



NAGACORP

金界控股有限公司

NAGACORP LTD.//金界控股有限公司\*

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918

\*for identification purpose only



2015 Interim Report







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NAGACORP LTD. INTERIM REPORT 2015

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# Corporate Information

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

## Board of Directors

### Executive Directors

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

Philip Lee Wai Tuck (*Chief Financial Officer*)

Chen Yiy Fon

Chen Yepern

### Non-executive Director

Timothy Patrick McNally (*Chairman*)

### Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Lim Mun Kee

Michael Lai Kai Jin

## Audit Committee

Lim Mun Kee (*Chairman*)

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir

Michael Lai Kai Jin

## Remuneration Committee

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

## Nomination Committee

Tan Sri Datuk Seri Panglima Abdul Kadir Bin

Haji Sheikh Fadzir (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yepern

Lim Mun Kee

Michael Lai Kai Jin

## AML Oversight Committee

Timothy Patrick McNally (*Chairman*)

Tan Sri Dr Chen Lip Keong

Chen Yiy Fon

Chen Yepern

Michael Lai Kai Jin

## Company Secretary

Lam Yi Lin

## Authorised Representatives

Philip Lee Wai Tuck

Lam Yi Lin

## Auditor

BDO Limited

## Solicitors

Reed Smith Richards Butler

## Principal Bankers

CIMB Bank PLC (*Phnom Penh Branch*)

United Overseas Bank Limited (*Hong Kong Branch*)

Bank of China (*Phnom Penh Branch*)

# Investor Relations

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

## Listings

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

## 2015 Interim Report

This Interim Report, in both English and Chinese, is available in printed form and on the Company's website - [www.nagacorp.com](http://www.nagacorp.com)

## Stock Code

3918

## Registered Office

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

## Principal Place of Business in Cambodia

NagaWorld  
Samdech Techo Hun Sen Park  
P.O. Box 1099, Phnom Penh  
Kingdom of Cambodia  
Tel No: +855 23 228822 Fax: +855 23 217532

## Principal Place of Business in Hong Kong

Suite 2806, 28/F  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
Tel: +852 2877 3918 Fax: +852 2523 5475

## Principal Share Registrar and Transfer Office

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

## Branch Share Registrar and Transfer Office

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

## Chief Executive Officer

Tan Sri Dr Chen Lip Keong

## Chief Financial Officer

Philip Lee Wai Tuck

## Investor Relations (Asia Pacific) & Corporate Finance

Gerard Chai, *Vice President*

## Investor Relations (North America)

Kevin Nyland, *Vice President*

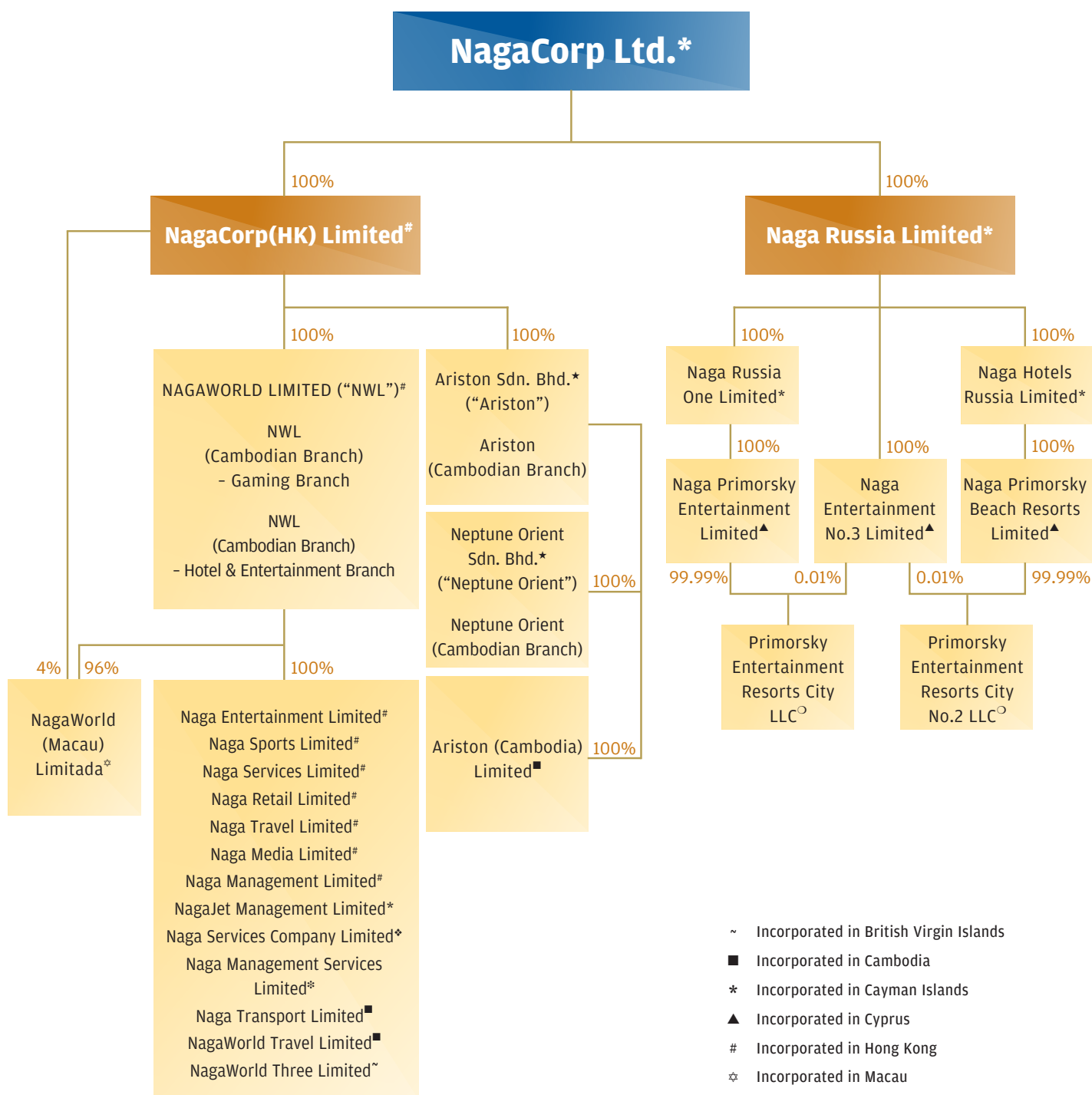
## Investor Relations (Europe, Middle East & Africa)

David Ellis

## Company Website

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

# Corporate Structure



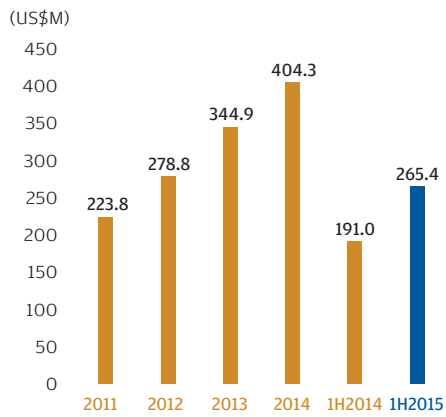
- ~ Incorporated in British Virgin Islands
- Incorporated in Cambodia
- \* Incorporated in Cayman Islands
- ▲ Incorporated in Cyprus
- # Incorporated in Hong Kong
- ☆ Incorporated in Macau
- ★ Incorporated in Malaysia
- Incorporated in Russia
- \* Incorporated in Thailand
- ❖ Incorporated in Vietnam

