



# 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

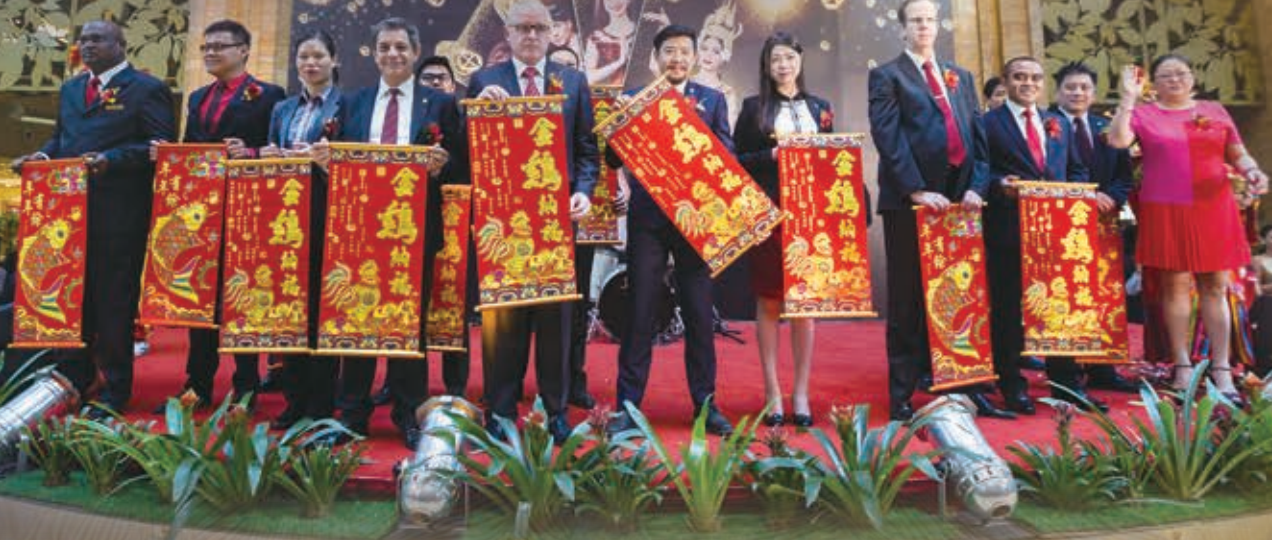


# 2017

Interim Report







NAGAWORLD











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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  
Freshfields Bruckhaus Deringer

## Principal Bankers

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

## 2017 Interim Report

This interim report, in both English and Chinese, is available in printed form and on the Company's website – [www.nagacorp.com](http://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  
Phnom Penh, 12301  
P.O. Box 1099 Phnom Penh  
Kingdom of Cambodia  
Tel: +855 23 228822 Fax: +855 23 225888

## 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

Conyers Trust Company (Cayman) Limited  
(Formerly known as 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

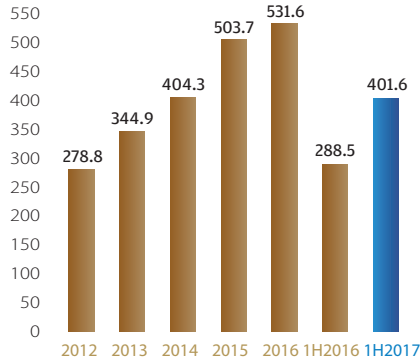
[www.nagacorp.com](http://www.nagacorp.com)



# Financial Highlights

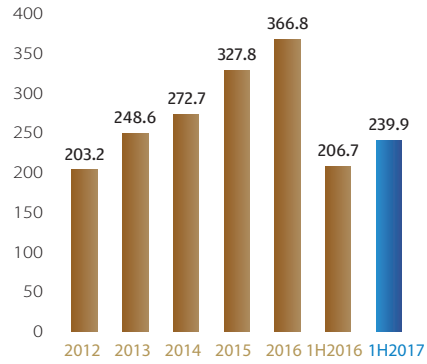
## Revenue

(US\$ million)



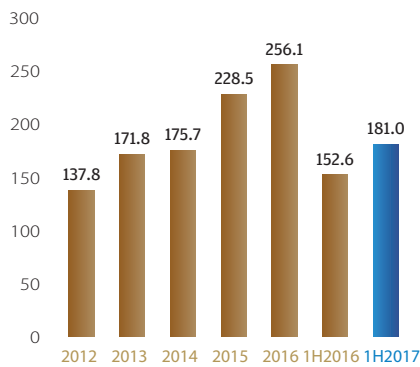
## Gross Profit

(US\$ million)



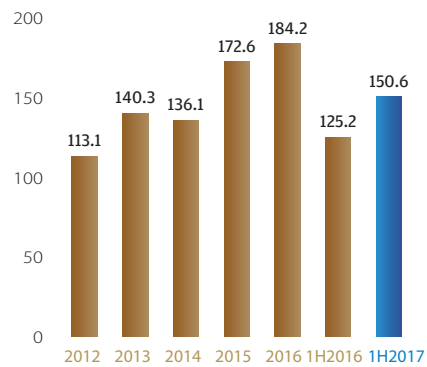
## EBITDA

(US\$ million)

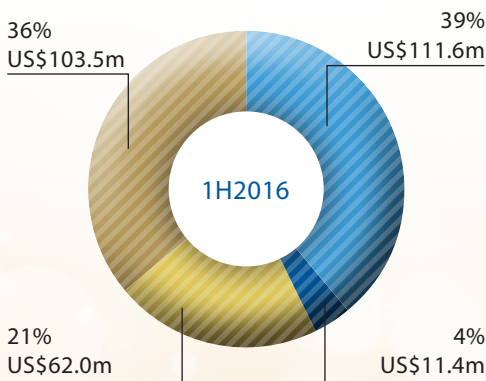


## Net profit

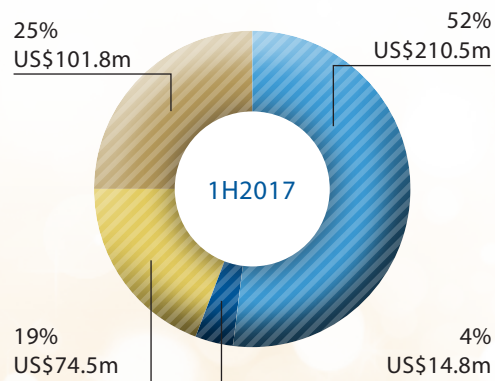
(US\$ million)



## Revenue (US\$288.5 million)



## Revenue (US\$401.6 million)



● Mass Market: Public Floor Tables

● Mass Market: Electronic Gaming Machines

● VIP Market

● Non-Gaming





**Timothy Patrick McNally**  
*Chairman*

## **Dear Shareholders,**

We are pleased to report that NagaCorp continued to generate positive operational and financial results for shareholders of the Company (the "Shareholders") during the six months ended 30 June 2017 (the "Period") with net profit of US\$150.6 million, a 20% increase over last year. Gross Gaming Revenue ("GGR") for the first half of 2017 ("1H2017") increased by 40% to US\$386.8 million.

