NAGACORP LTD.//金界控股有限公司

(Incoporated in Cayman Islands with limited liability)

STOCK CODE : **3918**

# 2018
# INTERIM REPORT


NAGAWORLD
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Nagaworld 金界娛樂城
NAGAWORLD
金界
DISCOVER ENTERTAINMENT
MEKONG REGION
NAGAWORLD
金界
CAMBODIA


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CAMBODIA'S GOT
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# Contents

# 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (SEHK: 3918) 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 *(Executive Deputy Chairman)*
Chen Yiy Fon

### 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
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
Lim Mun Kee
Michael Lai Kai Jin

## AML Oversight Committee

Timothy Patrick McNally *(Chairman)*
Tan Sri Dr Chen Lip Keong
Chen Yiy Fon
Michael Lai Kai Jin

## Company Secretary

Lam Yi Lin

## Authorised Representatives

Philip Lee Wai Tuck
Lam Yi Lin

## Independent Auditor

BDO Limited

## Solicitors

Freshfields Bruckhaus Deringer

## Principal Bankers

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

The biographies of current directors are available in the "About Us" section of the Company's website at www.nagacorp.com

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.

## 2018 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
Phnom Penh, 120101 (formerly 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
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

Tan Sean Czoon

## 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

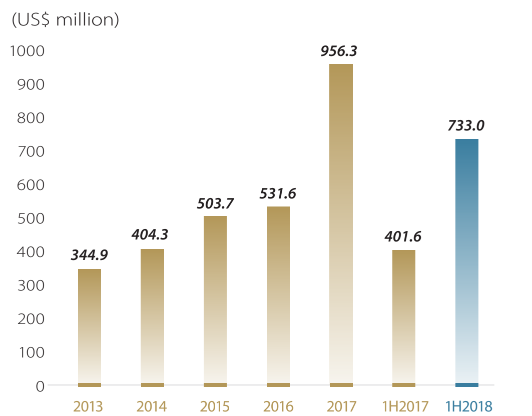
www.nagacorp.com

## Share Information

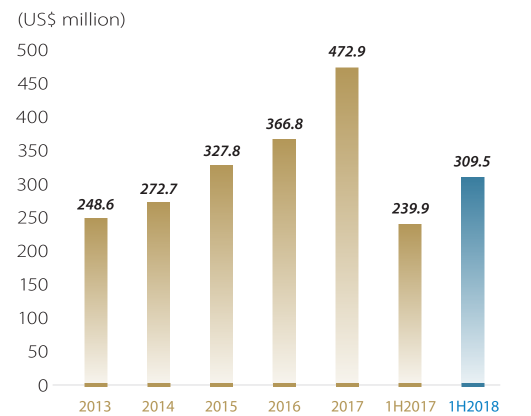
Board lot: 2,000 Shares
Issued Shares as at 30 June 2018:
4,341,008,041 Shares

