



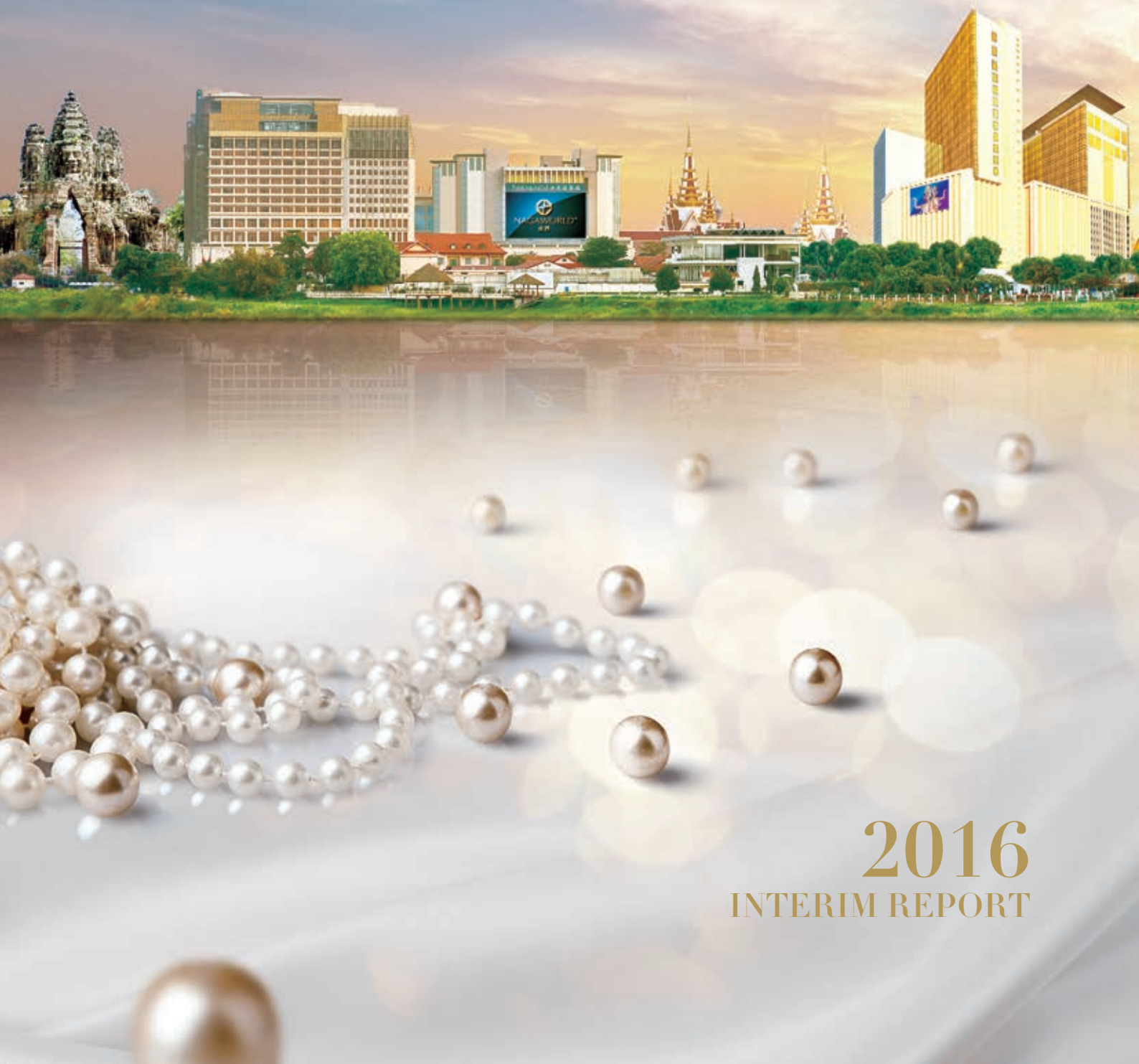
NAGACORP

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



2016
INTERIM REPORT







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Corporate Information

NagaCorp Ltd. (“NagaCorp” or the “Company”, together with its subsidiaries, the “Group”) 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. NagaCorp was the first company with operations in Cambodia to become a public listed entity and 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 until 2065, as well as a 41-year monopoly within a 200-km radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) that expires in 2035.

Board of Directors

Executive Directors

Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*)
Philip Lee Wai Tuck (*Chief Financial Officer*)
Chen Yiy Fon
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 Yiy Fon
Chen Yepern
Michael Lai Kai Jin

Company Secretary

Lam Yi Lin

Authorised Representatives

Philip Lee Wai Tuck
Lam Yi Lin

Independent Auditor

BDO Limited

Solicitors

Reed Smith Richards Butler
Linklaters

Principal Bankers

CIMB Bank Plc (*Phnom Penh Branch*)
United Overseas Bank Limited (*Hong Kong Branch*)
Bank of China (*Phnom Penh Branch*)

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

Listing

The Company's shares of US\$0.0125 each (the "Shares") have been listed on the Main Board of the Stock Exchange since 19 October 2006.