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**

The Cambodian economy has continued to register stable growth. The International Monetary Fund is projecting real gross domestic product ("GDP") growth of 6.9% in 2017 and 6.8% in 2018, with an inflation rate of 3.2% and 3.1% respectively (Source: International Monetary Fund – World Economic Outlook Database April 2017).

In the first five months of 2017, visitation to Cambodia continued to grow with international arrivals increasing by 13% to 2.3 million visitors and arrivals at Phnom Penh International Airport grew by 19% over the same period. Visitation from China grew by 36% to 441,070 visitors, surpassing Vietnam to become the leading source of visitation to Cambodia. China (19%), Vietnam (15%) and Laos (8%) are the top three sources of arrivals and collectively accounted for 42% of total arrivals to Cambodia (Source: Ministry of Tourism, Cambodia).



# Chairman's Statement

The increase in international arrivals into Cambodia was driven by the country's political stability, an abundance of business opportunities in an emerging market, and increasing appeal as a travel destination. The Ministry of Tourism Cambodia targets to attract 7.0 million visitors by 2020, of which 2.0 million are Chinese visitors (Source: Khmer Times, 4 January 2017). Overall visitation growth continues to be the key driver of growth for the Group.

## Sound Strategy, Positioned for Growth

The Group continued to achieve steady growth in the Mass Market segment where Public Floor Tables buy-ins and electronic gaming machines ("EGM") bills-in increased by 23% and 15% respectively during the Period. This business volume growth is attributable to the improved headcount at NagaWorld as a result of visitation and tourism growth into Cambodia, particularly from China which recorded 36% growth in the first five months of 2017.

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

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 competitive overseas junket incentive program introduced in March 2013 continues to enable the Group to balance the increase in table limits while managing volatility and credit risk.

The VIP Market continues to register strong growth, as a result of increasing market confidence in NagaWorld as an integrated gaming and entertainment destination, resulting in a 71% increase in rollings to US\$7.8 billion with a win rate of 2.7%. This has translated into an 89% increase in VIP Market revenue to US\$210.5 million during the Period.

Non-gaming revenue increased by 30% to US\$14.8 million, primarily from higher occupancy and average room rates as well as better performance across all the food and beverage outlets. This growth is in line with the overall increase in visitation at NagaWorld.

Located right next to NagaWorld, NagaCity Walk offers duty-free shopping operated by China Duty Free Group, the largest duty-free operator in China, as its anchor tenant. China Duty Free Group has leased about 3,800 square metres in NagaCity Walk, which opened in August 2016, to operate duty-free shopping.

The TSCLK Complex (also known as Naga2) is undergoing fit-out and is expected to be operational in the fourth quarter of 2017. The Group believes that the opening of Naga2 with provision of ancillary entertainment facilities will enhance NagaWorld's appeal to both the Mass Market and VIP Market across the region and further cement NagaWorld as the entertainment centre in Mekong Region for the benefit of all Shareholders.

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on schedule for operation by 2019. Site clearing commenced in 2016 and we have now established an office at the city center of Vladivostok, Russia and certain 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 (the "Bondholder") of the convertible bonds issued by the Company (the "Convertible Bonds") of US cents 2.08 per Share/new Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds (the "Conversion Shares") (or equivalent to HK cents 16.12 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 and distribution will be paid on Tuesday, 22 August 2017.

## Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. 1H2017 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 2017. 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, 10 July 2017







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# Management Discussion and Analysis

## Market Review

The Cambodian economy has continued to register stable growth. The International Monetary Fund is projecting real GDP growth of 6.9% in 2017 and 6.8% in 2018, with an inflation rate of 3.2% and 3.1% respectively (Source: International Monetary Fund – World Economic Outlook Database April 2017).

In the first five months of 2017, visitation to Cambodia continued to grow with international arrivals increasing by 13% to 2.3 million visitors and arrivals at Phnom Penh International Airport grew by 19% over the same period. Visitation from China grew by 36% to 441,070 visitors, surpassing Vietnam to become the leading source of visitation to Cambodia. China (19%), Vietnam (15%) and Laos (8%) are the top three sources of arrivals and collectively accounted for 42% of total arrivals to Cambodia (Source: Ministry of Tourism, Cambodia). Overall visitation growth continues to be the key driver of growth for the Group.

NagaWorld, which is situated in the Cambodian capital city of Phnom Penh, continued to achieve strong GGR growth of 40% in the 1H2017. For the Period, the Group's net profit increased by 20% to US\$150.6 million. The positive results were mainly attributable to robust business volume growth across all segments of business, especially from the VIP segment where rollings increased by 71%. The Group earned US\$60.0 million for the Period (six months ended 30 June 2016: US\$60.0 million) in respect of assigning part of the Group's licensing rights to certain Chinese investors for investing in and operating 570 EGM for a period of 10 years. The 570 EGM are expected to be strategically located at certain areas of the newly completed TSCLK Complex. As at 30 June 2017, NagaWorld had 239 gaming tables and 1,660 EGM in operation (excluding the 570 EGM).