# Financial Highlights

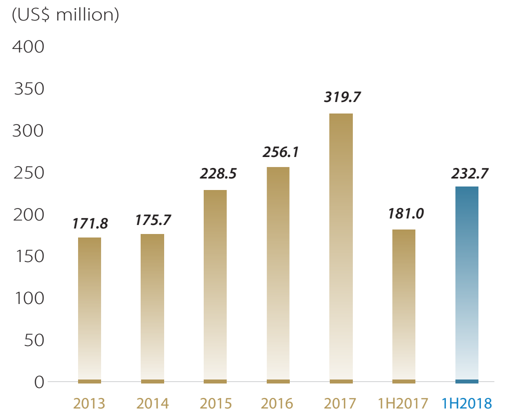
### Revenue



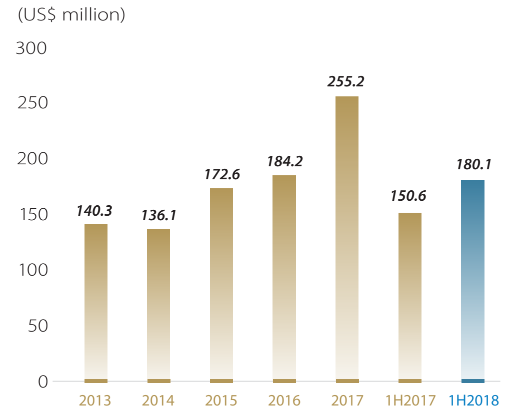

### Gross Profit



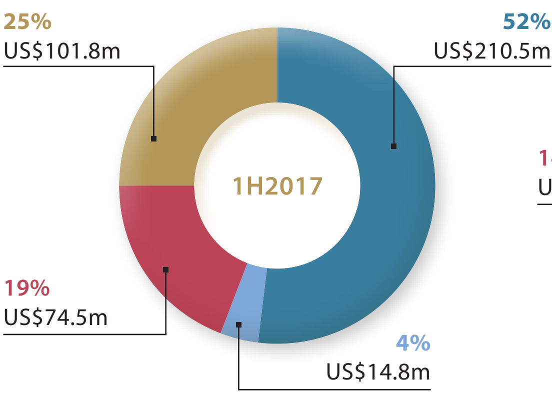

### EBITDA



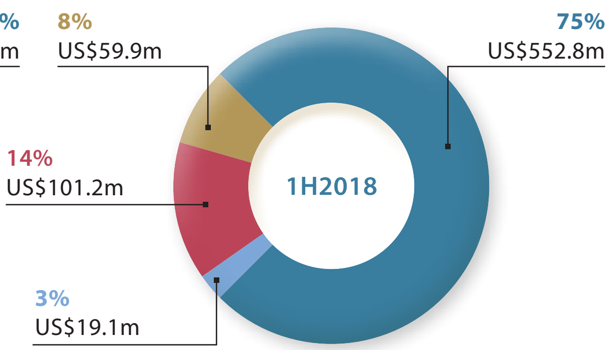

### Net Profit




### **Revenue** (US$401.6 million)




### **Revenue** (US$733.0 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 2018 (the "Period") with net profit of US$180.1 million, a 20% increase over last year. Gross gaming revenue ("GGR") for the first half of 2018 ("1H2018") increased by 85% to US$713.9 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. Specifically, the opening of Naga2 in November 2017 has significantly increased the appeal, capacity, quality, range and reach of our VIP, mass gaming and non-gaming offerings.

Today we operate the largest integrated leisure and gaming entertainment destination in the Mekong Region.

## Steady Tourism and Local Economic Growth

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

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

The 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 will be Chinese visitors (Source: Khmer Times, 4 January 2017).

## Sound Strategy, Positioned for Growth

The Group continued to achieve solid growth in the Mass Market segment where Public Floor Tables buy-ins increased by 53% and electronic gaming machines ("EGM") bills-in increased by 22%. The business volume growth is attributable to the increasing visitation at both Naga1 and Naga2 ("combined NagaWorld complex") as a result of the tourism growth into Cambodia, particularly from China which recorded 79% growth in the first four months of 2018.

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

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

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

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

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, 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 of US cents 2.49 per Share (or equivalent to HK cents 19.30 per Share) for the Period. This represents a payout ratio of approximately 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 23 August 2018.

## Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. 1H2018 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 on a semi-annual basis. 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 2018. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia on an annual basis 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, 24 July 2018


NAGAWORLD®
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## Market Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Business Review

### Table 1: Performance Highlights

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

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

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

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

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

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

### VIP Market

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

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

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

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

### Revenue and Gross Profit Analysis

#### Table 2(a)

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

#### Table 2(b)

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

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

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

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

### Finance Costs

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

### Net Profit

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

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

## Financial Review

### Pledge of Assets

In accordance with the terms of an investment agreement (the "Investment Agreement") in respect of development of an integrated resort in Vladivostok, Russia, entered into between the Company and certain Russian governmental authorities on 6 September 2013, the Company's subsidiary remitted approximately US$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("PERC") in December 2014. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which promissory notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

### Contingent Liabilities

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

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

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

There were no other contingent liabilities as at 30 June 2018 other than additional obligation payment as described in note 7 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 ("RUB"). The Group therefore does not have any significant exposure to foreign currency risk and therefore has not entered into any currency hedging transactions.

### Issue of New Shares

No Shares were issued by the Company during the Period.

### Issue of Senior Notes

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

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

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

### Liquidity, Financial Resources and Gearing

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

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

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

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

### Capital and Reserves

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

### Employees

As at 30 June 2018, the Group employed a total work force of 8,699 (31 December 2017: 8,618), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the Period were US$45.8 million (six months ended 30 June 2017: US$34.6 million).