As at 12 August 2015

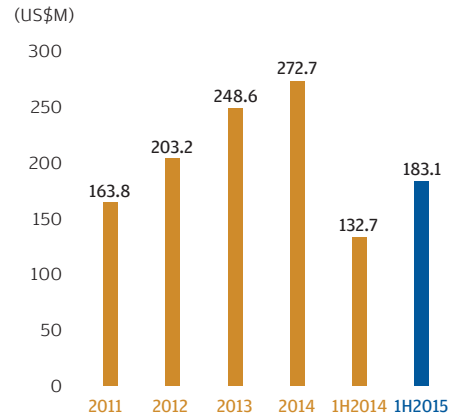


# Financial Highlights

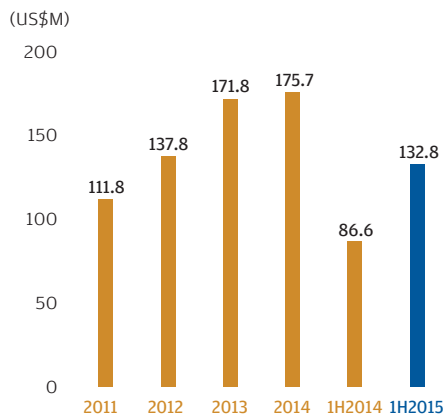
## Revenue



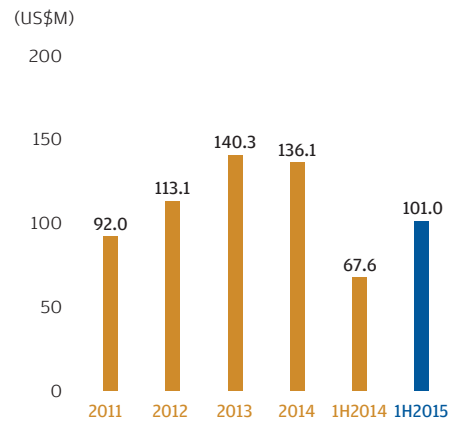
## Gross Profit



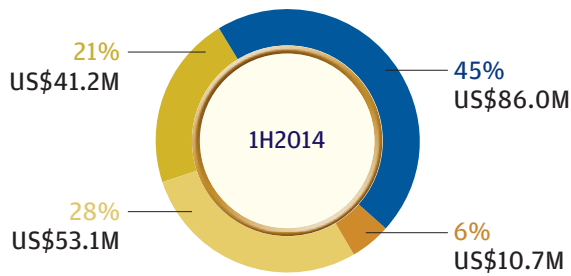
## EBITDA



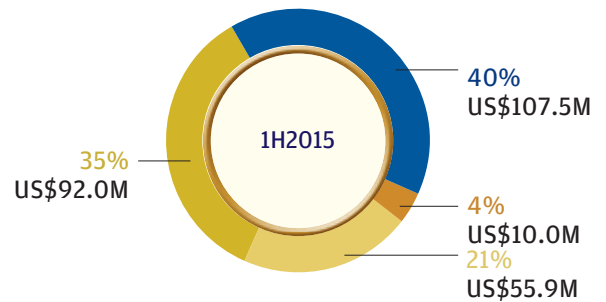
## Net profit



## Revenue (US\$191.0 million)



## Revenue (US\$265.4 million)



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

# Chairman and CEO's Statement



**Timothy Patrick McNally**  
Chairman

## Dear Shareholders,

We are pleased to report that NagaCorp continued to outperform its regional gaming competitors during the six months ended 30 June 2015 (the "Period"). We continue to generate positive operational and financial results for shareholders with net profit of US\$101.0 million, a 49% increase over the same period last year. Gross Gaming Revenue ("GGR") for the first six months of 2015 increased by 42% to US\$255.4 million. We were able to achieve this while Macau recorded a decline in GGR of 37% for the Period (Source: DICJ Macau). The Company's positive results were attributed to higher business volume from all segments of the gaming business, most notably, continued positive growth from the Public Floor Tables and Electronic Gaming Machines ("EGM"), and the successful ramp-up of VIP Gaming generated through the junket incentive program.

## Steady Tourism from Key Markets

International tourist arrivals to Cambodia continued their growth trajectory, with 2.3 million visitors in the first half of 2015, a 4.6% increase compared to the same period in 2014. The top three countries where visitors originated from were Vietnam (21%), China (15%) and South Korea (10%), accounting for 46% of total tourist arrivals to Cambodia. Visitors from China increased by 22% year-on-year to 335,042 visitors during the Period. (Source: Ministry of Tourism, Cambodia). Continued visitor growth from these gaming-centric countries is one of the drivers of our business growth.

## Chairman and CEO's Statement



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

### **Sound Strategy, Positioned for Regional Leadership**

The growth of Public Floor Tables is attributable to the steady growth in visitation to the property as well as the improvement in table game productivity. Our strategy in segmenting the public floor players with our concept of casino cells continued to work well; increasing overall visitation and business volume to the property, including the premium mass gaming areas such as NagaRock and Saigon Palace.

During the first six months of the year, EGM revenue grew by 123%, as a result of the EGM negotiation fee ("EGM Negotiation Fee") received, higher win-rate and an increase in bills-in of 10%. The growth of bills-in exceeded tourism growth of 4.6%.

Our loyalty program, the Golden Edge Rewards Club, has been tracking well with increasing membership. During the Period, approximately 14,000 new members registered. This has

allowed us to continue our efforts to understand our members' profiles, create targeted marketing promotions and rollout player development initiatives to drive visitation and increase spend per player on the mass gaming market.

Our VIP market consists of players brought in by junkets, who are either under a commission or incentive program, and direct players without an intermediary. Our overseas junket incentive program introduced in March 2013 has enabled us to increase our existing table limits, while managing volatility and credit risk. Rollings under the incentive program continued to grow. In the second quarter of 2015, we made progress by signing additional North Asian junkets under the incentive program. Total VIP rollings increased by 50% to US\$3.6 billion and the overall win rate was 3.0% (six months ended 30 June 2014: 3.6%). As a result, total VIP gaming revenue increased by 25% to US\$107.5 million.

# Chairman and CEO's Statement

Throughout the Period we continued our efforts to provide internationally recognized products and services to both gaming and non-gaming patrons while continuing to grow market share through our unique position in the region. The expected completion of NagaCity Walk by the first quarter of 2016 and its subsequent opening in the third quarter of 2016 will enhance the overall retail experience available to customers and further strengthen NagaWorld's appeal to both the VIP Market and Mass Market. We have entered into an agreement with the China Duty Free Group, the largest duty-free operator in China, to lease not less than 2,400 square metres in NagaCity Walk, to operate duty-free shopping in the premises.

The TSCLK Complex remains broadly on schedule for completion by end of 2016, with operations commencing in 2017. We anticipate that with the completion of Naga2, together with our present NagaWorld facility, will further strengthen our position as the leading integrated gaming and entertainment destination in Indochina.

As we disclosed in our annual results announcement on 4 February 2015, we established certain indirect subsidiaries in Russia for the purposes of undertaking a gaming and resort development project in Vladivostok, Russia (the "PERC Project"). Based on the current state of the PERC Project, we expect that the PERC Project will commence operation not later than 2018.

We believe that our strategy of diversifying our business geographically and expanding into a new casino market 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, including name brand properties in Macau.

The board of directors (the "Board") has resolved to declare payment of an interim dividend of US cents 2.67 per share (or equivalent to HK cents 20.69 per share) for the Period. This represents a dividend payout ratio of 60%, based on the net profit generated for the period. The interim dividend shall be paid on Thursday, 17 September 2015.

## **Social Responsibility**

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. The first half of 2015 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.

# Chairman and CEO's Statement

## Corporate Governance

NagaCorp has engaged an independent professional party to review the internal controls of the Company and its subsidiaries (collectively the “Group”) with a focus on anti-money laundering. The independent professional party will issue its findings in a report, details of which will be enclosed in our annual report for the year ending 31 December 2015. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are set out in this report.

## Our Appreciation

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

**Timothy Patrick McNally**

*Chairman*

**Tan Sri Dr Chen Lip Keong**

*Chief Executive Officer*

Hong Kong, 12 August 2015







# Management Discussion and Analysis

## Business Overview

The Cambodian economy continued to grow, with the International Monetary Fund projecting Cambodian Gross Domestic Product (“GDP”) to increase by 7.2% in both 2015 and 2016. Inflation is expected to be -0.3% in 2015 primarily due to lower oil prices.