# Management Discussion and Analysis

The growth in business volumes and GGR is attributable to a number of factors. First, continued confidence in the political climate and social order of Cambodia's operating environment leads to favourable economic conditions and increasing visitation, especially from China. Second, confidence in the operating environment leads to increasing economic activity, resulting in increasing numbers of investors and a growing expat population in Phnom Penh and driving footfall into NagaWorld. Third, as a result of the completion of Naga2, the Company's balance sheet has strengthened. Shareholders' funds increased to US\$1.4 billion as at 30 June 2017 (31 December 2016: US\$1.3 billion). In March 2017, the Group's property assets were valued at US\$5.4 billion by Colliers International (Hong Kong) Limited, while the Group remains debt-free. As a consequence of the strengthening balance sheet, players are expressing more confidence, checking in more money, placing higher bets and generating a significant increase in business volume, especially in VIP rollings which increased by 71%.

Finally, management continues to run the Company with a conservative gaming policy and assumes less risk by offering better incentives to operators. Coupled with vigilance of monitoring, managing and discharging the fiduciary duties of all Board members, the Company continues to exercise rigorous financial discipline, especially in regards to cost control measures and greater risk awareness. In this respect, the Company has further reinforced risk management by engaging more human resources in the formulation of risk policies, compliance, auditing and the investigation of breaches. Hence, as the Company grows, it is mindful of risks and continues to monitor and mitigate risks as part of day to day management.



# Management Discussion and Analysis

## Business Review

**Table 1: Performance Highlights**

For the Period and first half of 2016 ("1H2016"):

	1H2017 US\$'000	1H2016 US\$'000	Increase/ (Decrease) %
<b>Mass Market: Public Floor Tables</b>			
– Buy-ins	<b>375,162</b>	305,569	23
– Win rate	<b>19.9%</b>	20.3%	
– Revenue	<b>74,485</b>	61,972	20
<b>Mass Market: EGM</b>			
– Bills-in	<b>853,072</b>	741,770	15
– Win rate	<b>7.7%</b>	8.5%	
– Revenue	<b>101,795</b>	103,500	(2)
<b>VIP Market</b>			
– Rollings	<b>7,765,690</b>	4,549,246	71
– Win rate	<b>2.7%</b>	2.5%	
– Revenue	<b>210,524</b>	111,630	89
<b>GGR</b>	<b>386,804</b>	277,102	40



# Management Discussion and Analysis

## **Mass Market (Public Floor Tables and EGM)**

The Group continued to achieve steady growth in the Mass Market segment where Public Floor Tables buy-ins and EGM bills-in increased by 23% and 15% respectively during the Period. This business volume growth is attributable to the improved headcount at NagaWorld as a result of visitation and tourism growth into Cambodia, particularly from China which recorded 36% growth in the first five months of 2017.

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

## **VIP Market**

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

The VIP Market continues to register strong growth, as a result of increasing market confidence in NagaWorld as an integrated gaming and entertainment destination, resulting in a 71% increase in rollings to US\$7.8 billion with a win rate of 2.7%. This has translated into an 89% increase in VIP Market revenue to US\$210.5 million during the Period.

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

Non-gaming revenue increased by 30% to US\$14.8 million, primarily from higher occupancy and average room rates as well as better performance across all the food and beverage outlets. This growth is in line with the overall increase in visitation at NagaWorld.



# Management Discussion and Analysis

## Revenue and Gross Profit Analysis

**Table 2(a)**

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

**Table 2(b)**

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
<b>Total</b>	<b>288.5</b>	<b>100</b>	<b>206.7</b>	<b>100</b>	<b>72</b>

The Group recorded a gross profit increase of 16% to US\$239.9 million for the Period which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 60% as a result of the increase in contribution from the lower margin VIP Market. Mass Market continued to generate a high gross profit 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 10% to US\$60.5 million during the Period. These increases in expenses were required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and preparation for Naga2 opening.



# 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, or net profit, increased by 20% to US\$150.6 million for the Period. Net profit margin for the Period decreased to 38% as a result of the increase in contribution from VIP Market which has a lower margin.

Basic earnings per share were US cents 6.12 (HK cents 47.43) and US cents 5.50 (HK cents 42.63) (re-presented) for the 1H2017 and 1H2016 respectively.

Diluted earnings per share were US cents 3.47 (HK cents 26.89) and US cents 5.25 (HK cents 40.69) (re-presented) for 1H2017 and 1H2016 respectively.

## Financial Review

### Pledge of Assets

As at 30 June 2017, the Group had promissory notes amounting to US\$9.1 million (31 December 2016: US\$8.6 million) pledged for issuance of a bank guarantee in respect of development of the gaming and entertainment project in Vladivostok.

### 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") dated 16 May 2007 (as amended and renewed by letters of appointment dated 24 May 2011 and 5 April 2013 and supplemental letters dated 1 February 2016 and 8 February 2017), the Company and Dr Chen acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,051,000 (the "2015 Bonus Entitlement") and US\$9,011,037 (the "2016 Bonus Entitlement") for the financial years ended 31 December 2015 and 2016, respectively.

Pursuant to a resolution passed by the Board on 8 February 2017, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlements. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement and the 2016 Bonus Entitlement until the achievement of certain key performance indicators (the "KPIs") set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement and the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 or beyond at the sole election of Dr Chen and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total bonuses of US\$18,600,000 from the financial years 2010 to 2014.

There were no other contingent liabilities as at 30 June 2017 other than additional obligation payment as described in note 6 in the Notes to the Condensed Consolidated Financial Statements, if any.

### Exchange Rate Risk

The Group's income is earned principally in United States dollars ("US\$"). The Group's expenditure is paid principally in US\$ 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.



# Management Discussion and Analysis

## Liquidity, Financial Resources and Gearing

As at 30 June 2017, the Group had total cash and cash equivalents of US\$167.1 million (31 December 2016: US\$210.9 million). The cash and cash equivalents were mainly denominated in US\$.

As at 30 June 2017, the Group had net current assets of US\$231.2 million (31 December 2016: US\$245.3 million). The Group had net assets of about US\$1.4 billion as at 30 June 2017 (31 December 2016: US\$1.3 billion).

As at 30 June 2017 and 31 December 2016 respectively, the Group had no outstanding external borrowings. The Group has continued to remain ungeared.

## Capital and Reserves

As at 30 June 2017, the capital and reserves attributable to owners of the Company was US\$1.4 billion (31 December 2016: US\$1.3 billion).