### Employee Benefits

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

### Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables. Net trade receivables increased from US$58.3 million to US$95.3 million during the Period.

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

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

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

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

### Events after Reporting Period

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

## Project Updates and Prospects

### Update on the Investment Project in Vladivostok

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

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

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

### Prospects

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

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

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

## Interim Dividend

The Board has resolved to declare payment of an interim dividend for Shareholders of US cents 2.49 per Share (or equivalent to HK cents 19.30 per Share) for the Period. This represents a payout ratio of approximately 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 23 August 2018.

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

## Closure of Register of Members

For the purpose of determining the entitlement to the interim dividend for the Period, the Company's register of members will be closed on Thursday, 23 August 2018, on which no transfer of Shares will be registered. The ex-dividend date will be Tuesday, 21 August 2018. In order to qualify for the interim dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 August 2018.

## 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 2018 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"):

### Interests in Shares

| Name of Director | Capacity | Number of Shares Held | % of Total Issued Shares (Note 1) |
|---|---|---|---|
| Dr Chen | Founder of a discretionary trust (Note 2) | 951,795,297 (L) | 21.93 (L) |
| Dr Chen | Beneficial owner | 1,906,517,166 (L) | 43.91 (L) |

Notes:

(1) Based on 4,341,008,041 Shares in issue as at 30 June 2018.

(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 and Fourth Star Finance Corp. are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.

(3) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as at 30 June 2018, 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' 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 2018, 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:

### 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) | 21.93 (L) |
| Fourth Star Finance Corp. | Beneficial owner | 789,534,854 (L) | 18.19 (L) |

Notes:

(1) Based on 4,341,008,041 Shares in issue as at 30 June 2018.

(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 2018, 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.

## 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 2018, 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 2018.

Apart from the foregoing, at no time during the six months ended 30 June 2018 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

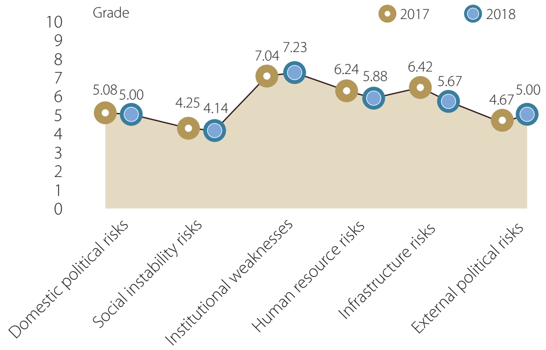
Political and Economic Risk Consultancy, Ltd.
("PERC")
20/F, Central Tower
28 Queen's Road, Central
Hong Kong

## 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.

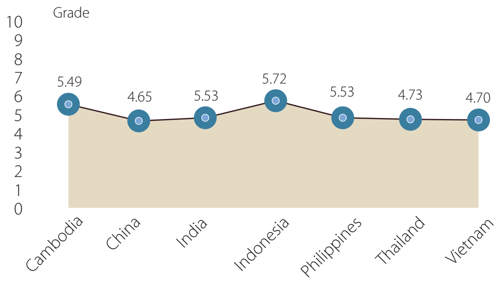
Based on the assessments and reviews carried out between late November 2017 and the end of December 2017 we summarised our findings below:

### 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.

## 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 5.49 (better than one year ago). The reasons for the improvement include a more predictable domestic political situation, a decline in social instability risks, and an improvement in the outlook for labor stability.

The government's clampdown on political opposition has eliminated any doubts about the outcome of the 2018 general election. The present government will retain power. The dissolution of the main opposition party means the election campaign will be free from heated debates or disruptive demonstrations. Moreover, the government is taking steps to retain the support of key population groups like garment workers by raising minimum wages, offering tax relief, and showing it is actively listening to the concerns of such groups – actions that it did not do ahead of the last general elections and consequently contributed to an environment in which demonstrations were a problem. No such environment exists going into the 2018 elections.

However, the consolidation of the government's position has come at a cost, and some risks have deteriorated. For example, there has been a decline in the strength of certain institutions like the media and the ability of opposition parties to foster healthy debate. Cambodia's relations with external bodies like the governments of the US and the European Union (EU), as well as a number of non-governmental organizations, have also been strained.