International tourist arrivals to Cambodia continued to grow with 2.3 million visitors in the first half of 2015, a 4.6% increase compared to the same period in 2014. The top three countries where visitors originated from were Vietnam (21%), China (15%) and South Korea (10%), accounting for 46% of total tourist arrivals to Cambodia and collectively increasing 11% year-on-year. Visitors from China increased by 22% year-on-year to 335,042 visitors during the Period (Source: Ministry of Tourism, Cambodia). Continued visitor growth from these gaming-centric countries is one of the drivers of the Group’s business growth.

Macau’s GGR declined by 37% for the first half of 2015. In contrast, NagaWorld, which is situated in the Cambodian capital city Phnom Penh, recorded GGR growth of 42%. For the Period, the Group’s revenue increased by 39% to US\$265.4 million and net profit increased by 49% to US\$101.0 million. The positive results were attributable to the increase in business volume from all segments of the gaming business. In addition, the Group received a non-refundable EGM Negotiation Fee from investors, which has been recorded as EGM revenue for the Period. As at 30 June 2015, NagaWorld had 262 gaming tables and 1,600 EGM.



# Management Discussion and Analysis

## Results

**Table 1: Performance Highlights**

For the Period and comparative periods:

	1st half of year 2015 ("1H2015") US\$'000	1st half of year 2014 ("1H2014") US\$'000	Increase/ (Decrease) %
<b>Mass Market: Public Floor Tables</b>			
- Buy-ins	261,951	235,156	11.4%
- Win rate	21.3%	22.6%	
- Revenue	55,872	53,117	5.2%
<b>Mass Market: EGM</b>			
- Bills-in	629,284	574,905	9.5%
- Win rate	11.6%	10.1%	
- Win per unit per day (WUD) (US\$)	258	210	22.9%
- Revenue	91,991	41,196	123.3%
- No. of machines at end of period	1,600	1,544	3.6%
<b>VIP Market</b>			
- Rollings	3,624,742	2,422,040	49.7%
- Win rate	3.0%	3.6%	
- Revenue	107,542	86,024	25.0%
<b>Gross Gaming Revenue including 2015 EGM Negotiation Fee</b> (see Note 1 below)	255,405	180,337	41.6%
<b>Gross Gaming Revenue excluding 2015 EGM Negotiation Fee</b> (see Note 1 below)	215,405	180,337	19.4%
<b>Non-Gaming</b>			
- Revenue	10,015	10,663	(6.1%)

Note 1: During the second quarter of 2015, the Group received an EGM Negotiation Fee of US\$40.0 million from investors for exclusive negotiation of the placement of up to 300 gaming machines in NagaWorld. This fee has been recorded as EGM revenue for the Period. As there were no fees of a similar nature in 1H2014, comparable GGR for 1H2015 is shown including and excluding the effects of this fee.

# Management Discussion and Analysis

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

The Group achieved a growth of 11% in Public Floor Tables buy-ins and 10% in EGM bills-in. Gross profit margin remained at 95%.

The growth of Public Floor Tables is attributable to the steady growth in visitation to the property as well as the improvement in table game productivity. The Group's strategy in segmenting the public floor players with its concept of casino cells continued to work well; increasing overall visitation and business volume to the property including the premium mass gaming areas such as NagaRock and Saigon Palace.

During the Period, EGM revenue grew by 123%, as a result of the EGM Negotiation Fee received, higher win-rate and an increase in bills-in of 10%. The growth of bills-in exceeded tourism growth of 4.6%.

The Group's loyalty program, the Golden Edge Rewards Club, has been tracking well with increasing membership. During the Period, approximately 14,000 new members registered. This has allowed the Group to continue its efforts to understand its members' profiles, create targeted marketing promotions and rollout player development initiatives to drive visitation and increase spend per player on the mass gaming market.

## **VIP Market**

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

Rollings under the incentive program continued to grow. In the second quarter of 2015, the Group made progress by signing additional North Asian junkets under the incentive program. Total VIP rollings increased by 50% to US\$3.6 billion and the overall win rate was 3.0% (six month ended 30 June 2014: 3.6%). As a result, total VIP gaming revenue increased by 25% to US\$107.5 million.

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

Non-Gaming revenue decreased by 6.1% to US\$10.0 million, mainly due to the increase in number of rooms sold to junket operators at a lower room rate, and the temporary loss of rental income from five existing luxury boutiques as a result of the temporary closure of the hotel main lobby area for NagaCity Walk's construction.

The Group continued its efforts to provide internationally recognized products and services to both gaming and non-gaming patrons whilst continuing to grow market share through its unique position in the region. The expected completion of the NagaCity Walk by the first quarter of 2016 and its subsequent opening in the third quarter of 2016 will enhance the overall retail experience available to the patrons and further strengthen NagaWorld's appeal to both the VIP Market and Mass Market. The Group has entered into an agreement with the China Duty Free Group, the largest duty-free operator in China, to lease not less than 2,400 square metres in the NagaCity Walk, to operate duty-free shopping in the premises.

# Management Discussion and Analysis

## Revenue and Gross Profit Analysis

**Table 2(a)**

1H2015	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
<b>Mass Market</b>	<b>147.9</b>	<b>56%</b>	<b>140.7</b>	<b>77%</b>	<b>95%</b>
<b>VIP Market</b>	<b>107.5</b>	<b>40%</b>	<b>34.3</b>	<b>19%</b>	<b>32%</b>
<b>Non-Gaming</b>	<b>10.0</b>	<b>4%</b>	<b>8.1</b>	<b>4%</b>	<b>81%</b>
<b>Total</b>	<b>265.4</b>	<b>100%</b>	<b>183.1</b>	<b>100%</b>	<b>69%</b>

**Table 2(b)**

1H2014	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	94.3	49%	89.9	68%	95%
VIP Market	86.0	45%	33.9	25%	39%
Non-Gaming	10.7	6%	8.9	7%	83%
Total	191.0	100%	132.7	100%	69%

The Group recorded a gross profit increase of 38% to US\$183.1 million for the Period. The gross profit increase in the Mass Market from US\$89.9 million to US\$140.7 million was driven by higher Public Floors Tables buy-ins, EGM bills-in and the receipt of the EGM Negotiation Fee from investors. The Mass Market continued to generate a high margin of 95%. The VIP Market's gross profit margin decreased to 32% (1H2014: 39%) due to higher direct costs paid to junket operators.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 13% to US\$53.0 million during the Period. Increased expenses were in line with solid revenue growth, as required to support the higher business volume across all segments. Additionally, the Group has hired a number of experienced and qualified staff to facilitate the regional marketing efforts and ongoing property enhancements at NagaWorld.

# Management Discussion and Analysis

## Finance Costs

The Group did not incur any finance costs as there were no borrowings during the Period.

## Net Profit

Net profit attributable to the shareholders of the Group, or net profit, increased by 49% to US\$101.0 million for the Period. Net profit margin for the Period increased from 35% to 38% due to the increase in contribution from the higher margin Mass Market.

Earnings per share were US cents 4.45 (HK cents 34.49 per share) and US cents 2.96 (HK cents 22.94 per share) for the six months ended 30 June 2015 and 2014 respectively.

## Financial Review

### Pledge of Assets

As at 30 June 2015, the Group had the promissory notes pledged for issuance of a bank guarantee and pledged deposits for issuance of letter of credit of US\$9.2 million and US\$1.4 million respectively (31 December 2014: Nil).

### Contingent Liabilities

Pursuant to the existing service agreement between the Company and the Chief Executive Officer (the "CEO") of the Company, the CEO is entitled to an annual performance incentive based on the Group's consolidated profit before taxation. For the financial year ended 31 December 2014, the CEO was entitled to a performance incentive of US\$5.7 million. However, the terms of this performance incentive were revised in last annual reporting period such that it was payable at the discretion of the Board, subject to certain performance benchmarks set for the Period. During the Period, the CEO has waived his performance incentive of US\$5.7 million.