2016 Interim Report

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
Samdech Techo Hun Sen Park
P.O. Box 1099, Phnom Penh
Kingdom of Cambodia
Tel: +855 23 228822 Fax: +855 23 217532

Principal Place of Business in Hong Kong

Suite 2806, 28/F
Central Plaza
18 Harbour Road
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 (Asia Pacific) & Corporate Finance

Gerard Chai, *Vice President*

Investor Relations (North America)

Kevin Nyland, *Vice President*

Investor Relations (Europe, Middle East & Africa)

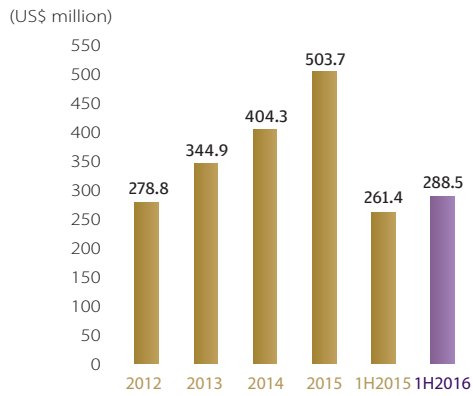
David Ellis

Company Website

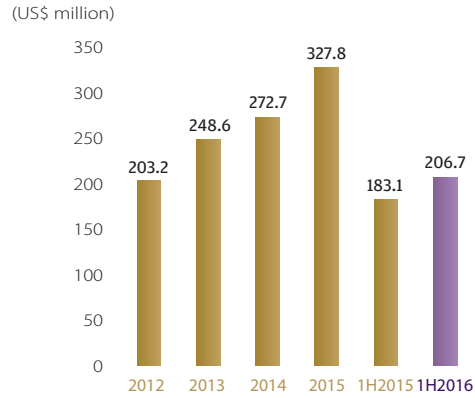
www.nagacorp.com

Financial Highlights

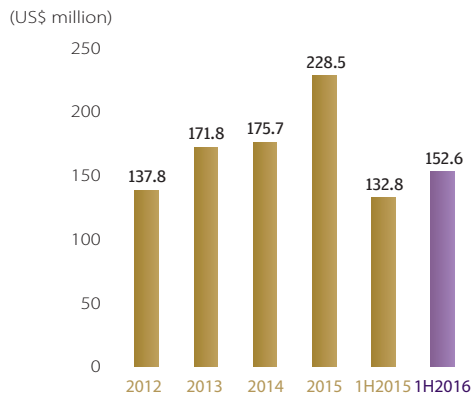
Revenue



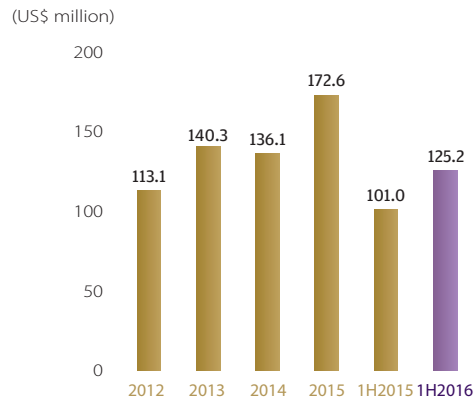
Gross Profit



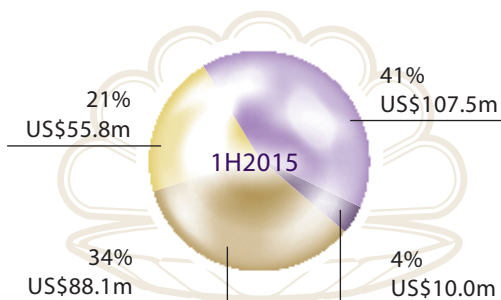
EBITDA



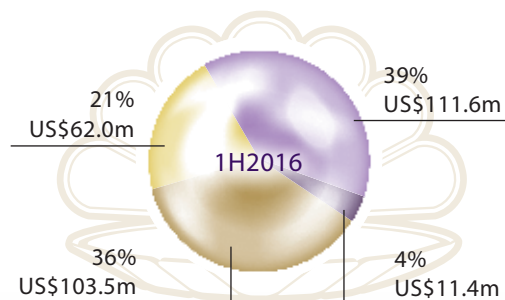
Net profit



Revenue (US\$261.4 million)



Revenue (US\$288.5 million)



- Mass Market: Public Floor Tables
- Mass Market: Electronic Gaming Machines
- VIP Market
- Non-Gaming

Chairman's Statement



Timothy Patrick McNally
Chairman

Dear Shareholders,

We are pleased to report that NagaCorp continued to outperform its regional competitors during the six months ended 30 June 2016 (the "Period"). The Company continues to generate positive operational and financial results for shareholders of the Company (the "Shareholders") with net profit of US\$125 million, a 24% increase over last year. Gross Gaming Revenue ("GGR") for the first half of 2016 ("1H2016") increased by 10% to US\$277 million. We achieved these results while Macau recorded a decline in GGR of 11% in 1H2016 (Source: DICJ Macau).

Our positive results were attributed to a combination of solid business strategy and acumen, operational and execution efficiency, and an increasingly vibrant tourism market in a politically stable country, leading to an increase in business volume across all segments of the gaming business. Today we operate the largest integrated leisure and gaming entertainment destination in the Mekong Region.

Steady Tourism and Local Economic Growth

NagaWorld, operating in a region that is home to half of the world's population, continues to benefit from the region's robust travel and tourism trends. International tourist arrivals to Cambodia continued their growth trajectory, with 2.4 million visitors in the 1H2016, a 2.6% increase compared to the same period in 2015. Visitor arrivals at the Phnom Penh International Airport increased by 9% over the same period. Visitors from Vietnam (20%), China (16%) and Korea (8%) collectively accounted for 44% of total tourist arrivals to Cambodia. In particular, visitors from China increased by 13% year-on-year to 378,737 visitors during the 1H2016 (Source: Ministry of Tourism, Cambodia). Continued visitor growth from these gaming-centric countries is one of the key drivers of our business growth.

Chairman's Statement

Sound Strategy, Positioned for Growth

For the Mass Market segment, we achieved 17% increase in Public Floor Tables buy-ins and an 18% increase in electronic gaming machines ("EGM") bills-in. The implementation of table buy-ins for all Public Floor Tables in 2015, which provides convenience for players, continued to drive incremental growth in business volumes. EGM revenue growth of 17% is attributed to an increase in bills-in of 18% and the receipt of an EGM fee. In addition, the Group's collaboration with Chinese outbound travel agents and an independent airline operator to bring Chinese visitors into Cambodia contributed positively to visitor growth at the property. Our loyalty program, the Golden Edge Rewards Club had approximately 13,900 active Mass Market members as of 30 June 2016. This rewards program allows us to continue to understand members' profiles, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors by providing a more satisfying and wholesome entertainment experience.