On the other hand, Cambodia's relations with Mainland China have been strengthened further by these same developments. From the perspective of NagaCorp, the improvement in relations with China is more significant than the strain in relations with the US and Europe, since China is a much larger source of tourists to Cambodia than are the US or Europe. Visitors from China are also growing more rapidly than visitors from the US and Europe.

Still, the deterioration in relations with the US and Europe is a negative development. So far, the governments of the West have expressed their displeasure with the way the government has cracked down on the opposition by cutting their aid for the coming general election. However, they have resisted calls to make it more difficult for Cambodia to export to these markets, in a solid sign that they do not want to hurt average Cambodians by placing obstacles in the way of the country's economic growth. The threat of discrimination against Cambodian exports has not been eliminated entirely, but it has diminished with time.

Consequently, the economy should have another good year. Growth slowed slightly in 2017 because of a peaking of construction activity and a slowdown in investment. However, the economy should pick up a bit in 2018, keeping Cambodia among the highest growing countries in the world. Election spending will help to stimulate the economy in the coming year, while the tourism industry could be the main driver of overall growth, with the influx of foreign visitors led by Chinese, Vietnamese, Japanese, South Koreans and Southeast Asians.

The downside of the continuing rapid growth of tourism and manufacturing is that it will aggravate existing problems related to comparatively high labor costs and a shortage of labor with the required skills and experience. The big annual increases in the mandated minimum wage rate are good for maintaining labor stability but they are bad for maintaining the country's competitiveness and increasing standards of production and services.

## Positive Developments

- The growing role played by China in driving Cambodia's economic growth is a reason for optimism. The ways that China is contributing to Cambodia's growth – through foreign direct investment in manufacturing, tourism, an investor in major physical infrastructure projects, and as a donor and provider of aid – are all increasing and showing no signs of weakening.

- Moreover, while recent political developments in Cambodia could interfere with the flow of aid and economic assistance from the US and Europe, the same forces are causing China to increase its support of Cambodia in ways that more than offset the potential weakening of official assistance from the West.

- Cambodia is more predictable in the near term. A positive feature of the dissolution of the main opposition party is that it has reduced uncertainties about the outcome of the 2018 elections and raised business confidence that there will be no disruptive social unrest or shocking political changes as a result of the elections.

- The economy is likely to maintain a real growth rate of close to 7% for the next two years, one of the highest in Asia. Moreover, tourism will remain one of the main contributors of economic growth, and the biggest increase in foreign visitors will be from Mainland China and other Asian countries that historically have driven NagaCorp's growth in Cambodia.

- It is much easier for foreign investors to do business in Cambodia than is implied by rankings like the World Bank's Ease of Doing Business report. Cambodia's challenges are rooted in poverty and the problems that come with it, not government policies that discriminate against business. To the contrary, the present government is very pro-business and there is no debate on the desirability of foreign direct investment (FDI). The door is much more open to FDI in Cambodia than is the case in many other Asian countries. It is wanted by all political parties and there is no movement to make the environment more restrictive or to close the door to foreign investors.

## The Challenges

- Cambodia's export competitiveness is being threatened by rising real wages, which are growing faster than in other countries and are outpacing gains in productivity. Demands on labor are likely to intensify due to the continuing strong influx of foreign direct investment and the demand for workers who can provide a high standard of services for the larger number of foreign visitors.

- A negative feature of the crackdown on the political opposition is that it has strained Cambodia's relations with the US and Europe and raised some fears that some Western government might penalize Cambodia in ways that could hurt its garment and other exports to these markets. These fears are diminishing with the passage of time, but they still exist.

- Striking the right balance between how much Cambodia should continue to allow transactions to be conducted in US dollars and how much the government should try to increase the role played by the Riel could be difficult. The National Bank of Cambodia has mandated that banks have a minimum of 10% of their loan portfolios in Riel by 2019. The goal could be too aggressive for the banking system to digest easily.

- While overall credit growth has moderated, concerns about credit quality and concentration in the real estate sector pose risks to financial and macroeconomic stability. Cambodia's relatively high loans-to-deposit ratio could make the banking sector less resilient to shocks if loan defaults were to jump sharply.

- 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.

**Robert Broadfoot**
Managing Director
PERC

Hong Kong, 15 January 2018

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.


