078,875	26,026
Issue of shares on share placing <i>(Note (a))</i>	200,000,000	2,500	—	—
At end of period/year	2,282,078,875	28,526	2,082,078,875	26,026

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

Note:

- (a) On 27 March 2013, the Company allotted and issued 200,000,000 new ordinary shares of US\$0.0125 each at a subscription price of HK\$6.05 per share pursuant to the Placing and Subscription Agreement dated 13 March 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

17. LEASE COMMITMENTS

At the end of reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2013					31 December 2012				
	In respect of: (Unaudited)					In respect of: (Audited)				
	Office, staff quarter Land lease \$'000	and car park rental \$'000	Equipment rental \$'000	Gaming machines stations & tables games \$'000	Total \$'000	Office, staff quarter Land lease \$'000	and car park rental \$'000	Equipment rental \$'000	Gaming machines stations & tables games \$'000	Total \$'000
Within 1 year	187	765	294	1,394	2,640	187	765	1,062	1,394	3,408
1 to 5 years	779	1,034	—	957	2,770	771	1,372	—	1,654	3,797
After 5 years	20,366	640	—	—	21,006	20,468	684	—	—	21,152
	21,332	2,439	294	2,351	26,416	21,426	2,821	1,062	3,048	28,357

Note: Hotel and casino complex, Phnom Penh

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

18. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of reporting period:

	30 June 2013 \$'000 (Unaudited)	31 December 2012 \$'000 (Audited)
Hotel and casino complex, Phnom Penh – contracted but not incurred	32,230	39,348

The capital commitments relating to the hotel and casino complex are expected to be incurred over one year in accordance with a phased construction plan.

19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme upon listing of the Company's shares on the Stock Exchange on 19 October 2006 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the period (six months ended 30 June 2012: Nil) and there are no outstanding share options at the end of reporting period (31 December 2012: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

20. RISK MANAGEMENT

(a) Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and currency risks arise in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such policies are regularly reviewed by the Board and regular reviews are undertaken to ensure that the Group's policies and guidelines are adhered to.

(b) Political and economic risks

The Group's activities are carried out in Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Cambodian Government has been pursuing reform policies in recent years, no assurance can be given that the Cambodian Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Cambodian Government's pursuit of reforms will be consistent or effective. Changes in laws on taxation and investment and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition.

(c) Credit risk

The credit policy on gaming revenue is 7 days from the end of tour. Trade receivables relate mostly to Junket VIP operators and local operators who have good track records with the Group or were active during the period. At the end of reporting period, the Group has a certain concentration of credit risk at 37% (31 December 2012: 29%) of the total trade and other receivables that were due from the five largest operators.

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

The Group does not provide any guarantees which would expose the Group to credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

20. RISK MANAGEMENT (Continued)

(d) Interest rate risk

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

	30 June 2013		31 December 2012	
	Effective interest rate % (Unaudited)	One year or less \$'000 (Unaudited)	Effective interest rate % (Audited)	One year or less \$'000 (Audited)
Bank deposits				
– On demand	0.5 to 0.8	28,943	0.01 to 1.5	19,627
– Fixed term of 7 days or less	0.09 to 0.207	112,350	—	—
– Within one year	1.00 to 1.90	45,000	1.9	15,000
		186,293		34,627

(e) Foreign currency risk

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in United States dollars)

21. RELATED PARTY TRANSACTIONS

Significant transactions entered into between the Group and its related company are as follows:

Expenses

	Six months ended 30 June	
	2013 \$'000 (Unaudited)	2012 \$'000 (Unaudited)
Travel expenses (<i>Note</i>)	305	360

Note: The Group has transacted with a related company, the controlling beneficiary of which is Tan Sri Dr Chen Lip Keong, the ultimate controlling shareholder of the Company, for the provision of travel and tour services and hotel accommodation to the Group.

As at 30 June 2013, amounts due from related companies of \$3,235,000 (31 December 2012: \$5,022,000) are included in trade and other receivables as disclosed in note 12 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the period was \$3,235,000 (31 December 2012: \$5,022,000).

22. ULTIMATE CONTROLLING PARTY

At 30 June 2013, Tan Sri Dr Chen Lip Keong is beneficially interested in 951,795,297 ordinary shares out of the 2,282,078,875 issued ordinary shares of the Company.

23. ACQUISITION OF SUBSIDIARIES

The Company entered into a conditional share purchase agreement on 13 June 2011 with Tan Sri Dr Chen Lip Keong, controlling shareholder of the Company, to acquire the entire equity interests in TanSriChen Inc. ("TSC Inc.") and TanSriChen (Citywalk) Inc. ("City Walk Inc.") both of which are incorporated in the British Virgin Islands and wholly owned by Tan Sri Dr Chen Lip Keong. The agreed consideration is US\$369,000,000, which will be settled upon completion in the form of issued shares of the Company or convertible bonds to be issued by the Company. The acquisition was approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 January 2012. The completion of the acquisition is subject to the completion of the construction of several projects to be undertaken by TSC Inc. and City Walk Inc. The projects include the development and construction of the hotel and gaming complex, a retail walkway and a tourist park in Cambodia.



NAGAWORLD

THE FINEST INTEGRATED BUSINESS,
LEISURE AND ENTERTAINMENT DESTINATION
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