Our VIP market comprises players brought in by junkets, who are either under a commission or incentive program, and direct players without an intermediary. The overseas junket incentive program we introduced in March 2013 has enabled us to increase existing table limits while managing volatility and credit risk. VIP rollings for 1H2016 increased by 26% to US\$4.5 billion with a win rate of 2.5%. Despite a lower win rate during the Period, VIP market revenue grew by 4% to US\$111.6 million. In January 2016, we revised our overseas junket incentive program to improve our margins, as it captures a larger share of the Asian VIP market.

During 1H2016 we continued our efforts to provide internationally recognized products and services to both gaming and non-gaming patrons while continuing to grow market share through our unique position in the region.

The opening of NagaCity Walk in August 2016 will mark a significant step in the Company's development. NagaCity Walk will enhance the overall retail experience available to guests and further strengthen NagaWorld's appeal to both the VIP and Mass markets. China Duty Free Group ("CDFG"), the largest duty-free operator in China, has leased about 3,900 square meters in NagaCity Walk to operate duty-free shopping on the premises. In addition, the expected opening of the TSCLK complex in 2017 is expected to enhance NagaWorld's appeal to both the VIP and Mass markets across the region.

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on schedule for operation by 2018. We have established an office at the city center and a number of key personnel have been appointed to monitor various aspects of the progress of the project. We believe our strategy to diversify our business geographically and expand into new casino markets will drive revenue growth in the long term.

Maintaining Competitive Dividend Yield

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

The board of directors of the Company (the "Board") has resolved to declare payment of an interim dividend for Shareholders and a distribution for the holder of the convertible bonds (the "Convertible Bonds") of US cents 2.77 per Share/Conversion Share (as defined in page 15 of this interim report) (or equivalent to HK cents 21.47 per Share/Conversion Share) for 1H2016. This represents a dividend payout ratio of 60%, based on the net profit generated for the Period. The interim dividend and distribution will be paid on Tuesday, 13 September 2016.

Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. 1H2016 was 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.

Corporate Governance

NagaCorp has engaged an independent professional party to review the internal controls of 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 2016. 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 interim 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

Hong Kong, 8 August 2016







Management Discussion and Analysis

Market Review

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

Visitation to Cambodia continued to grow with international arrivals increasing by 2.6% to 2.4 million visitors in the 1H2016 compared to the same period in 2015. Visitor arrivals to Phnom Penh International Airport increased by 9% over the same period. The top three countries where visitors originated from were Vietnam (20%), China (16%) and Korea (8%), together accounting for 44% of total arrivals to Cambodia. In particular, visitors from China increased by 13% year-on-year to 378,737 visitors during the 1H2016 (Source: Ministry of Tourism, Cambodia). Visitor growth continues to be one of the growth drivers of the Group's business.

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

Business Review

Table 1: Performance Highlights

For the Period and comparative periods:

	1H2016 US\$'000	1H2015 US\$'000 (Reclassified)	Increase/ (Decrease) %
Mass Market: Public Floor Tables			
– Buy-ins	305,569	261,951	17
– Win rate	20.3%	21.3%	
– Revenue	61,972	55,784	11
– No. of tables at end of period	87	85	2
Mass Market: EGM			
– Bills-in	741,770	629,284	18
– Win rate	8.5%	10.7%	
– Revenue	103,500	88,108	17
– No. of machines at end of period	1,662	1,600	4
VIP Market			
– Rollings	4,549,246	3,624,742	26
– Win rate	2.5%	3.0%	
– Revenue	111,630	107,542	4
– No. of tables at end of period	209	176	19
Gross Gaming Revenue	277,102	251,434	10

Management Discussion and Analysis

Mass Market (Public Floor Tables and EGM)

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

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

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

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

VIP Market

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

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

Non-Gaming – Hotel, Food & Beverage and Entertainment

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

Revenue and Gross Profit Analysis

Table 2(a)

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

Table 2(b)

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

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

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

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

Management Discussion and Analysis

Finance Costs

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

Net Profit

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

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

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

Financial Review

Pledge of Assets

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

Contingent Liabilities

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

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

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

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

Exchange Rate Risk

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

Issue of New Shares

No Shares were issued by the Company during the Period.

Issue of Convertible Bonds

On 17 May 2016, the Group acquired 100% of the equity interest of TanSriChen (Citywalk) Inc. and its wholly-owned subsidiary (collectively the "Citywalk Group") which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of US\$94.0 million which was satisfied by the issuance of the Convertible Bonds by the Company in accordance with the terms of the share purchase agreement dated 13 June 2011, as supplemented by supplemental agreements dated 28 December 2011 and 28 December 2015, entered into between the Company and Dr Chen (the "Share Purchase Agreement").

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

The Convertible Bonds are not subject to any redemption provisions. The Company does not have any redemption obligations under the Convertible Bonds.

Liquidity, Financial Resources and Gearing

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

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

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

Capital and Reserves

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

Employees

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

Employee Benefits

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

Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables. The increase in net trade receivables from US\$11.6 million to US\$47.9 million during the Period was due to US\$30.0 million receivable from the 2016 EGM Fee as mentioned in note 4 in the Notes to the Condensed Consolidated Financial Statements.

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

Management Discussion and Analysis

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

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

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

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

Events after Reporting Period

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

Project Updates and Prospects

Update on NagaCity Walk and Naga2

Reference is made to the announcements of the Company dated 13 June 2011, 28 December 2011 and 29 December 2015, and the circular of the Company dated 30 December 2011 (the "Circular"), in relation to the acquisition by the Company of the NagaCity Walk Project and the TSCLK Project.