LiViN' LA ViDA

## 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 listed securities 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), Dr Chen, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin.

During the Period, the Nomination Committee has nominated Mr. Timothy Patrick McNally and Mr. Philip Lee Wai Tuck, the retired Directors for re-election by Shareholders at the Company's 2018 annual general meeting (the "2018 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), Dr Chen, Mr. Lim Mun Kee and Mr. Michael Lai Kai Jin.

During the Period, the Remuneration Committee has considered and proposed, among other things, the Directors' fees to Shareholders for approval at the 2018 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 Anti-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 2018 will be enclosed in our annual report for the financial year ending 31 December 2018.

The AML Oversight Committee currently consists of Mr. Timothy Patrick McNally (Chairman), Dr Chen, Mr. Michael Lai Kai Jin and Mr. Chen Yiy Fon. 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 20 to 23 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, Executive Deputy Chairman and Executive Director

– basic salary has been revised from US$21,310 to US$21,949 per month with retrospective effect from 1 January 2018

– received a discretionary bonus of US$120,000

– appointed as a director of NAGAi Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, with effect from 14 June 2018

– appointed as a director of NAGAHOTEL Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, with effect from 22 June 2018

– appointed as a director of NAGAi Inc, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, with effect from 28 June 2018

– appointed as a director of NAGAHOTEL Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, with effect from 6 July 2018

### Chen Yiy Fon, 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 2018, 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 31 to 54 which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. (the "Company") and its subsidiaries as of 30 June 2018 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" ("ISRE 2410") 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.

## 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.

## Other Matter

The comparative figures for the six months ended 30 June 2018 included in the interim financial information were not reviewed in accordance with ISRE 2410.

**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, 24 July 2018

# Condensed Consolidated Statement of Income

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

| | Notes | Six months ended 30 June 2018 $'000 (Unaudited) | 2017 $'000 (Unaudited) |
|---|---|---|---|
| **Revenue** | 4 | **732,955** | 401,598 |
| Cost of sales | | **(423,456)** | (161,719) |
| **Gross profit** | | **309,499** | 239,879 |
| Other income | | **4,417** | 3,335 |
| Administrative expenses | | **(35,200)** | (27,001) |
| Other operating expenses | | **(90,684)** | (61,521) |
| **Profit from operations** | | **188,032** | 154,692 |
| Finance costs | 5 | **(3,494)** | – |
| **Profit before taxation** | 6 | **184,538** | 154,692 |
| Income tax | 7 | **(4,407)** | (4,060) |
| **Profit attributable to owners of the Company** | | **180,131** | 150,632 |
| **Earnings per share (US cents)** | | | |
| **Basic** | 9 | **4.15** | 6.12 |
| **Diluted** | 9 | **4.15** | 3.47 |

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

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

# Condensed Consolidated Statement of Financial Position

at 30 June 2018 (unaudited)
(Expressed in United States dollars)

| | Notes | 30 June 2018 $'000 (Unaudited) | 31 December 2017 $'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **1,224,232** | 1,121,737 |
| Interest in leasehold land held for own use under operating lease | | **26,792** | 26,950 |
| Intangible assets | 12 | **60,881** | 62,654 |
| Prepayments for acquisition, construction and fitting-out of property, plant and equipment | | **77,423** | 85,343 |
| Promissory notes | 13 | **9,174** | 9,584 |
| | | **1,398,502** | 1,306,268 |
| **Current assets** | | | |
| Consumables | | **1,738** | 1,795 |
| Trade and other receivables | 14 | **141,594** | 101,417 |
| Cash and cash equivalents | | **343,779** | 52,794 |
| | | **487,111** | 156,006 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **96,806** | 77,948 |
| Contract liabilities | | **9,861** | – |
| Current tax liability | | **2,077** | 1,781 |
| | | **108,744** | 79,729 |
| **Net current assets** | | **378,367** | 76,277 |
| **Total assets less current liabilities** | | **1,776,869** | 1,382,545 |
| **Non-current liabilities** | | | |
| Senior notes | 17 | **290,646** | – |
| Contract liabilities | | **48,521** | – |
| | | **339,167** | – |
| **NET ASSETS** | | **1,437,702** | 1,382,545 |

# Condensed Consolidated Statement of Financial Position

at 30 June 2018 (unaudited)
(Expressed in United States dollars)

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | **$'000** | $'000 |
| | **(Unaudited)** | (Audited) |
| **CAPITAL AND RESERVES** | | |
| Share capital | **54,263** | 54,263 |
| Reserves | **1,383,439** | 1,328,282 |
| **TOTAL EQUITY** | **1,437,702** | 1,382,545 |

Approved and authorised for issue by the Board on 24 July 2018.