There are no further contingent liabilities as at 30 June 2015.

## Exchange Rate Risk

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

## Issue of New Shares

There were no shares issued by the Company during the Period.

## Purchase, Redemption or Sale of Listed Securities

During the Period, the Company repurchased 600,000 (six months ended 30 June 2014: Nil) of its ordinary shares of US\$0.0125 each (the "Shares") on the Stock Exchange for an aggregate consideration of HK\$3,798,840 (equivalent to approximately US\$490,593) (six months ended 30 June 2014: Nil) excluding transaction costs. As at 30 June 2015, the Company had repurchased 12,090,000 Shares (31 December 2014: 11,490,000) for an aggregate consideration of HK\$73,169,860 (equivalent to approximately US\$9,437,593) (31 December 2014: HK\$69,371,020 (equivalent to approximately US\$8,947,000)) excluding transaction costs, which are held by the Company in treasury as at the date of this report and will be cancelled in due course.

# Management Discussion and Analysis

Particulars of the repurchases during the Period are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding transaction costs) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	600,000	6.35	6.29	3,798,840

Save as disclosed above, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Period.

#### Funds Raised by the Issue of New Shares in March 2013 and Use of Proceeds

Reference is made to (i) the announcement of the Company dated 14 March 2013 in relation to the placing of existing Shares and top-up subscription of new Shares under the general mandate (the “Top-up Placing and Subscription”), (ii) the announcement of the Company dated 27 March 2013 concerning the completion of the Top-up Placing and Subscription and (iii) the interim results announcement of the Company dated 6 August 2014 (collectively, the “Announcements”).

During the year ended 31 December 2014, approximately 83% of the net proceeds from the Top-up Placing and Subscription (the “Net Proceeds”) had been utilised or deployed for such projects as the upgrading of the transportation services, the development of VIP suites at NagaWorld and as working capital for the general development of the high roller business of the Company. As at 30 June 2015, approximately 91% of the Net

Proceeds had been utilised or deployed in accordance with the intended use as disclosed in the Announcements. As at 30 June 2015, the remaining 9% of the Net Proceeds amounting to HK\$103.0 million remains unspent and continues to be utilised or deployed in line with the Announcements.

#### Liquidity, Financial Resources and Gearing

As at 30 June 2015, the Group had total cash and cash equivalents, pledged deposits and bonds of US\$203.1 million (31 December 2014: US\$204.0 million).

As at 30 June 2015, the Group had net current assets of US\$206.0 million (31 December 2014: US\$199.3 million). The Group had net assets of US\$678.1 million as at 30 June 2015 (31 December 2014: US\$625.5 million).

As at 30 June 2015 and 31 December 2014 respectively, the Group had no outstanding borrowings. The Group has continued to remain ungeared.

#### Capital and Reserves

As at 30 June 2015, the capital and reserves attributable to owners of the Company was US\$678.1 million (31 December 2014: US\$625.5 million).

# Management Discussion and Analysis

## Employees

As at 30 June 2015, the Group employed a total work force of 5,616 (31 December 2014: 5,417), stationed in Cambodia, Hong Kong, Macau, Malaysia, Russia, Thailand, United Kingdom, United States and Vietnam. The remuneration and staff costs for the Period were US\$30.7 million (six months ended 30 June 2014: US\$23.7 million).

## Employee Benefits

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

## Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables. The increase in net trade receivables from US\$12.5 million to US\$13.8 million during the Period was due to new credit facilities extended to overseas junket operators under the new incentive program.

During the Period, the Group has reversed an allowance for impairment loss of US\$167,000 (six month ended 30 June 2014: Nil). These trade debts had been fully provided for in previous years.

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure they are competitive and are in line with the Group's risk management strategy. As a result, the credit policy for gaming receivables has changed to five to thirty days (31 December 2014: seven 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 other significant investments held, material acquisitions, or disposals of subsidiaries during the Period.

## Events After Reporting Period

There were no major subsequent events occurred since the end of the reporting period and up to the date of this report.

## Project Updates and Prospects

### Update on Naga2

As disclosed in the annual results announcement of the Company dated 4 February 2015, NagaCity Walk was scheduled for physical completion by the third quarter of 2015, with operations commencing by first quarter of 2016. Based on the current state of the project, NagaCity Walk with its retail mall is scheduled for physical completion by the first quarter of 2016 and expected to commence operations in the third quarter of 2016. The TSCLK Complex remains broadly on schedule for completion by end of 2016, with operations commencing in 2017.

It is anticipated that with the completion of Naga2 and the present premises, NagaWorld will further strengthen its position as the leading integrated gaming and entertainment destination in Indochina.

### Update on the Investment Project in Vladivostok

As disclosed in the annual results announcement of the Company dated 4 February 2015, the Company established certain indirect subsidiaries in Russia for the PERC Project. Based on the current state of the PERC Project, it is expected that the PERC Project will commence operation not later than 2018.

# Management Discussion and Analysis

The Group believes that its strategy of diversifying its business geographically and expanding into a new casino market will drive revenue growth in the long term.

## Prospects

The continued downturn in the gaming sector in Macau offers opportunities for the Group to further penetrate the regional and Chinese gaming market. The Group offers better commercial terms to junket operators and agents as a result of NagaWorld's low cost structure. The Group has signed additional North Asian junkets who are seeking to diversify their operations to other parts of Asia during the Period. The 50% increase in VIP rollings for the Period demonstrates NagaWorld's incentive program's success in promoting NagaWorld to a wider range of operators and players in the region. Moving forward, the Group intends to improve its margins as it captures a larger share of the Asian VIP gaming market.

The Group is collaborating with key Chinese outbound travel agents and an independent airline operator by using its commercial aircraft to bring Chinese tourists into Cambodia. The appeal of Cambodia as a travel destination for Chinese tourists is evident from the continued strong growth of Chinese visitation, which recorded a 22% increase for the first half of 2015. In July 2015, the independent airline operator has collaborated with key Chinese outbound travel agents to charter weekly flights from Changsha, China to Cambodia. The Group will continue promoting Phnom Penh as a tourism destination for the Chinese by improving accessibility to Phnom Penh.

In July 2015, the Group implemented table buy-ins for all Mass Market Public Floor Tables. Previously, players were required to exchange cash for casino chips at the cashier cage. This initiative provides convenience for players at the gaming tables and could potentially lead to incremental growth in business volumes.

The expected opening of the NagaCity Walk with its retail mall in the third quarter of 2016 is intended to enhance NagaWorld's appeal to both the Mass and VIP Markets.

## Interim Dividend

The Board has resolved to declare payment of an interim dividend of US cents 2.67 per Share (or equivalent to HK cents 20.69 per Share) for the Period payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on Friday, 28 August 2015. This represents a dividend payout ratio of approximately 60%, based on the net profit generated for the Period. The interim dividend shall be paid on Thursday, 17 September 2015.

## 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 Friday, 28 August 2015 during which day no transfer of Shares will be registered. In order to qualify for the interim dividend for the Period, all completed transfers forms accompanied by the relevant share certificate(s) must be lodged for registration with the Company's branch share registrar 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 Thursday, 27 August 2015.