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

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

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

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

Update on the Investment Project in Vladivostok

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

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

Prospects

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

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

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

Management Discussion and Analysis

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

Interim Dividend and Distribution

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

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

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

Closure of Register of Members and Register of Bondholders

For the purpose of determining the following entitlements:

(i) Interim dividend for the Period

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

(ii) Distribution for the Period

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

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

The directors of the Company (the "Directors") who held office as at 30 June 2016 had the following interests in the Shares, underlying Shares and debentures of the Company at that date as recorded in the register of directors' and chief executive's 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"):

(1) Interests in Shares and Underlying Shares

Name of Director	Capacity	Number of Shares/Underlying Shares held	% of Total Issued Shares (Note 1)
Tan Sri Dr Chen Lip Keong	Founder of a discretionary trust ^(Note 2)	951,795,297 (L)	41.93 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	7,150,000 (L)	0.31 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner ^(Note 3)	1,167,283,413 (L)	51.42 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner ^(Note 4)	439,072,360 (L)	19.34 (L)

Notes:

- (1) Based on 2,269,988,875 Shares in issue as at 30 June 2016.
- (2) Tan Sri Dr Chen Lip Keong is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through Cambodia Development Corporation and Fourth Star Finance Corp., a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Tan Sri Dr Chen Lip Keong is taken to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation, Cambodia Development Corporation and 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.
- (3) These 1,167,283,413 underlying Shares are the consideration for the very substantial acquisition of TanSriChen Inc. (the "Target Company") under the conditional Share Purchase Agreement. The number of these 1,167,283,413 underlying Shares in which Tan Sri Dr Chen Lip Keong is interested is subject to such adjustments as stated in or referred to in the Circular and will not be issued until the completion applicable to the acquisition of the Target Company, pursuant to the terms of the Share Purchase Agreement.

Disclosure of Interests

- (4) Tan Sri Dr Chen Lip Keong held Convertible Bonds in the principal amount of US\$94,000,000 (unlisted equity derivatives). Assuming full conversion of these Convertible Bonds at the conversion price of HK\$1.6699 per Share, 439,072,360 Shares would be issued to Tan Sri Dr Chen Lip Keong. The conversion price and the number of the Conversion Shares are subject to adjustments in the event of any future capital restructuring.
- (5) The letter "L" denotes the entity's long position in the Shares.

(2) Interests in Debentures of the Company

As disclosed above, Tan Sri Dr Chen Lip Keong beneficially owned the Convertible Bonds in an aggregate principal amount of US\$94,000,000.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive 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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors or the chief executive of the Company are aware of, as at 30 June 2016, the Shareholders, other than a Director or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares 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 (as defined in the Listing Rules)

Name of Shareholders	Capacity	Number of Shares held	% of Total Issued Shares (Note 1)
ChenLa Foundation	Interest of controlled corporation ^(Note 2)	951,795,297 (L)	41.93 (L)
Fourth Star Finance Corp.	Beneficial owner	789,534,854 (L)	34.78 (L)

(2) Other Persons

Name of Shareholder	Capacity	Number of Shares held	% of Total Issued Shares (Note 1)
Cambodia Development Corporation	Beneficial owner	162,260,443 (L)	7.15 (L)

Notes:

- (1) Based on 2,269,988,875 Shares in issue as at 30 June 2016.
- (2) Such interests are held by Fourth Star Finance Corp. and Cambodia Development Corporation which in turn are controlled by ChenLa Foundation of which Tan Sri Dr Chen Lip Keong is the founder.
- (3) 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 executive of the Company are aware of, as at 30 June 2016, no other party (other than a Director or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares 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.

Dilutive Impact of the Convertible Bonds on the Substantial Shareholders' Shareholdings

Assuming that there is no change in share capital of the Company from 30 June 2016 and the Convertible Bonds are converted in full, the shareholding structures of the Company immediately before and after the conversion of the Convertible Bonds are set out below for illustration purposes:

Name of Shareholders	Shareholding Structure immediately before the Conversion of Convertible Bonds		Shareholding Structure immediately after the Conversion of Convertible Bonds	
	Number of Shares held	%	Number of Shares held	%
Fourth Star Finance Corp.	789,534,854	34.78	789,534,854	29.14
Cambodia Development Corporation	162,260,443	7.15	162,260,443	5.99
Tan Sri Dr Chen Lip Keong	7,150,000	0.31	446,222,360	16.47
Other Shareholders	1,311,043,578	57.76	1,311,043,578	48.40
	2,269,988,875	100.00	2,709,061,235	100.00

Disclosure of Interests

Share Option Schemes

The Company has a share option scheme which was adopted upon listing of the Shares on the Main Board of the Stock Exchange on 19 October 2006 (the "2006 Share Option Scheme"). As the 2006 Share Option Scheme will expire on 18 October 2016, the Company has adopted a new share option scheme on 20 April 2016 (the "2016 Share Option Scheme"). Under each of the 2006 Share Option Scheme and the 2016 Share Option Scheme, 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 to subscribe for Shares. The purposes of these two schemes are to attract and retain the best personnel and to provide additional incentives to them to promote the success of the Group.

Since the respective adoption dates of the 2006 Share Option Scheme and the 2016 Share Option Scheme and up to 30 June 2016, no share options have been granted by the Company under these two schemes. Accordingly, there were no outstanding share options as at 30 June 2016.

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

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

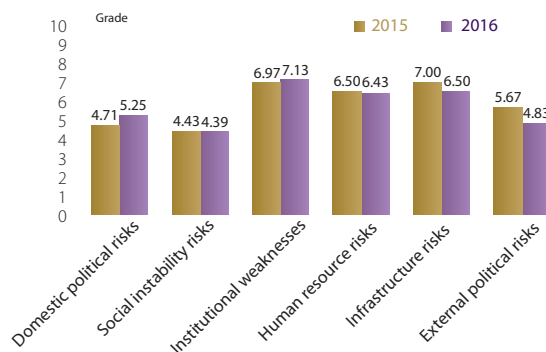
TO THE BOARD OF NAGACORP LTD.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia 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.