Timothy Patrick McNally
*Chairman*

Philip Lee Wai Tuck
*Executive Deputy Chairman*

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

| | Share capital | Share premium | Convertible bonds | Capital redemption reserve | Merger reserve | Capital contribution reserve | Exchange reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2017 (audited)** | 30,750 | 395,981 | 378,888 | 151 | (12,812) | 55,568 | (2,939) | 405,394 | 1,250,981 |
| **Changes in equity for the six months ended 30 June 2017:** | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | – | 150,632 | 150,632 |
| Other comprehensive income – exchange differences 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) |
| **Balance at 30 June 2017 (unaudited)** | 30,750 | 395,981 | 378,888 | 151 | (12,812) | 55,568 | (1,646) | 520,643 | 1,367,523 |
| Profit for the period | – | – | – | – | – | – | – | 104,554 | 104,554 |
| Other comprehensive income – exchange difference from translation of foreign operations | – | – | – | – | – | – | 847 | – | 847 |
| Total comprehensive income for the period | – | – | – | – | – | – | 847 | 104,554 | 105,401 |
| Issue of Shares upon conversion of convertible bonds | 23,513 | 355,375 | (378,888) | – | – | – | – | – | – |
| 2017 interim dividend and distribution declared | – | – | – | – | – | – | – | (90,379) | (90,379) |
| **Balance at 31 December 2017 (audited)** | 54,263 | 751,356 | – | 151 | (12,812) | 55,568 | (799) | 534,818 | 1,382,545 |
| **Balance at 1 January 2018 as originally presented (audited)** | 54,263 | 751,356 | – | 151 | (12,812) | 55,568 | (799) | 534,818 | 1,382,545 |
| Initial application of IFRS 15 (note 3B) | – | – | – | – | – | – | – | (61,646) | (61,646) |
| **Restated balance as at 1 January 2018** | 54,263 | 751,356 | – | 151 | (12,812) | 55,568 | (799) | 473,172 | 1,320,899 |
| **Changes in equity for the six months ended 30 June 2018:** | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | – | 180,131 | 180,131 |
| Other comprehensive income – exchange difference from translation of foreign operations | – | – | – | – | – | – | (596) | – | (596) |
| Total comprehensive income for the period | – | – | – | – | – | – | (596) | 180,131 | 179,535 |
| 2017 final dividend declared and paid | – | – | – | – | – | – | – | (62,732) | (62,732) |
| **Balance at 30 June 2018 (unaudited)** | **54,263** | **751,356** | **–** | **151** | **(12,812)** | **55,568** | **(1,395)** | **590,571** | **1,437,702** |

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| | **(Unaudited)** | (Unaudited) |
| **Cash generated from operations** | **195,697** | 152,894 |
| Tax paid | **(4,111)** | (5,285) |
| **Net cash generated from operating activities** | **191,586** | 147,609 |
| **Investing activities** | | |
| Interest received | **301** | 149 |
| Payment for purchase of property, plant and equipment and for construction cost of property | **(151,928)** | (156,199) |
| Proceeds from disposal of property, plant and equipment | **3** | 18 |
| **Net cash used in investing activities** | **(151,624)** | (156,032) |
| **Financing activities** | | |
| Dividend paid | **(39,254)** | (35,383) |
| Net proceeds from issue of senior notes | **290,277** | – |
| **Net cash generated from/(used in) financing activities** | **251,023** | (35,383) |
| **Net increase/(decrease) in cash and cash equivalents** | **290,985** | (43,806) |
| **Cash and cash equivalents at beginning of period** | **52,794** | 210,912 |
| **Cash and cash equivalents at end of period** | **343,779** | 167,106 |

## 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 2018 (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 2017 (the "2017 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 2017 annual financial statements.

In preparing this condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15 as described in note 3.

Except as described below, 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 2017 annual financial statements.