# Disclosure of Interests

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

The directors of the Company (the "Directors") and the chief executive of the Company (the "Chief Executive") who held office as at 30 June 2015 had the following interests in the Shares and underlying Shares at that date as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### Interests in issued Shares and underlying Shares

Name of Director	Capacity	Number of ordinary Shares/underlying Shares held	% of total issued ordinary Shares (Note 1)
Tan Sri Dr Chen Lip Keong	Founder of a discretionary trust (Note 2)	951,795,297 (L)	41.71 (L)
Tan Sri Dr Chen Lip Keong	Beneficial owner (Note 3)	1,566,282,107 (L)	68.63 (L)

#### Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 Shares as at 30 June 2015.
- (2) Tan Sri Dr Chen Lip Keong is the founder of ChenLa Foundation. ChenLa Foundation indirectly holds, through Cambodia Development Corporation and Fourth Star Finance Corp., a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Tan Sri Dr Chen Lip Keong is taken to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation, Cambodia Development Corporation and Fourth Star Finance Corp. are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.
- (3) These 1,566,282,107 underlying Shares are the consideration for the very substantial acquisition for TanSriChen Inc. and TanSriChen (CityWalk) Inc. (collectively referred to as the "Target" Companies") under the conditional Share Purchase Agreement and a supplemental agreement entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011 and 28 December 2011 respectively (collectively referred to as the "Acquisition Agreements"). These underlying Shares will not be issued until the respective completion applicable to each of the Target Companies, pursuant to the terms of the Acquisition Agreements.
- (4) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above, as at 30 June 2015, none of the Directors and the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.



## Disclosure of Interests

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

So far as the Directors and the Chief Executive are aware of, as at 30 June 2015, the Shareholders, other than the Directors or the Chief Executive, who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

#### (1) Substantial Shareholders (as defined in the Listing Rules)

Name of Shareholder	Capacity	Number of ordinary Shares held	% of total issued ordinary Shares (Note 1)
ChenLa Foundation	Interest of controlled corporations <sup>(Note 2)</sup>	951,795,297 (L)	41.71 (L)
Fourth Star Finance Corp.	Beneficial Owner	789,534,854 (L)	34.60 (L)

#### (2) Other Persons

Name of Shareholder	Capacity	Number of ordinary Shares held	% of total issued ordinary Shares (Note 1)
Cambodia Development Corporation	Beneficial owner	162,260,443 (L)	7.11 (L)

Notes:

- (1) Based on the Company's issued share capital of 2,282,078,875 Shares as at 30 June 2015.
- (2) Such interests are held by Fourth Star Finance Corp. and Cambodia Development Corporation which in turn were controlled by ChenLa Foundation under which Tan Sri Dr Chen Lip Keong is the founder.
- (3) The letter "L" denotes the entity's long position in the Shares.

Save as disclosed above and so far as the Directors and the Chief Executive are aware of, as at 30 June 2015, no other party (other than a Director or the Chief Executive) 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.

# Disclosure of Interests

## Summary of the Share Option Scheme of the Company

The Company has a share option scheme (the “Share Option Scheme”) which was adopted upon the listing of the Shares on the Main Board of the Stock Exchange on 19 October 2006 (the “Adoption Date”). The Board may, in its absolute discretion, grant share options to any eligible participants to subscribe for Shares subject to the terms and conditions of the Share Option Scheme.

(1) **Purpose**

The purpose of the Share Option Scheme is to permit the Company to issue share options to eligible participants to assist the Company to attract and retain the best available personnel and to provide additional incentives to them to promote the success of the Group.

(2) **Eligible participants**

Eligible participants include any employee (whether full-time or part-time), director (including independent non-executive directors), and consultant, business associate or advisor of any member of the Group.

(3) **Total number of Shares available for issue**

The maximum number of Shares which may be issued upon the exercise of all options to be granted by the Company under the Share Option Scheme must not exceed in aggregate 10% of the issued share capital of the Company as at the Adoption Date (being 200,000,000 Shares as at such date).

Subject to the approval of the Shareholders in general meeting, the limit may be refreshed to 10% of the Shares in issue as at the date of approval of such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) shall not be counted for the purpose of calculating the limit as refreshed.

As at the date of the 2014 annual report and the date of this report, the total number of Shares available for issue under the Share Option Scheme is 200,000,000 Shares, representing approximately 8.76% of the Shares in issue (i.e. 2,282,078,875 Shares) as at the date of the 2014 annual report and the date of this report.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes if this will result in such overall limit being exceeded.

## Disclosure of Interests

**(4) Total maximum entitlement of each eligible participant**

Unless approved by the Shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or outstanding) under the Share Option Scheme to any eligible participant in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to a substantial shareholder or independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) in any 12-month period up to and including the date of such grant in excess of 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, exceeding HK\$5 million must be approved by Shareholders in general meeting in advance.

**(5) Option period**

The period within which the options may be exercised under the Share Option Scheme will be determined by the Board at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

**(6) Minimum period for which an option must be held before it can be exercised**

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

**(7) Payment on acceptance of the option**

No consideration is payable by the eligible participant upon the acceptance of an option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the eligible participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.

**(8) Basis of determining the exercise price**

The exercise price of the options shall be determined by the Board and notified to the eligible participants at the time of the grant but shall not be less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the grant of such option, which must be a business day;
- (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of such option; and
- (iii) the nominal value of the Shares.

# Disclosure of Interests

## (9) The remaining life of the Share Option Scheme

Unless otherwise terminated by the Board or the Shareholders in general meeting in accordance with the provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, and after which no further options shall be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect and in all other respects with respect to options granted prior to such termination and not then exercised which shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

Since the Adoption Date and up to 30 June 2015, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at the date of the 2014 annual report and the date of this report, respectively. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the date of this report.

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

# Independent Review of Investment Risks in Cambodia

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

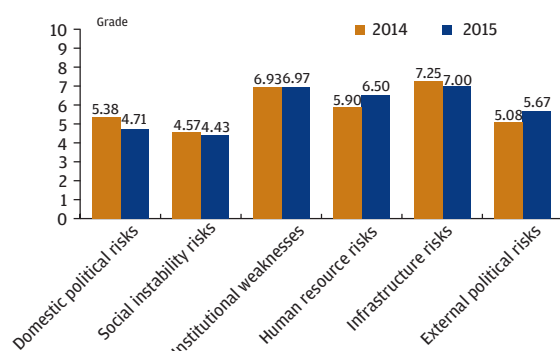
## To the Board of NagaCorp Ltd.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia as they relate to NagaCorp’s casino, hotel and entertainment business

operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks, social instability risks, institutional weaknesses, human resource risks, infrastructure risks and external political risks.

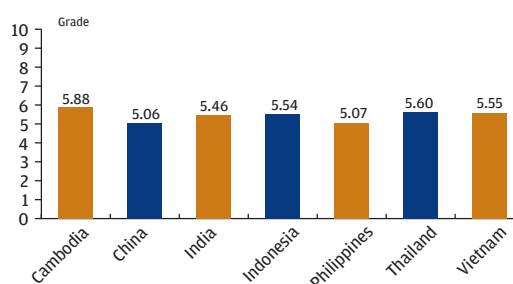
Based on the assessments and reviews carried out between late November 2014 and early January 2015, we summarised our findings below:

### Perceptions of Cambodia’s Business Environment Risks



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

### How Perceptions of Cambodian Socio-Political Risks Compare



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

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

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

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equals the score of a broader variable, while

the weighted sum of the grades of the broad variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). PERC’s most recent risk survey gives Cambodia an overall risk grade of 5.88 (slightly worse than one year ago). Domestic political risks have declined over the past year. There is now greater confidence that there will be no change in government before the 2018 elections, and even if the opposition were

# Independent Review of Investment Risks in Cambodia

to win the next election (a possibility that appears less likely now than it did a year ago), the impact on the business environment would not be as disruptive as many observers feared 12 months ago. A government led by the current opposition would retain the major thrust of current policies to keep the economy open and attractive to foreign investment. Contracts would be honored to ensure investor confidence is maintained. The main concern will be to find new ways to raise domestic fiscal revenues.

Meanwhile, the current government is pushing reform harder. It is trying to increase its appeal to younger Cambodians and is now in a better position to win the 2018 elections. It has appointed new ministers who so far have been impressive in the way they have tried to improve efficiency, reduce systemic problems like corruption, and raise the standards of the ministries over which they preside. There is a greater acceptance that change is necessary, and the question is more how fast this change should take place.