## Employees

As at 30 June 2017, the Group employed a total work force of 6,406 (31 December 2016: 6,153), 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\$34.6 million (six months ended 30 June 2016: US\$32.5 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. Net trade receivables increased from US\$28.0 million to US\$58.9 million during the Period.

During the Period, the Group prudently made provision for impairment loss of US\$1.7 million (six month ended 30 June 2016: US\$0.8 million).

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

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

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

## Convertible Bonds

On 28 March 2017, the Company received a notice from Dr Chen, the Bondholder, of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of US\$275,000,000. Subsequently, on 23 June 2017, the Company received a revised notice of intention from Dr Chen that after careful consideration of the market responses, he had decided to exercise concurrently the conversion rights in respect of both the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds in full in the outstanding aggregate principal amounts of US\$275,000,000 and US\$94,000,000, respectively (the "Proposed Concurrent Conversions"). Please refer to note 15 in the Notes to the Condensed Consolidated Financial Statements for details.



# Management Discussion and Analysis

The Proposed Concurrent Conversions are subject to the fulfilment of the following conditions:

- (a) the granting of the whitewash waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates; and
- (b) the approval by the independent Shareholders of the proposed resolution regarding the Proposed Concurrent Conversions and the whitewash waiver by way of poll at the extraordinary general meeting of the Company.

The conditions precedent have not yet been fulfilled as at the date of this interim report.

Please also refer to the Company's announcements dated 28 March 2017, 18 April 2017, 12 May 2017, 23 June 2017 and 5 July 2017, and the circular dated 9 June 2017 for further details.

## **Events after Reporting Period**

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

## **Project Updates and Prospects**

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

NagaCity Walk completion (and the issue of the NagaCity Walk Convertible Bonds to Dr Chen) and TSCLK Complex completion (and the issue of the TSCLK Complex Convertible Bonds to Dr Chen) took place on 17 May 2016 and 30 December 2016, respectively.

Located right next to NagaWorld, NagaCity Walk offers duty-free shopping operated by China Duty Free Group, the largest duty-free operator in China, as its anchor tenant. China Duty Free Group has leased about 3,800 square metres in the NagaCity Walk to operate duty-free shopping which opened in August 2016.

The TSCLK Complex (also known as Naga2) is undergoing fit-out and is expected to be operational in the fourth quarter of 2017. The Group believes that the opening of Naga2 with provision of ancillary entertainment facilities will enhance NagaWorld's appeal to both the Mass Market and VIP Market across the region and further cement NagaWorld as the entertainment centre in Mekong Region for the benefit of all Shareholders.

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

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

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

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



# Management Discussion and Analysis

## Prospects

Cambodia continues to attract visitors from Asia 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. The Ministry of Tourism Cambodia targets to attract 7.0 million visitors by 2020, of which 2.0 million are Chinese visitors (Source: Khmer Times, 4 January 2017).

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

As the Group continues its trajectory of asset (the Group's property assets have been valued at US\$5.4 billion by Colliers International (Hong Kong) Limited in March 2017) and business growth, it is also gaining increasing prominence and confidence among the gaming and entertainment community in the region. This allows the Group to further penetrate into new markets, thereby fueling business growth and expansion.

## Interim Dividend and Distribution

The Board has resolved to declare payment of an interim dividend for the Shareholders and a distribution for the Bondholder of US cents 2.08 per Share/Conversion Share (or equivalent to HK cents 16.12 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 Thursday, 10 August 2017.

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, 15 August 2017, pursuant to the terms and conditions of the Convertible Bonds.

The interim dividend and distribution shall be paid on Tuesday, 22 August 2017.



## **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 Thursday, 10 August 2017, on which no transfer of Shares will be registered. The ex-dividend date will be Tuesday, 8 August 2017. In order to qualify for the interim dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 August 2017.

(ii) Distribution for the Period

Pursuant to the terms and conditions of the Convertible Bonds, the register of bondholders will be closed from Wednesday, 9 August 2017 to Tuesday, 15 August 2017, 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 2017 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)
Dr Chen	Founder of a discretionary trust (Note 2)	951,795,297 (L)	38.69 (L)
Dr Chen	Beneficial owner	7,150,000 (L)	0.29 (L)
Dr Chen	Beneficial owner (Note 3)	1,881,019,166 (L)	76.46 (L)

Notes:

- (1) Based on 2,459,988,875 Shares in issue as at 30 June 2017.
- (2) Dr Chen is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and Fourth Star Finance Corp., a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr Chen is taken to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation, LIPKCO ENTERPRISES LIMITED 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) Dr Chen holds two separate series of Convertible Bonds (unlisted equity derivatives) in the principal amount of US\$94,000,000 and US\$275,000,000, respectively. Assuming full conversion of these two separate series of Convertible Bonds at the conversion price of HK\$1.5301 per Share, 1,881,019,166 Shares would be issued to Dr Chen. The conversion price and the number of the Conversion Shares are subject to adjustments in the event of future capital restructuring.
- (4) The letter "L" denotes the entity's long position in the Shares.



## (2) Interests in Debentures of the Company

As disclosed above, Dr Chen beneficially owns two separate series of Convertible Bonds in an aggregate amount of US\$94,000,000 and US\$275,000,000, respectively.

Save as disclosed above, as at 30 June 2017, 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 2017, 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 Shareholder	Capacity	Number of Shares Held	% of Total Issued Shares <small>(Note 1)</small>
ChenLa Foundation	Interest of controlled corporation <small>(Note 2)</small>	951,795,297 (L)	38.69 (L)
Fourth Star Finance Corp.	Beneficial owner	789,534,854 (L)	32.09 (L)

# Disclosure of Interests

## (2) Other Persons

Name of Shareholder	Capacity	Number of Shares Held	% of Total Issued Shares (Note 1)
LIPKCO ENTERPRISES LIMITED	Beneficial owner	162,260,443 (L)	6.60 (L)

### Notes:

- (1) Based on 2,459,988,875 Shares in issue as at 30 June 2017.
- (2) Such interests are held by Fourth Star Finance Corp. and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr Chen 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 2017, 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 2017 and the Convertible Bonds are converted in full concurrently, the shareholding structures of the Company immediately before and after the concurrent 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	32.09	789,534,854	18.19
LIPKCO ENTERPRISES LIMITED	162,260,443	6.60	162,260,443	3.74
Dr Chen	7,150,000	0.29	1,888,169,166	43.49
Other Shareholders	1,501,043,578	61.02	1,501,043,578	34.58
	2,459,988,875	100.00	4,341,008,041	100.00



## **Share Option Scheme**

On 20 April 2016, the Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Group or any invested entity and any consultant, business associates, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity.