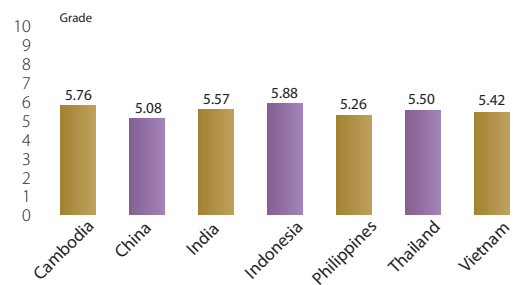
Based on the assessments and reviews carried out between late November 2015 and early January 2016, we summarised our findings below:

Perceptions of Cambodia's Business Environment Risks



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

How Perceptions of Cambodian Socio-Political Risks Compare



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

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 5.88 (slightly worse than one year ago). Cambodia's political and social risks are moderate and fairly stable. There has been a small deterioration in political risks during the past year due mainly to the failure of the political opposition to inspire confidence in its ability to form and run

Independent Review of Investment Risks in Cambodia

a government if it were to win the 2018 national elections. Weaknesses in the process of policy formulation by the government are another negative factor. On the other hand, there is greater confidence now than there was a year ago that the present government will win the next elections. It is replacing some old guard leaders with younger, better educated leaders who are pushing economic, education and social reforms that should help the government win back some of the voter support it lost in the last elections.

The biggest problems the country faces are due in large part to the country's continuing strong economic performance. This rapid growth, which is being sustained even at a time when the rest of the Southeast Asian region is experiencing a significant slowdown in growth, is placing new demands on the country's physical and human infrastructure. These demands are growing faster than the government is building new infrastructure, creating strains that could eventually hurt the country's relative competitiveness. When it comes to physical infrastructure, the high cost of electricity is perhaps the largest single problem, while the main negative issue with labor is the shortage of trained staff capable of independent thinking and implementing modern processes.

The major industries driving growth are changing. Construction has emerged as the leading growth sector, but the downside here is that a real estate bubble could occur. Agriculture has weakened and is not living up to its potential. The industrial sector is diversifying, with new foreign investments in electronic components and other sub-assembly industries, but garments and footwear still dominate the manufacturing sector. Tourism continues to lead the growth of service industries, but other services like finance and retail trade are also growing in importance. No matter what happens

politically, whoever holds political power in Cambodia will have to keep nurturing the growth of all these industries in order to maintain popular support. There is little risk that policies will change that discourage tourism or the role of foreign investment.

Cambodia's single strongest external relationship is with Mainland China, but the government is also having success in maintaining its relations with other countries like the US, Japan and EU members. This is ensuring that the Cambodian government gets the external support it needs to finance important programs, maintain a stable balance of payments, and protect currency stability. These relationships are also contributing to strong foreign direct investment inflows and exports at a time when many other countries in the region are being adversely affected by weak external demand conditions.

Positive Developments

- One of the most encouraging developments of the past year was the way tourism inflows from Mainland China continued to grow strongly despite the slowdown in China's economy and government policies that caused a sharp fall in Mainland visitors to places like Macao. The strong visitor inflows from China reflect both the continuing attractions to Mainland Chinese of Cambodia as a destination and the continuing emphasis Beijing is placing on cultivating a strong relationship with Cambodia.
- Solid growth and improved tax and customs administration have eased fiscal pressures on the government. The growth of domestic revenues sources has been complemented by continuing strong growth in external bilateral assistance, especially from China.

- Cambodia's close relations with China dovetail with the ongoing transformation in China's trade patterns and regional factory relocation. This gives Cambodia a unique opportunity to diversify its production and export base.
- The government has been taking steps to improve transparency and predictability of customs procedures in order to expedite cross-border flows of goods and integration with regional supply chain networks. Streamlining bureaucratic procedures is also improving the environment for foreign investors.
- Because of serious deficiencies in the local education system, it will be up to private sector employers to provide training so they have the staff needed to support rapidly growing businesses in the face of growing competition. Service industries like tourism are especially vulnerable since their clients, especially Mainland Chinese and Vietnamese, are becoming more sophisticated in their travel expectations. This means it is not adequate just to maintain service standards. Those standards need to keep improving.
- In addition to rising labor costs, companies will also have to deal with continuing high-energy costs and weak physical infrastructure, especially a poorly maintained road system that impedes movement of people and goods both within the country and across its borders.

The Challenges

- Appreciation of the real effective exchange rate following US dollar strengthening and growing competition from other low-cost producers are all challenges. Concerns regarding governance, access to finance, institutional efficiency, education and skills, and inadequate infrastructure also need to be addressed better.
- Recent trends suggest that average real wages are growing faster than in other countries and are outpacing gains in productivity. Moreover, the reputation of the labor force is being hurt by its militancy.
- Bank credit has been growing so rapidly (30% p.a. plus) for so long that the quality of banks' loan portfolios is vulnerable to such factors as a correction in real estate prices and a continuation of low agricultural prices.

Robert Broadfoot
 Managing Director
 PERC

Hong Kong, 14 January 2016

Independent Review of Investment Risks in Cambodia

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 and Other Information

Compliance with Corporate Governance Code

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

The Directors, having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "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 set out in Appendix 10 to the Listing Rules as the code of conduct of the Directors in respect of transactions in securities of the Company. Having made specific enquiry, the Company confirms that all Directors have complied with the required standard set out in the Model Code for the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

The audit committee of the Board (the "Audit Committee") is responsible for overseeing, among other things, the objectivity and credibility of financial reporting of the Company and the effectiveness of the risk management and internal control systems of the Group as well as maintaining appropriate relationship with the external auditor of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lim Mun Kee (Chairman), Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Mr. Michael Lai Kai Jin.