For all its shortcomings and problems, Cambodia's economy has consistently grown rapidly. In most previous years, other neighboring Asian economies also grew rapidly, which made it difficult for Cambodia to stand out from the crowd. However, last year Cambodia excelled in terms of economic growth, new investment and tourism inflows at a time when most other emerging markets experienced mounting problems. This is making it easier to recognize Cambodia's unique strengths.

Cambodia is better positioned than most other emerging markets of Asia to deal with an upturn in US interest rates, and the more it is able to clearly demonstrate the durability of its current growth trajectory, the more favorably it is likely to be viewed by foreign investors.

The problem of labor unrest and rising labor costs has subsided compared with one year ago, but concerns about the quality of labor are growing. This is the main reason overall socio-political risks for Cambodia are slightly higher this year than one year ago. The continuation of Cambodia's rapid development depends on its ability to raise the overall skill level of the labor force to staff the new businesses that are being set up. However, serious weaknesses in the country's education system will make it difficult to meet this human resource challenge.

The second reason overall risks are higher this year than last relates mainly to external developments. Tourist inflows have been hurt by social unrest in neighboring Thailand and Vietnam, and there is a high likelihood that the spending levels, if not the absolute number, of visitors from China could be hurt in the coming year by Beijing's anti-corruption campaign and the slowdown in China's economy.

## Positive Developments

- Cambodia could have the highest rate of GDP growth in Asia in 2015, after finishing second in Asia in 2014 with a real GDP growth of 7%. This is not a short-term phenomenon. Since 2000, Cambodia has been the sixth most rapidly growing economy in the world.
- What makes Cambodia's current growth impressive is that it is showing how it is less vulnerable than most other emerging market economies in Asia to external shocks like rising US interest rates, capital shifts by international portfolio investors, and exchange rate volatility. That Cambodia is able to sustain its economic momentum at a time when other Asian economies have encountered problems is likely to draw investor attention to Cambodia in a favorable way.

# Independent Review of Investment Risks in Cambodia

- There is greater confidence now than one year ago that Cambodia will not face a sudden change in government whose policies alter the business climate for the worse.
- Since the 2013 elections and labor demonstrations, there is now more frank talk about the need for change and reform. One of the biggest changes for the better in the past year is the way Hun Sen has reshuffled his Cabinet. The changes - which have involved the appointment of new ministers who seem determined to push reform - are clearly designed to address some of the biggest criticisms leveled against the government and to win over the support of younger Cambodians.
- Although tourist inflows have slowed, the rate of growth faster than to any other economy in the region, and this is again likely to be the case in 2015.
- China's anti-corruption crackdown might not slow the number of visitors from the Mainland to Cambodia but it could discourage gambling and reduce other spending by Mainland Chinese tourists. The recent fall in gaming revenues in Macao is evidence of this risk.
- While there has been criticism of the power centralized in the office of the Prime Minister, as efforts are pushed to strengthen individual institutions and to bring more people and groups, including the political opposition, into the process of policy formulation, decisions and implementation could become more protracted than now due to longer discussions.
- The political opposition has still not spelled out a detailed policy agenda, but if it were to increase spending as much as it says it plans to do on civil service salaries, health, education and social welfare programs, it will have to find new sources of domestic revenues. In any event, pressure will increase in the years ahead to broaden the domestic tax base so the country does not need to rely as heavily as it currently does on foreign aid and soft-loans.

## The Challenges

- The biggest challenge companies will have to face in the medium term is finding and retaining enough experienced staff so the quality of service can be maintained or enhanced in an increasingly competitive environment.
- In addition to rising labor costs, companies will also have to deal with continuing high energy costs and weak physical infrastructure, especially a poorly maintained road system that impedes movement of people and goods both within the country and across its borders.
- Cambodia need to raise the quality of foreign tourists it is attracting. It needs its foreign visitors to spend more money and time in the country and to make return visits in order to create a deeper market for four- and five-star hotels as well as for more up-market retail businesses.

**Robert Broadfoot**

Managing Director

PERC

Hong Kong, 15 January 2015

# Independent Review of Investment Risks in Cambodia

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

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



# Corporate Governance Report

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

## **Compliance with Corporate Governance Code**

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 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 as set out in Appendix 10 to the Listing Rules as the code of conduct of the Directors in respect of transactions in securities of the Company. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the Period.

## **Audit Committee**

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

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

The Audit Committee has reviewed this interim report, and in particular the condensed consolidated financial statements for the Period and the financial standards adopted by the Group, and was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The Company has engaged BDO Limited, who has reviewed the condensed consolidated financial statements for the Period in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Federation of Accountants.

## **Nomination Committee**

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.

# Corporate Governance Report

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

During the Period, the Nomination Committee has nominated the retired directors for re-election by Shareholders at 2015 annual general meeting, reviewed the structure, size and composition of the Board against the objective criteria as set out in the board diversity policy, reviewed the independence of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. It has also considered and recommended to the Board the appointment of Mr. Chen Yiy Fon as an Executive Director of the Company.

## Remuneration Committee

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

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

During the Period, the Remuneration Committee has considered and proposed, among other things, the directors' fee for putting forward to Shareholders for approval at the 2015 annual general meeting. It also reviewed and recommended to the Board for approval the director's fee of a newly appointed Executive Director.

## Internal Controls

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

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

During the Period, the AML Oversight Committee has considered, among other things, reports and documents in relation to internal controls of the Group.

The Company has engaged an independent professional party to review and audit internal controls of the Group with a focus on AML for the Period. The independent professional party will issue its findings in a report and details of which will be enclosed in our annual report for the financial year ending 31 December 2015.

The Company has engaged an independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2014 and set out the findings of the assessment in this interim report. Please refer to "Independent Review of Investment Risks in Cambodia" on pages 25 to 28 for details.

# Corporate Governance Report

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

Subsequent to the date of the 2014 Annual Report, 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, CEO and Executive Director

- resigned as a director of Ariston Sdn. Bhd. and Ariston (Cambodia) Limited, both of which are wholly-owned subsidiaries of the Company, effective 14 May 2015
- appointed as a commercial director of Primorsky Entertainment Resorts City LLC, a wholly-owned subsidiary of the Company, effective 25 May 2015
- received a discretionary bonus of US\$150,000

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

- appointed as a director of Ariston Sdn. Bhd., Neptune Orient Sdn. Bhd. and Ariston (Cambodia) Limited, all of which are wholly-owned subsidiaries of the Company, effective 14 May 2015
- received a discretionary bonus of US\$120,000

### Chen Yepern, Executive Director

- appointed as a director of Ariston Sdn. Bhd., Neptune Orient Sdn. Bhd. and Ariston (Cambodia) Limited, all of which are wholly-owned subsidiaries of the Company, effective 14 May 2015
- appointed as the general director of Primorsky Entertainment Resorts City No.2 LLC, a wholly-owned subsidiary of the Company, effective 21 May 2015
- received a discretionary bonus of US\$30,000

### Chen Yiy Fon, Executive Director

- appointed as an executive director of the Company and a member of the AML Oversight Committee of the Company effective 1 June 2015

### Lim Mun Kee, Independent Non-executive Director

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

### Michael Lai Kai Jin, Independent Non-executive Director

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

### Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, 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 2015, 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 36 to 53 which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. and its subsidiaries as of 30 June 2015 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

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

# Report on Review of Interim Financial Information

## **Conclusion**

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

### **BDO Limited**

*Certified Public Accountants*

**Chiu Wing Cheung Ringo**

*Practising Certificate Number P04434*

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

Hong Kong, 12 August 2015

# Condensed Consolidated Statement of Income

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
<b>Revenue</b>	4	<b>265,420</b>	191,000
Cost of sales		<b>(82,332)</b>	(58,302)
<b>Gross profit</b>		<b>183,088</b>	132,698
Other income		<b>2,779</b>	748
Administrative expenses		<b>(22,134)</b>	(23,232)
Other operating expenses		<b>(49,797)</b>	(39,655)
<b>Profit before taxation</b>	5	<b>113,936</b>	70,559
Income tax	6	<b>(12,916)</b>	(2,938)
<b>Profit attributable to owners of the Company</b>		<b>101,020</b>	67,621
<b>Earnings per share (US cents)</b>			
<b>Basic and diluted</b>	8	<b>4.45</b>	2.96