Since its adoption date and up to 30 June 2017, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at 30 June 2017.

Apart from the foregoing, at no time during the six months ended 30 June 2017 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

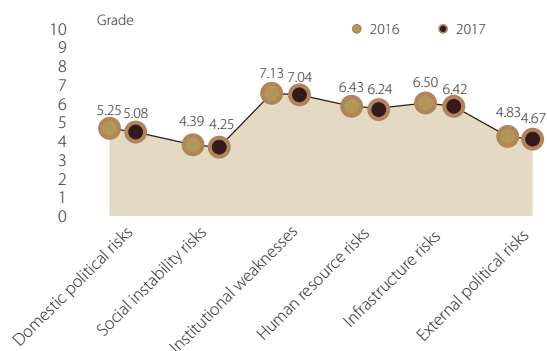
## TO THE BOARD OF NAGACORP LTD.

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 2016 and the end of December 2016, we summarised our findings below:

### Perceptions of Cambodia's Business Environment Risks



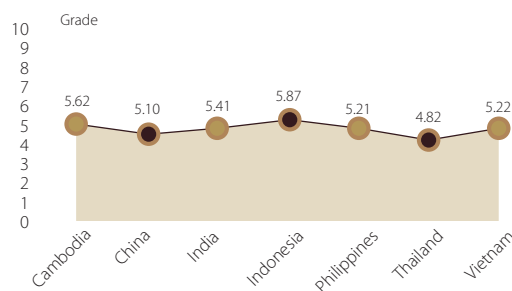
Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

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

### 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.

variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

### Summary

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 5.62 (better than one year ago). Cambodia's socio-political risks have improved in the past year, as concerns have subsided that the 2018 national elections will result in a disruptive change of government. Social conditions remain stable. In addition, a new labor law and revisions to the process for setting minimum wages have reduced the problem of labor unrest.



# Independent Review of Investment Risks in Cambodia

One of the most positive features of the environment has been the continuing growth of tourism, including from China. This has helped to sustain the growth of the economy at a real 7%, one of the most rapid rates in Asia. Other contributing factors include the inflow of foreign direct investment, the rapid growth of construction, and strong export growth, especially to the EU. The agricultural sector has been a weak point, but the positive engines driving the economy should keep real annual growth expanding in a range of 6.5% to 7.5% for the next five years.

Cambodia's five biggest challenges are to: (1) improve human resources and labor productivity, (2) improve logistics, (3) reduce the cost of electricity, (4) reduce corruption and bureaucratic inefficiency, and (5) diversify the industrial base beyond garments and footwear. The government is making headway in all these areas, but progress is slow and, in some cases, spotty.

The biggest institutional improvements have been in the performance of departments dealing with education, commerce, taxation, customs and the electoral commission. In contrast, there has been slower progress addressing deficiencies such as weaknesses in the judiciary, a top-heavy Cabinet system, and political parties in which personalities play a more important (and divisive) role than ideas. The resulting political headlines tend to create a negative impression of the system and the country when the actual economic results and levels of social and political stability paint a much more positive and accurate picture.

Judging from where Cambodia's new direct investments are coming from and the home countries of the biggest groups of foreign tourists, the more positive image of Cambodia is reaching the ears of people in neighboring Asian countries, especially China, Korea, Japan and ASEAN member nations, faster than it is in

the US or Europe. Cambodia's relations with all these neighboring countries are stable.

The biggest threat over the next two years is that economic conditions in some of these neighbors, most notably China, could prompt their governments to place curbs on capital outflows in ways that interfere with the growth of tourism revenues for Cambodia. However, judging from the way such flows were not affected over the past two years by Beijing corruption crackdown even though they did hurt places like Macao and Hong Kong, Cambodia is less vulnerable to such risks than most other countries in the region. This could be because Beijing places such a high priority on maintaining strong relations with Phnom Penh that it is especially generous with its economic assistance to the country.

## Positive Developments

- The rapid growth of the economy and improved level of personal safety are holding down the level of political activism and should help to preserve stability going forward.
- There has been a reduction in corruption and an improvement in efficiency in the tax department and Customs, which has raised the level of tax collection sharply and helped to strengthen the government's fiscal position.
- Tourism inflows from Mainland China continued to grow strongly to Cambodia in 2016, despite China's economic slowdown 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 attractiveness to Mainland Chinese of Cambodia as a destination and the emphasis Beijing is placing on cultivating a strong relationship with Cambodia.

# Independent Review of Investment Risks in Cambodia

- The government has established a more effective minimum wage-setting mechanism and passed a new labor union law. These reforms are helping to preserve labor stability, as evidenced by a 70% reduction in the number of strikes. It is also now less likely that demands for higher pay will be so politicized that they result in disruptive demonstrations just before or after the next national elections.
- The National Bank of Cambodia has taken a stricter stance on bank licensing and restructured its banking supervision. It has also addressed credit risks by increasing reserve requirements, and by introducing a new credit reporting system, which coincides with the launch of a credit information bureau.
- Cambodia's sovereign credit rating should remain stable, supported by the country's robust economic growth and modest debt burden.
- The high cost of electricity continues to constrain the development of more sophisticated manufacturing processes, which in turn thwarts diversification. It has also hurt agricultural productivity by discouraging irrigation, which requires electricity.
- The threat of a rise of protectionism in the US, the EU and several other major markets does not bode well for Cambodia's exports. (On the other hand, the failure of the Trans-Pacific Partnership to get off the ground might have been a setback for globalization, but it should help Cambodia remain competitive vis-à-vis Vietnam.)
- Cambodia's economy has strong links to China's economy through official development assistance, FDI flows, and tourism. A sudden and sharp slowdown in China's economy or a clampdown on capital outflows could constrict resource flows to Cambodia through these channels.

