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NAGACORP

金界控股有限公司

NAGACORP LTD.

金界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3918

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

Unaudited condensed consolidated interim results for the six months ended 30 June 2017

- Gross gaming revenue increased by 40% to US\$386.8 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 19% to US\$181.0 million
- Net profit increased by 20% to US\$150.6 million
- VIP rollings increased by 71% to US\$7.8 billion
- Mass Market table buy-ins increased by 23% to US\$375.2 million
- Mass Market EGMs bills-in increased by 15% to US\$853.1 million
- Basic earnings per share of US cents 6.12
- An interim dividend for Shareholders and a distribution for the Bondholder of US cents 2.08 per Share/Conversion Share (or equivalent to HK cents 16.12 per Share/Conversion Share) has been declared, representing a payout ratio of 60% based on the net profit generated for the Period. The interim dividend and distribution shall be paid on Tuesday, 22 August 2017

The board of directors (the “Board”) of NagaCorp Ltd. (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 (the “Period”). The Board has resolved to declare an interim dividend for shareholders of the Company (the “Shareholders”) and a distribution for the holder (the “Bondholder”) of the convertible bonds issued by the Company (the “Convertible Bonds”) of US cents 2.08 per ordinary share of the Company (the “Shares”)/new Share to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds (the “Conversion Shares”) (or equivalent to HK cents 16.12 per Share/Conversion Share) for the Period, representing a dividend and distribution payout ratio of 60% based on the net profit generated for the Period. The interim dividend and distribution shall be paid on Tuesday, 22 August 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2017	2016
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets			
Property, plant and equipment	8	969,165	810,149
Interest in leasehold lands held for own use under operating lease		27,108	27,266
Intangible assets	9	64,428	66,201
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		66,510	93,458
Promissory notes	10	9,114	8,647
		<u>1,136,325</u>	<u>1,005,721</u>
Current assets			
Consumables		777	1,467
Trade and other receivables	11	112,981	72,559
Cash and cash equivalents		167,106	210,912
		<u>280,864</u>	<u>284,938</u>
Current liabilities			
Trade and other payables	12	48,182	36,969
Current tax liability		1,484	2,709
		<u>49,666</u>	<u>39,678</u>
Net current assets		<u>231,198</u>	<u>245,260</u>
NET ASSETS		<u>1,367,523</u>	<u>1,250,981</u>
CAPITAL AND RESERVES			
Share capital		30,750	30,750
Reserves		1,336,773	1,220,231
TOTAL EQUITY		<u>1,367,523</u>	<u>1,250,981</u>

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with International Accounting Standard (“IAS”) 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 interim financial information has been prepared on the historical basis.

The unaudited condensed consolidated interim financial information contains selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2016. The unaudited condensed consolidated interim financial information does 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 audited consolidated financial statements for the financial year ended 31 December 2016 (the “2016 annual financial statements”).

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in its 2016 annual financial statements.

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

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

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

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

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

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

- 1 Effective for annual periods beginning on or after 1 January 2018
- 2 Effective for annual periods beginning on or after 1 January 2019
- 3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The directors of the Company (the “Directors”) are in the process of making an assessment of the expected impact of these amendments, new or revised standards and interpretations in the period of initial application. Presently, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

2. 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	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	285,009	173,602
Casino operations – electronic gaming machines *	101,795	103,500
Hotel room income, sales of food and beverage and others	14,794	11,377
	<u>401,598</u>	<u>288,479</u>

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

3. Profit before taxation

Profit before taxation is arrived at after charging:

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

4. Income tax

Income tax in the profit or loss represents:

The monthly gaming obligation payment of (1) US\$462,362 (six months ended 30 June 2016: US\$410,987) and monthly non-gaming obligation payment of (2) US\$214,338 (six months ended 30 June 2016: US\$214,338) payable to The Ministry of Economy and Finance of Cambodia (the “MOEF”) by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, branches registered in Cambodia. The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Period (six months ended 30 June 2016: Nil).

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

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

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

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

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

As further detailed in note 13, distributions on the Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed distributions on the Convertible Bonds is US\$39,211,000 (six months ended 30 June 2016: US\$12,174,000) accordingly.