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
<b>Profit for the period</b>	<b>101,020</b>	67,621
<b>Other comprehensive income for the period:</b>		
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments	-	-
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<b>101,020</b>	67,621

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Note	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	352,056	337,231
Interest in leasehold land held for own use under operating lease		606	608
Intangible assets	11	71,522	73,295
Prepayments for purchase of construction materials		31,732	13,732
Prepayments - non-current		7,113	1,327
Promissory notes	12	9,166	-
		<b>472,195</b>	426,193
<b>Current assets</b>			
Consumables		1,098	1,292
Trade and other receivables	13	38,963	29,062
Investment in bonds	14	-	25,809
Pledged deposits		1,434	-
Cash and cash equivalents		201,693	178,238
		<b>243,188</b>	234,401
<b>Current liabilities</b>			
Trade and other payables	15	36,742	34,604
Current tax liability		540	490
		<b>37,282</b>	35,094
<b>Net current assets</b>		<b>205,906</b>	199,307
<b>NET ASSETS</b>		<b>678,101</b>	625,500

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Note	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>28,526</b>	28,526
Treasury shares	16	<b>(9,498)</b>	(9,004)
Reserves		<b>659,073</b>	605,978
<b>TOTAL EQUITY</b>		<b>678,101</b>	625,500

Approved and authorised for issue by the Board on 12 August 2015.

Timothy Patrick McNally  
*Chairman*

Tan Sri Dr Chen Lip Keong  
*Chief Executive Officer*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Share capital \$'000	Treasury shares \$'000	Share premium \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2014 (audited)</b>	28,526	-	287,936	(12,812)	55,568	63	240,678	599,959
<b>Changes in equity for the six months ended 30 June 2014:</b>								
Profit for the period	-	-	-	-	-	-	67,621	67,621
Total comprehensive income for the period	-	-	-	-	-	-	67,621	67,621
2013 final dividend declared	-	-	-	-	-	-	(54,207)	(54,207)
<b>Balance at 30 June 2014 (unaudited)</b>	28,526	-	287,936	(12,812)	55,568	63	254,092	613,373
<b>Change in equity for the six months ended 31 December 2014</b>								
Profit for the period	-	-	-	-	-	-	68,465	68,465
Total comprehensive income for the period	-	-	-	-	-	-	68,465	68,465
Purchase of own shares	-	(9,004)	-	-	-	-	-	(9,004)
2014 interim dividend declared	-	-	-	-	-	-	(47,334)	(47,334)
<b>Balance at 31 December 2014 (audited)</b>	28,526	(9,004)	287,936	(12,812)	55,568	63	275,223	625,500
<b>Balance at 1 January 2015 (audited)</b>	28,526	(9,004)	287,936	(12,812)	55,568	63	275,223	625,500
<b>Changes in equity for the six months ended 30 June 2015:</b>								
Profit for the Period	-	-	-	-	-	-	101,020	101,020
Total comprehensive income for the Period	-	-	-	-	-	-	101,020	101,020
Purchase of own shares	-	(494)	-	-	-	-	-	(494)
2014 final dividend declared	-	-	-	-	-	-	(47,925)	(47,925)
<b>Balance at 30 June 2015 (unaudited)</b>	<b>28,526</b>	<b>(9,498)</b>	<b>287,936</b>	<b>(12,812)</b>	<b>55,568</b>	<b>63</b>	<b>328,318</b>	<b>678,101</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
<b>Cash generated from operations</b>	<b>118,629</b>	83,974
Tax paid	<b>(12,866)</b>	(2,874)
<b>Net cash generated from operating activities</b>	<b>105,763</b>	81,100
<b>Net cash used in investing activities</b>	<b>(33,889)</b>	(94,856)
<b>Net cash used in financing activities</b>	<b>(48,419)</b>	(54,207)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,455</b>	(67,963)
<b>Cash and cash equivalents at beginning of period</b>	<b>178,238</b>	252,130
<b>Cash and cash equivalents at end of period</b>	<b>201,693</b>	184,167

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 1. Corporate information

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

The unaudited condensed consolidated financial statements for the 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 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 except for certain financial instruments that are measured at fair value as appropriate.

## 3. a) 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 2014 (the “2014 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 International Accounting Standards Board (the “IASB”), and should be read in conjunction with the 2014 annual financial statements.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in the 2014 annual financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 3. a) Principal accounting policies (continued)

### Adoption of new or revised standards and interpretations effective on 1 January 2015:

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycles
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycles

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

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

The IASB has also issued the following amendments, new or revised standards and interpretations, potentially relevant to the Group's operations, which are not yet effective for the accounting period beginning on or before 1 January 2015 and which have not been early adopted in these condensed consolidated financial statements.

		<b>Effective for accounting period beginning on or after</b>
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contract with Customers	1 January 2017
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 16	Property, plant and equipment	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 38	Intangible assets	1 January 2016

The directors of the Company (the "Directors") are in the process of making an assessment of the expected impact of these amendments, new or revised standards and interpretations in the period of initial application. Presently, the Directors are of the opinion that these amendments are unlikely to have a significant impact on the Group's results of operations and financial position.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 3. b) Judgements

Part of the Group's income is generated from negotiation fee income from investors for exclusive negotiation of the placement of electronic gaming machines in NagaWorld (note 4). IFRS requires that recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. Management have assessed whether or not the negotiation fee agreement and the operating agreement for the electronic gaming machines are linked and should be accounted for as a single arrangement. In making this assessment, management has considered the nature, terms and commercial substance of each transaction and determined that the negotiation fee agreement and operating agreement should be accounted for on a stand-alone basis as two independent transactions. In particular, the negotiation fee was negotiated separately and is receivable irrespective of whether any operating agreement is entered into and the estimated returns to the investors from the operating agreement exclusive of the negotiation fee are commercial.

## 4. Revenue

Revenue represents net house takings arising from casino operations and income from other operations which are set out as follows:

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
Casino operations - gaming tables	163,414	139,141
Casino operations - electronic gaming*	91,991	41,196
Hotel room income, sales of food and beverage and others	10,015	10,663
	265,420	191,000

\* Included in the amount is a negotiation fee of \$40,000,000 from investors for exclusive negotiation of the placement of electronic gaming machines in NagaWorld.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
Amortisation of casino licence premium	1,773	1,773
Depreciation and amortisation	17,111	14,244
Staff costs		
- Salaries, wages and other benefits	30,641	23,661
- Contributions to defined contribution retirement scheme	24	14

## 6. Income tax

Income tax in profit or loss represents:

The monthly gaming obligation payment of (1) \$365,322 (six months ended 30 June 2014: \$324,731) and monthly non-gaming obligation payment of (2) \$214,338 (six months ended 30 June 2014: \$164,875) payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch, a branch registered under the name of NAGAWORLD LIMITED, a subsidiary of the Company incorporated in Hong Kong. There are no Malaysian or Hong Kong income taxes payable by the Group.

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

As at the reporting date, there is no agreement with respect to an additional non-gaming obligation, if any, for the Period.

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
Current tax expense		
- Current period	3,478	2,938
- Additional non-gaming obligation payment	9,438	-
	12,916	2,938

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

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

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2015: US cents 2.67 per ordinary share	60,612	-
2014: US cents 2.07 per ordinary share	-	47,334
	60,612	47,334

The final dividend of \$47,925,000 for the year ended 31 December 2014 was proposed in February 2015 and paid in May 2015.