During the Period, the Audit Committee has reviewed the financial reports and statements as well as the internal control framework of the Company.

The Audit Committee has reviewed this interim report, and in particular the condensed consolidated financial statements for the Period 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 requirements and that adequate disclosure has been made.

The Company has engaged BDO Limited, who has reviewed the condensed consolidated financial statements for the Period 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 Auditing and Assurance Standards Board.

Corporate Governance and Other Information

Nomination Committee

The nomination committee of the Board (the "Nomination Committee") is responsible for reviewing the structure, size and composition of the Board to ensure that it has a balance of appropriate skills, experience and diversity of perspectives for the needs of the businesses of the Group, and make recommendations to the Board in the above areas. The Nomination Committee undertakes to identify individuals suitably qualified to become a Director and nominate such individual to the Board for directorship. It also assesses the independence of independent non-executive directors, makes recommendations to the Board on the appointment, re-appointment and succession plans to Directors, reviews and monitors the implementation of the board diversity policy.

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.

During the Period, the Nomination Committee has nominated the retired Directors for re-election by Shareholders at the Company's 2016 annual general meeting, reviewed the structure, size and composition of the Board with reference to the measurable objectives set under the board diversity policy. It has also reviewed the independence of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules.

Remuneration Committee

The remuneration committee of the Board (the "Remuneration Committee") is responsible for making recommendation to the Board on the Company's policy for and structure of 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.

During the Period, the Remuneration Committee has considered and proposed, among other things, the directors' fee to Shareholders for approval at the 2016 annual general meeting of the Company.

Risks Management and Internal Controls

The Board plays a key role in overseeing risks undertaken by considering risks as part of the strategy setting process. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. The Board is responsible for maintaining an adequate system of internal controls to mitigate risks and to safeguard the Group's assets. This internal control framework is reviewed annually by the Audit Committee on behalf of the Board.

Besides, the Company has in place an AML Procedure Manual, which takes into account regulatory requirements and expectations, as well as industry demands, to ensure that regulatory compliance is maintained at the highest monitoring standards. The Board was also satisfied that the Company complies with the code provisions relating to internal control contained in the Code.

Internal Controls on Money Laundering

In order to ensure that the Company maintains a high standard for compliance and integrity on anti-money laundering (“AML”), the Company has established a program designed to protect the reputation and mitigate AML risks. NagaCorp’s long term sustainability and success is dependent on its integrity and transparency in its daily gaming operations in relation to world best practices on AML. The Company has in place a 4-tier AML control structure comprising:

- Tier 1 – An AML Management Committee, led by the Compliance Officer and supported by senior managers from various key operational departments, tasked with ensuring that the Company adopts policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.
- Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with results of such audits reported to the Audit Committee and AML Oversight Committee.
- Tier 3 – AML Oversight Committee established at the Board level, chaired by the non-executive chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation.

- Tier 4 – External audit of the Company’s AML procedures. The Company engages an AML specialist firm which carries out a biannual audit of the Company’s AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit for the year 2016 will be enclosed in our annual report for the financial year ending 31 December 2016.

The AML Oversight Committee currently consists of Mr. Timothy Patrick McNally (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Michael Lai Kai Jin, Mr. Chen Yiy Fon and Mr. Chen Yepern. During the Period, the AML Oversight Committee has considered, among other things, reports from the independent professional party and the AML Management Committee in relation to the internal controls of the Group.

Independent Review of Investment Risks in Cambodia

Since the listing of the Company, the Company has engaged Political and Economic Risk Consultancy, Ltd., an independent professional party, to assess and review on an annual basis, the political, social, investment and macro-economic risks in Cambodia and disclose its findings in its annual and interim financial reports. For more details, please refer to the heading “Independent Review of Investment Risks in Cambodia” on pages 23 to 26 in this interim report.

Corporate Governance and Other Information

Changes in Directors' Information pursuant to Rule 13.51B(1) of the Listing Rules

The changes 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 and Non-executive Director

- received a discretionary bonus of US\$100,000

Tan Sri Dr Chen Lip Keong, Chief Executive Officer and Executive Director

- each of TanSriChen (Citywalk) Inc. and Tan Sri Chen Inc. (T S C I), of which Tan Sri Dr Chen Lip Keong acts as a director, became a wholly-owned subsidiary of the Company, effective from 17 May 2016
- received a discretionary bonus of US\$150,000

Philip Lee Wai Tuck, Chief Financial Officer and Executive Director

- appointed as a director of Naga Lease Limited, a wholly-owned subsidiary of the Company, effective from 23 March 2016
- received a discretionary bonus of US\$120,000

Chen Yiy Fon, Executive Director

- appointed as a director of Naga Lease Limited, a wholly-owned subsidiary of the Company, effective from 23 March 2016
- received a discretionary bonus of US\$30,000

Chen Yepern, Executive Director

- appointed as a director of Naga Lease Limited, a wholly-owned subsidiary of the Company, effective from 23 March 2016
- appointed as a director of TanSriChen (Citywalk) Inc., a wholly-owned subsidiary of the Company, effective from 17 May 2016
- received a discretionary bonus of US\$30,000

Lim Mun Kee, Independent Non-executive Director

- received a discretionary bonus of US\$30,000

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Independent Non-executive Director

- received a discretionary bonus of US\$20,000

Michael Lai Kai Jin, Independent Non-executive Director

- received a discretionary bonus of US\$20,000

The basis of determining the Directors' emoluments (including bonus payments) remained unchanged during the Period.

Save as disclosed above, as at 30 June 2016, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.





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 35 to 56 which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. (the "Company") and its subsidiaries as of 30 June 2016 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 of the Company 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 our 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 Auditing and Assurance Standards Board. 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.