## The Challenges

- Average real wages continue to grow faster than in other countries and are outpacing gains in productivity, which is hindered by low skill levels and weaknesses in the education and training system. The labor pool situation is likely to worsen due to the continuing strong influx of foreign direct investment.
- Credit growth, although slowing, is still too high. There has been a growing concentration of lending to the real estate sector, which has added to financial stability risks and inflated asset prices.
- The underdevelopment of infrastructure poses significant constraints to industrial and agricultural growth. Inadequate project preparation, unsatisfactory project implementation, and lack of emphasis on maintaining infrastructure once built have plagued public investment programs and projects.

**Robert Broadfoot**  
Managing Director  
PERC

Hong Kong, 9 January 2017



# 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.

## **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 “CG 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 by the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the Period.

## **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.



## 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 2017 annual general meeting (the "2017 AGM"), 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' fees to Shareholders for approval at the 2017 AGM.

## Risk Management and Internal Control

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. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under our framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems and to safeguard the Group's assets. This risk management and 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 CG 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 2017 will be enclosed in our annual report for the financial year ending 31 December 2017.

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 24 to 27 in this interim report.



## **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**

- received a discretionary bonus of US\$150,000

### **Philip Lee Wai Tuck, Chief Financial Officer and Executive Director**

- received a discretionary bonus of US\$120,000

### **Chen Yiy Fon, Executive Director**

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

### **Chen Yepern, Executive Director**

- 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 2017, 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.



NAGAV







# Condensed Consolidated Statement of Income

for the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

	Notes	Six months ended 30 June	
		2017 \$'000 (Unaudited)	2016 \$'000 (Unaudited)
<b>Revenue</b>	4	<b>401,598</b>	288,479
Cost of sales		<b>(161,719)</b>	(81,733)
<b>Gross profit</b>		<b>239,879</b>	206,746
Other income		<b>3,335</b>	2,325
Administrative expenses		<b>(27,001)</b>	(24,496)
Other operating expenses		<b>(61,521)</b>	(55,636)
<b>Profit before taxation</b>	5	<b>154,692</b>	128,939
Income tax	6	<b>(4,060)</b>	(3,752)
<b>Profit attributable to owners of the Company</b>		<b>150,632</b>	125,187
			(Re-presented)
<b>Earnings per share (US cents)</b>			
<b>Basic</b>	8	<b>6.12</b>	5.50
<b>Diluted</b>	8	<b>3.47</b>	5.25



# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>150,632</b>	125,187
<b>Other comprehensive income for the period:</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange difference from translation of foreign operations	<b>1,293</b>	864
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<b>151,925</b>	126,051

# Condensed Consolidated Statement of Financial Position

at 30 June 2017 (unaudited)  
(Expressed in United States dollars)

	Notes	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	969,165	810,149
Interest in leasehold lands held for own use under operating lease		27,108	27,266
Intangible assets	11	64,428	66,201
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		66,510	93,458
Promissory notes	12	9,114	8,647
		<b>1,136,325</b>	1,005,721
<b>Current assets</b>			
Consumables		777	1,467
Trade and other receivables	13	112,981	72,559
Cash and cash equivalents		167,106	210,912
		<b>280,864</b>	284,938
<b>Current liabilities</b>			
Trade and other payables	14	48,182	36,969
Current tax liability		1,484	2,709
		<b>49,666</b>	39,678
<b>Net current assets</b>		<b>231,198</b>	245,260
<b>NET ASSETS</b>		<b>1,367,523</b>	1,250,981



# Condensed Consolidated Statement of Financial Position

at 30 June 2017 (unaudited)  
(Expressed in United States dollars)

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>30,750</b>	30,750
Reserves	<b>1,336,773</b>	1,220,231
<b>TOTAL EQUITY</b>	<b>1,367,523</b>	1,250,981

Approved and authorised for issue by the Board on 10 July 2017.

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 2017 (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
<b>Balance at 1 January 2016 (audited)</b>	28,375	-	278,438	-	151	(12,812)	55,568	(2,453)	339,309	686,576
<b>Changes in equity for the six months ended 30 June 2016:</b>										
Profit for the period	-	-	-	-	-	-	-	-	125,187	125,187
Other comprehensive income - exchange differences from translation of foreign operations	-	-	-	-	-	-	-	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)
<b>Balance at 30 June 2016 (unaudited)</b>	28,375	-	278,438	94,622	151	(12,812)	55,568	(1,589)	421,534	864,287
Profit for the period	-	-	-	-	-	-	-	-	58,972	58,972
Other comprehensive income - exchange difference from translation of foreign operations	-	-	-	-	-	-	-	(1,350)	-	(1,350)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,350)	58,972	57,622
Issue of shares under placement	2,375	-	120,207	-	-	-	-	-	-	122,582
Share placement expenses	-	-	(2,664)	-	-	-	-	-	-	(2,664)
Convertible bonds issued (note 15)	-	-	-	284,266	-	-	-	-	-	284,266
2016 interim dividend and distribution declared	-	-	-	-	-	-	-	-	(75,112)	(75,112)
<b>Balance at 31 December 2016 (audited)</b>	30,750	-	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
<b>Balance at 1 January 2017 (audited)</b>	30,750	-	395,981	378,888	151	(12,812)	55,568	(2,939)	405,394	1,250,981
<b>Changes in equity for the six months ended 30 June 2017:</b>										
Profit for the period	-	-	-	-	-	-	-	-	150,632	150,632
Other comprehensive income - exchange difference from translation of foreign operations	-	-	-	-	-	-	-	1,293	-	1,293
Total comprehensive income for the period	-	-	-	-	-	-	-	1,293	150,632	151,925
2016 final dividend and distribution declared and paid	-	-	-	-	-	-	-	-	(35,383)	(35,383)
<b>Balance at 30 June 2017 (unaudited)</b>	30,750	-	395,981	378,888	151	(12,812)	55,568	(1,646)	520,643	1,367,523



# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2017 \$'000 (Unaudited)	2016 \$'000 (Unaudited)
<b>Cash generated from operations</b>	<b>152,894</b>	109,960
Tax paid	(5,285)	(2,938)
<b>Net cash from operating activities</b>	<b>147,609</b>	107,022
<b>Investing activities</b>		
Interest received	149	541
Payment for purchase of property, plant and equipment and for construction cost of property	(156,199)	(72,139)
Proceeds from disposal of property, plant and equipment	18	465
Addition in pledged deposit	-	(683)
<b>Net cash used in investing activities</b>	<b>(156,032)</b>	(71,816)
<b>Financing activities</b>		
Dividend paid	(35,383)	(42,962)
<b>Net cash used in financing activities</b>	<b>(35,383)</b>	(42,962)
<b>Net decrease in cash and cash equivalents</b>	<b>(43,806)</b>	(7,756)
<b>Cash and cash equivalents at beginning of period</b>	<b>210,912</b>	143,081
<b>Cash and cash equivalents at end of period</b>	<b>167,106</b>	135,325

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (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 2017 (the "Period") comprise the Company and its subsidiaries.