(Expressed in United States dollars)

## 3. Principal accounting policies (continued)

### Adoption of new or revised standards and interpretations relevant to the Group and effective on 1 January 2018:

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contract with Customers |
| IFRIC – Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Annual Improvements to 2014-2016 Cycle | Amendments to IAS 28 Investments in Associates and Joint IFRSs Ventures |
| Annual Improvements to 2014-2016 Cycle | Amendments to IFRS 1 First-time adoption of IFRSs |

The impact of the adoption of IFRS 9 Financial Instruments (see note 3A below) and IFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

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

#### *(i) Classification and measurement of financial instruments*

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

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

## 3. Principal accounting policies (continued)

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

#### *(i) Classification and measurement of financial instruments (continued)*

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

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

## 3. Principal accounting policies (continued)

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

#### *(i) Classification and measurement of financial instruments (continued)*

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

| Financial assets | Original classification under IAS 39 | New classification under IFRS 9 | Carrying amount as at 1 January 2018 under IAS 39 $'000 | Carrying amount as at 1 January 2018 under IFRS 9 $'000 |
|---|---|---|---|---|
| Trade and other receivables | Loans and receivables | Amortised cost | 101,417 | 101,417 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 52,794 | 52,794 |

#### *(ii) Impairment of financial assets*

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

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

## 3. Principal accounting policies (continued)

### Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

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

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

| | $'000 |
|---|---|
| ***Retained earnings*** | |
| Contract liabilities (note 3B(a)) | (61,646) |
| Impact at 1 January 2018 | (61,646) |

## 3. Principal accounting policies (continued)

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

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

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

| | $'000 |
|---|---|
| ***Equity*** | |
| Retained earnings (note 3B(a)) | (57,271) |
| Total equity | (57,271) |
| ***Current liabilities*** | |
| Trade and other payables | |
| – Deferred revenue (note 3B(b)) | (1,111) |
| – Contract liabilities (note 3B(a) and 3B(b)) | 9,861 |
| Total current liabilities | 8,750 |
| ***Non-current liabilities*** | |
| Contract liabilities (note 3B(a)) | 48,521 |
| Total non-current liabilities | 48,521 |

The impact on the condensed consolidated statement of income for the Period (increase/(decrease)):

| | $'000 |
|---|---|
| Revenue (note 3B(a)) | 4,375 |
| Profit before taxation | 4,375 |
| Income tax | – |
| Profit for the Period | 4,375 |
| Total comprehensive income for the Period | 4,375 |

## 3. Principal accounting policies (continued)

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

#### *(a) Timing of revenue recognition of licence fee income*

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

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

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

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

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

#### *(b) Presentation of contract liabilities*

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

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

Details of the new significant accounting policies in relation to the Group's various goods and services are set out below:

i) Casino revenue from gaming tables and electronic gaming machines represents net house takings arising from casino operations and is recognised in profit or loss at a point in time when stakes are received by the casino and the amounts are paid out to the players. The credit policy on gaming receivables is five to thirty days from the end of VIP tour. Other customers paid in advance before they wager.

ii) Revenue from provision of gaming machine stations which comprises revenue in relation to profit sharing arrangements for the gaming machine operations where third parties provide and maintain the gaming machine stations is recognised in accordance with the substance of the relevant agreements:

## 3. Principal accounting policies (continued)

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

#### *(b) Presentation of contract liabilities (continued)*

– The Group recognises its share of net wins from gaming machine operation at a point in time under joint operation with the third parties; or

– Revenue for services provided to the third parties, based on sharing of net wins from the gaming machine operations, is recognised over time when the Group acts an agent to the third parties.

iii) Income from hotel operations including room rental, food and beverage sales and other ancillary services are recognised when the services are rendered. Most of the customers pay for room rental in advance or upon departure from the hotel by cash or credit card. Other services are paid when services are rendered. Certain entity customers are granted with credit period of thirty days from end of month.

iv) The Group operates a loyalty programme where customers accumulate points for money spent on gaming or hotel facilities which entitle them to acquire goods or services free of charge or at a discount. Revenue from the award points is recognised when the points are redeemed or when they expire.

v) Licence fee is recognised at a point in time when the right to use exists at which the licensing right is assigned. All other licence fee income is recognised over the contract period. Payment is made when the relevant contract is signed.