Report on Review of Interim Financial Information

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

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

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

Hong Kong, 8 August 2016

Condensed Consolidated Statement of Income

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Notes	Six months ended 30 June	
		2016 \$'000 (Unaudited)	2015 \$'000 (Unaudited) (Reclassified)
Revenue	4	288,479	261,449
Cost of sales		(81,733)	(78,361)
Gross profit		206,746	183,088
Other income		2,325	2,779
Administrative expenses		(24,496)	(22,134)
Other operating expenses		(55,636)	(49,797)
Profit before taxation	5	128,939	113,936
Income tax	6	(3,752)	(12,916)
Profit attributable to owners of the Company		125,187	101,020
Earnings per share (US cents)			
Basic	8	5.51	4.45
Diluted	8	5.26	4.45

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

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

Condensed Consolidated Statement of Financial Position

At 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Notes	30 June 2016 \$'000 (Unaudited)	31 December 2015 \$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	533,530	407,080
Interest in leasehold lands held for own use under operating lease		1,306	1,308
Intangible assets	11	67,975	69,748
Prepayments for construction and fitting-out		66,726	47,003
Prepayments – non-current		1,150	689
Promissory notes	12	7,969	6,885
		678,656	532,713
Current assets			
Consumables		1,044	1,177
Trade and other receivables	13	90,699	45,999
Pledged deposits		683	–
Cash and cash equivalents		135,325	143,081
		227,751	190,257
Current liabilities			
Trade and other payables	14	39,736	34,824
Current tax liability		2,384	1,570
		42,120	36,394
Net current assets		185,631	153,863
NET ASSETS		864,287	686,576

Condensed Consolidated Statement of Financial Position

At 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Notes	30 June 2016 \$'000 (Unaudited)	31 December 2015 \$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		28,375	28,375
Reserves		835,912	658,201
TOTAL EQUITY		864,287	686,576

Approved and authorised for issue by the Board on 8 August 2016.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Share capital \$'000	Treasury shares \$'000	Share premium \$'000	Convertible bonds \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2015 (audited)	28,526	(9,004)	287,936	-	-	(12,812)	55,568	63	275,223	625,500
Changes in equity for the six months ended 30 June 2015:										
Profit for the period	-	-	-	-	-	-	-	-	101,020	101,020
Total comprehensive income for the period	-	-	-	-	-	-	-	-	101,020	101,020
Purchase of own shares	-	(494)	-	-	-	-	-	-	-	(494)
2014 final dividend declared	-	-	-	-	-	-	-	-	(47,925)	(47,925)
Balance at 30 June 2015 (unaudited)	28,526	(9,498)	287,936	-	-	(12,812)	55,568	63	328,318	678,101
Profit for the period	-	-	-	-	-	-	-	-	71,603	71,603
Other comprehensive income – exchange adjustments	-	-	-	-	-	-	-	(2,516)	-	(2,516)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,516)	71,603	69,087
Cancellation of treasury shares	(151)	9,498	(9,498)	-	151	-	-	-	-	-
2015 interim dividend declared	-	-	-	-	-	-	-	-	(60,612)	(60,612)
Balance at 31 December 2015 (audited)	28,375	-	278,438	-	151	(12,812)	55,568	(2,453)	339,309	686,576
Balance at 1 January 2016 (audited)	28,375	-	278,438	-	151	(12,812)	55,568	(2,453)	339,309	686,576
Changes in equity for the six months ended 30 June 2016:										
Profit for the period	-	-	-	-	-	-	-	-	125,187	125,187
Other comprehensive income – exchange adjustments	-	-	-	-	-	-	-	864	-	864
Total comprehensive income for the period	-	-	-	-	-	-	-	864	125,187	126,051
Convertible bonds issued (note 15)	-	-	-	94,622	-	-	-	-	-	94,622
2015 final dividend declared	-	-	-	-	-	-	-	-	(42,962)	(42,962)
Balance at 30 June 2016 (unaudited)	28,375	-	278,438	94,622	151	(12,812)	55,568	(1,589)	421,534	864,287

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2016 \$'000 (Unaudited)	2015 \$'000 (Unaudited)
Cash generated from operations	109,960	118,629
Tax paid	(2,938)	(12,866)
Net cash from operating activities	107,022	105,763
Investing activities		
Interest received	541	914
Payment for the purchase of property, plant and equipment and for the construction cost of property	(72,139)	(50,012)
Proceeds from disposal of property, plant and equipment	465	–
Disposal of investment bonds	–	25,809
Additions in promissory notes	–	(9,166)
Addition in pledged deposit	(683)	(1,434)
Net cash used in investing activities	(71,816)	(33,889)
Financing activities		
Dividends paid	(42,962)	(47,925)
Purchase of own shares	–	(494)
Net cash used in financing activities	(42,962)	(48,419)
Net (decrease)/increase in cash and cash equivalents	(7,756)	23,455
Cash and cash equivalents at beginning of period	143,081	178,238
Cash and cash equivalents at end of period	135,325	201,693

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(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, Samdech Techo Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 (the "Period") comprise the Company and its subsidiaries.

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

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

2. Basis of preparation

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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

3. Principal accounting policies

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 financial position and performance of the Group after the Group's audited consolidated financial statements for the year ended 31 December 2015 (the "2015 annual financial statements"). The unaudited 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 IASB, and should be read in conjunction with the 2015 annual financial statements.

Except as described below, the unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in the 2015 annual financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

3. Principal accounting policies (continued)

Convertible bonds

Convertible Bonds that contain conversion options are classified into equity or liability on initial recognition according to the terms of the Convertible Bonds.