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

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively).

The unaudited condensed consolidated financial 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 2016 (the "2016 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 2016 annual financial statements.

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 2016 annual financial statements.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 3. Principal accounting policies (continued)

### Adoption of new or revised standards and interpretations effective on 1 January 2017:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

IFRSs (Amendments)	Annual Improvements 2014-2016 Cycles <sup>1</sup>
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment <sup>1</sup>
IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contract with Customers <sup>1</sup>
Amendments to IFRS 15	Clarification to IFRS 15 Revenue from Contract with Customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty Over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sales or Contribution to Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The directors of the Company (the "Directors") are in the process of making an assessment of the expected impact of these amendments, new or revised standards and interpretations in the period of initial application. Presently, the 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 2017 (unaudited)  
(Expressed in United States dollars)

## 4. Revenue

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	<b>285,009</b>	173,602
Casino operations – electronic gaming machines*	<b>101,795</b>	103,500
Hotel room income, sales of food and beverage and others	<b>14,794</b>	11,377
	<b>401,598</b>	288,479

\* During the Period, revenue from electronic gaming machines ("EGM") included \$60.0 million (six months ended 30 June 2016: \$60.0 million) in respect of the assignment of part of the Group's licensing rights to certain investors for investing in and operating 570 EGM for a period of 10 years.

## 5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Amortisation of casino licence premium	<b>1,773</b>	1,773
Depreciation and amortisation	<b>24,527</b>	21,909
Staff costs		
– Salaries, wages and other benefits	<b>34,560</b>	32,515
– Contributions to defined contribution retirement scheme	<b>21</b>	26



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 6. Income tax

Income tax in profit or loss represents:

The monthly gaming obligation payment of (1) \$462,362 (six months ended 30 June 2016: \$410,987) and monthly non-gaming obligation payment of (2) \$214,338 (six months ended 30 June 2016: \$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 2016: Nil).

In the previous year, having discussed with the MOEF, the Group paid an additional obligation payment of \$16,558,000 to the MOEF. As at the date of this interim report, there is no additional obligation, if any, for the Period.

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax expense		
– Current period	<b>4,060</b>	3,752

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2017: US cents 2.08 per ordinary share	<b>51,168</b>	–
2016: US cents 2.77 per ordinary share	–	62,938
	<b>51,168</b>	62,938

The final dividend of \$20,051,000 for the year ended 31 December 2016 was proposed in February 2017 and paid in May 2017.

As further detail in note 15, distributions on Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed interim distribution on the Convertible Bonds is \$39,211,000 (six months ended 30 June 2016: \$12,174,000) accordingly.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$150,632,000 (six months ended 30 June 2016: \$125,187,000) and the weighted average number of shares of 2,459,988,875 (six months ended 30 June 2016: 2,277,402,189 (re-presented)) 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 \$150,632,000 and weighted average number of shares of 4,341,008,041 adjusted for the dilutive potential shares as a result of issuance of the Convertible Bonds (note 15).

	Number of shares	
	Six months ended 30 June	
	2017	2016 (Re-presented)
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	<b>2,459,988,875</b>	2,277,402,189
Effect of dilution – weighted average number of shares: – Convertible Bonds	<b>1,881,019,166</b>	108,561,847
Weighted average number of shares for the purposes of diluted earnings per share	<b>4,341,008,041</b>	2,385,964,036

Basic and diluted earnings per share for the six months ended 30 June 2016 are re-presented to reflect the bonus element of the placing of Shares in September 2016.

## 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 9. Segment information (continued)

### Segment revenue and results

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

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

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

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
--	--------------------------------	--	-----------------

### Segment revenue:

Six months ended 30 June 2017

(unaudited):

Revenue from external customers	386,804	14,794	401,598
Inter-segment revenue	(1,600)	15,006	13,406
Reportable segment revenue	385,204	29,800	415,004

Six months ended 30 June 2016

(unaudited) (Restated):

Revenue from external customers	277,102	11,377	288,479
Inter-segment revenue	(1,752)	20,701	18,949
Reportable segment revenue	275,350	32,078	307,428

### Segment profit:

30 June 2017 (unaudited)	177,272	12,613	189,885
30 June 2016 (unaudited) (Restated)	139,102	20,318	159,420

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 9. Segment information (continued)

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

	Six months ended 30 June	
	2017 \$'000 (Unaudited)	2016 \$'000 (Unaudited) (Restated)
<b>Revenue</b>		
Reportable segment revenue	<b>415,004</b>	307,428
Elimination of inter-segment revenue	<b>(13,406)</b>	(18,949)
<b>Consolidated revenue</b>	<b>401,598</b>	288,479
<b>Profit</b>		
Reportable segment profit	<b>189,885</b>	159,420
Other revenue	-	7
Depreciation and amortization	<b>(26,300)</b>	(23,682)
Unallocated head office and corporate expenses	<b>(8,893)</b>	(6,806)
<b>Consolidated profit before taxation</b>	<b>154,692</b>	128,939

## 10. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling \$183,391,000 (six months ended 30 June 2016: \$148,756,000).

## 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 \$43,572,000 (31 December 2016: \$41,799,000).

## 12. Promissory notes

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately \$9,114,000) (31 December 2016: \$8,647,000) 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 13. Trade and other receivables

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
Trade receivables, net of allowance for impairment loss	<b>58,908</b>	27,975
Deposits, prepayments and other receivables	<b>54,073</b>	44,584
	<b>112,981</b>	72,559

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

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
Current to within 1 month	<b>47,991</b>	22,213
1 to 3 months	<b>1,743</b>	2,182
3 to 6 months	<b>6,137</b>	1,494
6 to 12 months	<b>2,636</b>	1,144
More than 1 year	<b>401</b>	942
	<b>58,908</b>	27,975

The credit policy for gaming receivables is five to thirty days (31 December 2016: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2016: thirty days from end of month).