## 8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$101,020,000 (six months ended 30 June 2014: \$67,621,000) and the weighted average number of 2,269,992,190 (six months ended 30 June 2014: 2,282,078,875) ordinary shares in issue less treasury shares during the Period.

There were no dilutive potential ordinary shares in existence during the Period (six months ended 30 June 2014: Nil).

## 9. Segment information

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 9. Segment information (continued)

### Segment revenue and results

The Group's chief operating decision maker (the "CODM") is the senior executive management who 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 CODM for the purpose of resource allocation and performance assessment. No segment assets and liabilities are presented as the information is not reported to CODM in the resource allocation and assessment of performance.

	Casino operations \$'000	Hotel and entertainment operations \$'000	Total \$'000
<b>Segment revenue:</b>			
Six months ended 30 June 2015 (unaudited):			
Revenue from external customers	255,405	10,015	265,420
Inter-segment revenue	-	3,646	3,646
<b>Reportable segment revenue</b>	<b>255,405</b>	<b>13,661</b>	<b>269,066</b>
Six months ended 30 June 2014 (unaudited):			
Revenue from external customers	180,337	10,663	191,000
Inter-segment revenue	-	15,204	15,204
<b>Reportable segment revenue</b>	<b>180,337</b>	<b>25,867</b>	<b>206,204</b>
<b>Segment profit/(loss):</b>			
Six months ended 30 June (unaudited):			
2015	146,471	(6,324)	140,147
2014	84,181	7,498	91,679

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 9. Segment information (continued)

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

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
<b>Revenue</b>		
Reportable segment revenue	269,066	206,204
Elimination of inter-segment revenue	(3,646)	(15,204)
<b>Consolidated revenue</b>	<b>265,420</b>	191,000
<b>Profit</b>		
Reportable segment profit	140,147	91,679
Other revenue	390	253
Depreciation and amortisation	(18,884)	(16,017)
Unallocated head office and corporate expenses	(7,717)	(5,356)
<b>Consolidated profit before taxation</b>	<b>113,936</b>	70,559

## 10. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling \$32,451,000; which included \$24,663,000 in respect of capital work in progress mainly in relation to construction within NagaWorld.

## 11. Intangible assets

The intangible assets include the casino licence premium, and the exclusivity premium of the casino licence for the exclusivity period to the end of 2035; in total consideration of \$108,000,000, less accumulated amortisation of \$36,478,000 (31 December 2014: \$34,705,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 12. Promissory notes

On 12 February 2015, the Group bought some promissory notes (the “Promissory Notes”) in total amount of RUB469,100,000 (approximately \$8,952,000) from a bank in Russia with interest rate of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e 30 January 2023. The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group’s gaming and resort development project in Russia.

## 13. Trade and other receivables

	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
Trade receivables, net of allowance for impairment loss	13,812	12,542
Deposits, prepayments and other receivables	25,151	16,520
	<b>38,963</b>	29,062

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

	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
Current to within 1 month	12,128	11,173
1 to 3 months	-	1
6 to 12 months	19	605
More than 1 year	1,665	763
	<b>13,812</b>	12,542

The credit policy on gaming receivables is five to thirty days (31 December 2014: seven days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2014: thirty days from end of month).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 14. Investment in bonds

On 13 June 2014, the Group bought certain notes (the “Bonds”) linked to a China bond USD hedged index issued by a reputable international bank (the “Index”). The Bonds were traded over-the-counter. The coupon rate was 3% per annum based on nominal value of \$25,000,000 and the maturity date of which was three years from the date of issue, i.e. 13 June 2017. The Bonds were redeemable at the maturity date and the redemption amount was calculated based on the Index level as at the issue date and as at the maturity date. The Bonds contained derivatives and were designated at fair value through profit or loss.

The Bonds were disposed of during the Period.

A reconciliation of the opening and closing fair value balance is set out in the below table:

	Six months ended 30 June	
	2015 \$'000 (Unaudited)	2014 \$'000 (Unaudited)
Fair value:		
At 1 January	25,809	-
Additions	-	25,125
Realised gain/(unrealised loss) include in other operating expenses	329	(125)
Disposal	(26,138)	-
At 30 June	-	25,000

## 15. Trade and other payables

	30 June	31 December
	2015 \$'000 (Unaudited)	2014 \$'000 (Audited)
Trade payables	1,006	1,518
Unredeemed casino chips	16,511	17,365
Deferred revenue	574	456
Deposits	1,116	400
Construction creditors	3,709	3,270
Accruals and other creditors	13,826	11,595
	36,742	34,604

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 15. Trade and other payables (continued)

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

	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
Due within 1 month or on demand	988	1,500
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	18	18
<b>Total</b>	<b>1,006</b>	1,518

## 16. Treasury shares

During the Period, the Company repurchased 600,000 (six months ended 30 June 2014: Nil) of its ordinary shares of \$0.0125 each on the Stock Exchange for an aggregate consideration of HK\$3,798,840 (equivalent to approximately \$490,000) (six months ended 30 June 2014: Nil) excluding transaction costs. As at 30 June 2015, the Company had repurchased 12,090,000 of its ordinary shares of \$0.0125 each (31 December 2014: 11,490,000) for an aggregate consideration of HK\$73,169,860 (equivalent to approximately \$9,437,000) (31 December 2014: HK\$69,371,020 (equivalent to approximately \$8,947,000)) excluding transaction costs, which are held by the Company in treasury as at the date of the report and will be cancelled in due course.

## 17. Capital commitments

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

	30 June 2015 \$'000 (Unaudited)	31 December 2014 \$'000 (Audited)
Hotel and casino complex, - contracted but not incurred	222,232	39,558

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 17. Capital commitments (continued)

Pursuant to an investment agreement dated 6 September 2013 entered into among the Company, the administration of Primorsky Territory of the Russian Federation acting by its Governor; Open Joint Stock Company Primorsky Krai Development Corporation and the Department of International Cooperation and Tourism Development of the Primorsky Territory, the Group agreed to make an investment of not less than \$350 million (approximately HK\$2.7 billion) in a gaming and resort development project in Russia under the name "Primorsky Entertainment Resort City". As at 30 June 2015, \$150 million of the investment is authorised but not contracted for.

## 18. Related party transactions

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

### Expenses

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Travel expenses (note)	42	448

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

As at 30 June 2015, amounts due from related companies of \$314,000 (31 December 2014: \$301,000) are included in trade and other receivables as disclosed in note 13 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the Period was \$314,000 (six months ended 30 June 2014: \$344,000).

As at 30 June 2015, an amount due to a related company of \$59,000 (31 December 2014: Nil) is 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015 (unaudited)  
(Expressed in United States dollars)

## 19. Fair value measurement

### Financial instruments measured at fair value

The Bonds included in the Group's financial statements measurement at fair value as details in note 14. The fair value measurement of which utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements were categorised into different levels based on how observable the inputs used in the valuation technique utilised were (the "Fair Value Hierarchy"):

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels was based on the lowest level of the inputs used that had a significant effect on the fair value measurement of the item.

The fair value of the Bonds was a level 2 fair value measurement. The fair value was determined based on market value of the Bonds obtained from the international bank supported by observable inputs. The most significant inputs were the level of index as quoted from relevant markets.

There were no transfers between levels during the Period.

## 20. Contingent Liabilities

Pursuant to the existing service agreement between the Company and the CEO, the CEO is entitled to an annual performance incentive based on the Group's consolidated profit before taxation. For the financial year ended 31 December 2014, the CEO was entitled to a performance incentive of \$5.7 million. However, the terms of this performance incentive were revised in last annual reporting period such that it was payable at the discretion of the Board, subject to certain performance benchmarks set for the Period. During the Period, the CEO has waived his performance incentive of \$5.7 million.

There are no further contingent liabilities as at 30 June 2015.



# NAGACORP'S 金界控股 REGIONAL FOOTPRINT 的地區覆蓋面

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