## 4. Revenue

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| | **(Unaudited)** | (Unaudited) |
| Casino operations – gaming tables | **653,958** | 285,009 |
| Casino operations – electronic gaming machines* | **59,908** | 101,795 |
| Hotel room income, sales of food and beverage and others | **19,089** | 14,794 |
| | **732,955** | 401,598 |

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

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

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

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

## 5. Finance Costs

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest expense and transaction costs relating to senior notes (note 17) | **3,494** | – |

## 6. Profit before taxation

Profit before taxation is arrived at after charging:

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

## 7. Income tax

Income tax in profit or loss represents:

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

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

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

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

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

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

## 9. Earnings per share

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

There is no dilutive potential shares during the Period. The calculation of diluted earnings per share for the six months ended 30 June 2017 was based on the consolidated profit attributable to owners of the Company of $150,632,000 and weighted average number of shares of 4,341,008,041 adjusted for the dilutive potential shares as a result of outstanding convertible bonds during that period (note 16).

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

## 10. Segment information

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

- Casino operations: this segment comprises all gaming activities at 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.

## 10. Segment information (continued)

| | Casino operations | Hotel and entertainment operations | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| ***Segment revenue:*** | | | |
| Six months ended 30 June 2018 (unaudited): | | | |
| Timing of revenue recognition: | | | |
| – At point in time | 691,841 | 10,710 | 702,551 |
| – Transferred over time | 22,025 | 8,379 | 30,404 |
| Revenue from external customers | 713,866 | 19,089 | 732,955 |
| Inter-segment revenue | (865) | 7,242 | 6,377 |
| Reportable segment revenue | 713,001 | 26,331 | 739,332 |
| Six months ended 30 June 2017 (unaudited): | | | |
| Revenue from external customers | 386,804 | 14,794 | 401,598 |
| Inter-segment revenue | (1,600) | 15,006 | 13,406 |
| Reportable segment revenue | 385,204 | 29,800 | 415,004 |
| ***Segment profit:*** | | | |
| 30 June 2018 (unaudited) | 237,683 | 2,728 | 240,411 |
| 30 June 2017 (unaudited) | 177,272 | 12,613 | 189,885 |

## 10. 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **$'000** | $'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Reportable segment revenue | **739,332** | 415,004 |
| Elimination of inter-segment revenue | **(6,377)** | (13,406) |
| **Consolidated revenue** | **732,955** | 401,598 |
| **Profit** | | |
| Reportable segment profit | **240,411** | 189,885 |
| Other revenue | **219** | – |
| Depreciation and amortisation | **(44,693)** | (26,300) |
| Unallocated head office and corporate expenses | **(11,399)** | (8,893) |
| **Consolidated profit before taxation** | **184,538** | 154,692 |

## 11. Property, plant and equipment

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

## 12. 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 $47,119,000 (31 December 2017: $45,346,000).

## 13. Promissory notes

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

## 13. Promissory notes (continued)

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

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

## 14. Trade and other receivables

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

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

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

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

## 15. Trade and other payables

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

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

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

## 16. Convertible bonds

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

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

## 17. Senior notes

On 14 May 2018, the Company entered into a purchase agreement with two independent third party purchasers in connection with the issue of senior notes (the "Senior Notes") by the Company of an aggregate principal amount of $300,000,000 and mature on 21 May 2021. The Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. These Senior Notes cannot be convertible into Shares of the Company.

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

## 18. Capital commitments

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

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | **$'000 (Unaudited)** | $'000 (Audited) |
| Hotel and casino complex, – contracted but not incurred | **313,697** | 342,539 |

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.

## 19. Related party transactions

As at 30 June 2018, amounts due from related companies of $294,000 (31 December 2017: $274,000) are included in trade and other receivables as disclosed in note 14 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the Period was $294,000 (six months ended 30 June 2017: $289,000).

As at 30 June 2018, amount due to a director, Tan Sri Dr Chen Lip Keong ("Dr. Chen") of $25,468,000 (31 December 2017: $19,081,000) are included in trade and other payables as disclosed in note 15 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand.

## 20. Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of $11,765,000 for the financial year ended 31 December 2017 (the "2017 Entitlement").

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

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

There were no other contingent liabilities as at 30 June 2018 other than additional obligation payment as described in note 7, if any.