## 14. Trade and other payables

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
Trade payables	<b>3,502</b>	2,624
Unredeemed casino chips	<b>18,464</b>	12,305
Deferred revenue	<b>1,211</b>	1,170
Deposits	<b>667</b>	339
Construction creditors	<b>6,777</b>	5,826
Accruals and other creditors	<b>17,561</b>	14,705
	<b>48,182</b>	36,969

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 14. Trade and other payables (Continued)

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

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
Due within 1 month or on demand	3,502	2,463
Due after 1 month but within 3 months	-	31
Due after 3 months but within 6 months	-	47
Due after 6 months but within 1 year	-	65
Due after 1 year	-	18
Total	3,502	2,624

## 15. Convertible bonds

On 17 May 2016 and 30 December 2016, the Company issued the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds (which together comprise the Convertible Bonds) with a principal amount of \$94,000,000 and \$275,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and TanSriChen Inc. respectively. The Convertible Bonds are unsecured and denominated in United States dollars. The Convertible Bonds can be converted into Shares at the option of the Bondholder in accordance with terms of the Convertible Bonds. Based on the conversion price of HK\$1.5301 (equivalent to \$0.1962) of the Convertible Bonds, 1,881,019,166 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds. 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 \$378,888,000 was included in equity.

The final distribution of \$15,424,000 for the year ended 31 December 2016 was proposed in February 2017 and paid in June 2017.

Proposed distributions on the Convertible Bonds after the end of the reporting period amounted to \$39,211,000 (six months ended 30 June 2016: \$12,174,000).



## 15. Convertible bonds (Continued)

### Proposed whitewash waiver

Reference is made to the Company's announcements dated 13 June 2011, 28 December 2011, 29 December 2015, 17 May 2016, 30 December 2016, 28 March 2017, 18 April 2017 and 12 May 2017 respectively, the circular of the Company dated 30 December 2011 in relation to the Company's acquisition of the TSCLK Complex Project and the NagaCity Walk Project and the circular of the Company dated 9 June 2017 in relation to the proposed conversion of the TSCLK Complex Convertible Bonds by Tan Sri Dr Chen Lip Keong ("Dr Chen", the chief executive officer, an executive director and controlling shareholder of the Company, and the Bondholder) and the application for whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Code in respect of any obligation of Dr Chen to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Dr Chen which might otherwise arise as a result of the allotment and issue to Dr Chen and parties acting in concert with him of Conversion Shares pursuant to the conversion of the TSCLK Complex Convertible Bonds (the "Whitewash Circular"). All capitalized terms used but not defined in this note 15 shall have the same meaning ascribed to such term in the Whitewash Circular.

It was subsequently disclosed by the Company on 23 June 2017 (the "Supplemental Whitewash Announcement") that Dr Chen had decided (subject to certain conditions) to convert the TSCLK Complex Convertible Bonds and NagaCity Walk Convertible Bonds concurrently (the "Proposed Concurrent Conversions"). It was further disclosed in the Supplemental Whitewash Announcement that, after careful consideration of the market responses, Dr Chen (i) had decided to concurrently exercise the conversion rights in respect of both the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of \$275,000,000 and the NagaCity Walk Convertible Bonds in full in the outstanding aggregate principal amount of \$94,000,000; and (ii) agreed to voluntarily waive his entitlement to the adjusted conversion price under the NagaCity Walk Convertible Bonds as a result of the conversion of the TSCLK Complex Convertible Bonds which would otherwise apply under the relevant bond instruments, such that the conversion price under the NagaCity Walk Convertible Bonds would also be HK\$1.5301 (same as the conversion price under the TSCLK Complex Convertible Bonds) instead of a conversion price of HK\$0.6582 which would otherwise apply under the relevant bond instruments.

As disclosed in the Company's announcement dated 5 July 2017 concerning an adjournment of the extraordinary general meeting which was originally scheduled to be held on 21 July 2017, it is expected that the Company will issue the supplemental whitewash circular containing, among other things: (a) information about the Proposed Concurrent Conversions; (b) the revised letter from the Independent Board Committee; (c) the revised recommendations from the Independent Financial Adviser, together with a revised notice of the extraordinary general meeting setting out the revised resolution and a revised form of proxy, by no later than 14 July 2017. The Company will make further announcement if and when appropriate and comply with relevant requirements under the Code and/or the Listing Rules.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)  
(Expressed in United States dollars)

## 16. Capital commitments

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

	30 June 2017 \$'000 (Unaudited)	31 December 2016 \$'000 (Audited)
Hotel and casino complex – contracted but not incurred	451,816	370,234

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

## 17. Related party transactions

As at 30 June 2017, amounts due from related companies of \$289,000 (31 December 2016: \$263,000) 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 \$289,000 (six months ended 30 June 2016: \$413,000).

As at 30 June 2017, amount due to a director, Tan Sri Dr Chen Lip Keong of \$2,054,000 (31 December 2016: Nil) are 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.

## 18. Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen dated 16 May 2007 (as amended and renewed by letters of appointment dated 24 May 2011 and 5 April 2013 and supplemental letters dated 1 February 2016 and 8 February 2017), the Company and Dr Chen acknowledge and agree that Dr Chen will be entitled to a performance bonus of \$8,051,000 (the "2015 Bonus Entitlement") and \$9,011,037 (the "2016 Bonus Entitlement") for the financial years ended 31 December 2015 and 2016, respectively.

Pursuant to a resolution passed by the Board on 8 February 2017, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such entitlements. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement and the 2016 Bonus Entitlement until the achievement of certain key performance indicators (the "KPIs") set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement and the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 or beyond at the sole election of Dr Chen and that the Company and Dr Chen shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company.

For record purposes, Dr Chen has foregone total bonuses of \$18,600,000 from the financial years 2010 to 2014.

There were no other contingent liabilities as at 30 June 2017 other than additional obligation payment as described in note 6, if any.