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

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

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

Share-based payments

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

3. Principal accounting policies (continued)

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

4. 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	
	2016 \$'000 (Unaudited)	2015 \$'000 (Unaudited) (Reclassified)
Casino operations – gaming tables	173,602	163,326
Casino operations – electronic gaming*	103,500	88,108
Hotel room income, sales of food and beverage and others	11,377	10,015
	288,479	261,449

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

5. Profit before taxation

Profit before taxation is arrived at after charging:

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

6. Income tax

Income tax in profit or loss represents:

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2016: US cents 2.77 per ordinary share	62,938	–
2015: US cents 2.67 per ordinary share	–	60,612
	62,938	60,612

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

As further detailed in note 15, distributions on the Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed distributions on the Convertible Bonds is \$12,174,000 (six months ended 30 June 2015: Nil) accordingly.

8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$125,187,000 (six months ended 30 June 2015: \$101,020,000) and the weighted average number of Shares of 2,269,988,875 (six months ended 30 June 2015: 2,269,992,190) in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the consolidated profit attributable to owners of the Company of \$125,187,000 and weighted average number of shares of 2,378,550,722 adjusted for the dilutive potential Shares as a result of issuance of the Convertible Bonds (note 15).

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

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 (the "SEM") for the purpose of resource allocation and performance assessment.

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

Segment revenue and results

The SEM monitors the revenue and results, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

9. Segment information (continued)

Segment revenue and results (continued)

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
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Segment revenue:

Six months ended 30 June 2016
(unaudited):

Revenue from external customers	277,102	11,377	288,479
Inter-segment revenue	–	9,675	9,675

Reportable segment revenue	277,102	21,052	298,154
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Six months ended 30 June 2015
(unaudited) (reclassified):

Revenue from external customers	251,434	10,015	261,449
Inter-segment revenue	–	3,646	3,646

Reportable segment revenue	251,434	13,661	265,095
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Segment profit/(loss):

30 June 2016 (unaudited)	153,830	6,039	159,869
30 June 2015 (unaudited)	146,471	(6,324)	140,147

9. Segment information (continued)

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

10. Property, plant and equipment

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

11. 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 \$108,000,000, less accumulated amortisation of \$40,025,000 (31 December 2015: \$38,252,000).

12. Promissory notes

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

13. Trade and other receivables

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

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

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

The credit policy for gaming receivables is five to thirty days (31 December 2015: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2015: thirty days from end of month). Included in trade receivables is an amount of \$30.0 million from the 2016 EGM Fee as mentioned in note 4 above, which is expected to be receivable by the year end.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

14. Trade and other payables

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

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

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

15. Convertible bonds

On 17 May 2016, the Company issued the Convertible Bonds with a principal amount of \$94,000,000 on a perpetual basis with no maturity date in relation to the acquisition of the Citywalk Group (as mentioned in note 16). The Convertible Bonds are denominated in United States dollars. The Convertible Bonds can be converted into Shares at the Bondholder's option in accordance with terms of the Convertible Bonds. Based on the initial conversion price of HK\$1.6699 (equivalent to \$0.2141) of the Convertible Bonds, 439,072,360 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds. Pursuant to the terms of the Convertible Bonds, the conversion price and the number of Conversion Shares in respect of the Convertible Bonds are subject to further adjustment in the event of any future capital restructuring. Distributions on the Convertible Bonds will be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the Bondholder on the date on which the relevant dividend is paid to the Shareholders.

On initial recognition, the fair value of the Convertible Bonds amounting to \$94,622,000 was determined by the fair value of the assets and liabilities acquired through acquisition of subsidiaries as detailed in note 16 and were included in equity.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

16. Acquisition of assets and liabilities through acquisition of subsidiaries

On 17 May 2016, the Group acquired the Citywalk Group, which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of \$94,000,000 which was satisfied by issuance of the Convertible Bonds by the Company.

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

	\$'000 (Unaudited)
Property, plant and equipment (note 10)	95,000
Interest in leasehold land held for own use under operating lease	20
Amount due to a holding company	(137)
Other payables	(261)
	<hr/> 94,622

The fair value of consideration transfer:

	\$'000 (Unaudited)
Issuance of the Convertible Bonds with a principal amount of \$94,000,000, at fair value (note 15)	<hr/> 94,622

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

17. Capital commitments

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

	30 June 2016 \$'000 (Unaudited)	31 December 2015 \$'000 (Audited)
Hotel and casino complex – contracted but not incurred	298,421	224,829

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.

Pursuant to an investment agreement dated 6 September 2013 entered into among the Company; the administration of Primorsky Territory of the Russian Federation acting by its Governor; Open Joint Stock Company Primorsky Krai Development Corporation and the Department of International Cooperation and Tourism Development of the Primorsky Territory, the Group agreed to make an investment of not less than \$350.0 million (approximately HK\$2.7 billion) in a gaming and resort development project in Russia under the name "Primorsky Entertainment Resort City". As at 30 June 2016, \$138.0 million (31 December 2015: \$147.0 million) of the investment is authorised but not contracted for.

18. Related party transactions

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

Expenses

	Six months ended 30 June 2016 \$'000 (Unaudited)	2015 \$'000 (Unaudited)
Travel expenses (note)	–	42

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

18. Related party transactions (continued)

As at 30 June 2016, amounts due from related companies of \$311,000 (31 December 2015: \$413,000) are included in trade and other receivables as disclosed in note 13 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the Period was \$413,000 (six months ended 30 June 2015: \$314,000).

As at 30 June 2016, an amount due to a related company of \$1,353,000 (31 December 2015: Nil) is included in trade and other payables as disclosed in note 14 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand.

19. Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the CEO of the Company, the parties acknowledge and agree that Dr Chen will be entitled to the 2015 Bonus Entitlement for the financial year ended 31 December 2015.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board has considered the matter and has resolved to appeal to the generosity and good judgement of Dr Chen to defer the payment of the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the obligation to make the payment of the 2015 Bonus Entitlement, and at the request of the Company, Dr Chen has agreed to defer the receipt of the 2015 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2016.

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

Except for the above, and as disclosed elsewhere in the Group's condensed consolidated financial statements, there were no other contingent liabilities as at 30 June 2016.