6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US\$150,632,000 (six months ended 30 June 2016: US\$125,187,000) and the weighted average number of shares of 2,459,988,875 (six months ended 30 June 2016: 2,277,402,189 (re-presented)) in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the consolidated profit attributable to owners of the Company of US\$150,632,000 and weighted average number of shares of 4,341,008,041 adjusted for the dilutive potential shares as a result of issuance of the Convertible Bonds during the year ended 31 December 2016 (*note 13*).

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

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

7. Segment information

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

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

Segment revenue and results

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

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

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

	Casino operations	Hotel and entertainment operations	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Segment revenue:			
Six months ended 30 June 2017 (Unaudited):			
Revenue from external customers	386,804	14,794	401,598
Inter-segment revenue	(1,600)	15,006	13,406
Reportable segment revenue	385,204	29,800	415,004
Six months ended 30 June 2016 (Unaudited): (Restated)			
Revenue from external customers	277,102	11,377	288,479
Inter-segment revenue	(1,752)	20,701	18,949
Reportable segment revenue	275,350	32,078	307,428
Segment profit:			
Six months ended 30 June (Unaudited)			
2017	177,272	12,613	189,885
2016 (Restated)	139,102	20,318	159,420

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

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

8. Property, plant and equipment

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

9. 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 US\$108,000,000, less accumulated amortisation of US\$43,572,000 (31 December 2016: US\$41,799,000).

10. Promissory notes

The promissory notes (the "Promissory Notes") in total amount of RUB469,100,000 (approximately US\$9,114,000) (31 December 2016: US\$8,647,000) bought from a bank in Russia bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023. The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group's gaming and resort development project in Russia.

11. Trade and other receivables

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

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

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

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

12. Trade and other payables

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

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

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

13. Convertible bonds

On 17 May 2016 and 30 December 2016, the Company issued the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds (which together comprise the Convertible Bonds) with a principal amount of US\$94,000,000 and US\$275,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and TanSriChen Inc. respectively. The Convertible Bonds are unsecured and denominated in United States dollars (“US\$”). The Convertible Bonds can be converted into Shares at the option of the Bondholder in accordance with terms of the Convertible Bonds. Based on the conversion price of HK\$1.5301 (equivalent to US\$0.1962) of the Convertible Bonds, 1,881,019,166 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds. Distributions on the Convertible Bonds will be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the Bondholder on the date on which the relevant dividend is paid to the Shareholders.

On initial recognition, the fair value of the Convertible Bonds amounting to US\$378,888,000 was included in equity.

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

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

Proposed whitewash waiver

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

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

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

MARKET REVIEW

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

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

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

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

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

BUSINESS REVIEW

Table 1: Performance Highlights

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

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

Mass Market (Public Floor Tables and EGM)

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

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

VIP Market

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

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

Non-Gaming – Hotel, Food & Beverage and Entertainment

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

Revenue and Gross Profit Analysis

Table 2(a)

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

Table 2(b)

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

The Group recorded a gross profit increase of 16% to US\$239.9 million for the Period which was in line with the business volume growth across all segments. Overall gross profit margin decreased to 60% as a result of the increase in contribution from the lower margin VIP Market. Mass Market continued to generate a high gross profit margin of 98%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 10% to US\$60.5 million during the Period. These increases in expenses were required to support higher business volume across all segments, in addition to the hiring of experienced and qualified staff to facilitate regional marketing efforts, ongoing property enhancements at NagaWorld and preparation for Naga2 opening.

Finance Costs

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

Net Profit

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

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

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

FINANCIAL REVIEW

Pledge of Assets

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

Contingent Liabilities

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

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

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

There were no other contingent liabilities as at 30 June 2017 other than additional obligation payment as described in note 4, if any.

Exchange Rate Risk

The Group’s income is earned principally in 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.

Liquidity, Financial Resources and Gearing

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

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

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

Capital and Reserves

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

Employees

As at 30 June 2017, the Group employed a total work force of 6,406 (31 December 2016: 6,153), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the Period were US\$34.6 million (six months ended 30 June 2016: US\$32.5 million).

Employee Benefits

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

Trade Receivables and Credit Policy

The Group continues to monitor the changes in trade receivables. Net trade receivables increased from US\$28.0 million to US\$58.9 million during the Period.

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

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

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

Convertible Bonds

On 28 March 2017, the Company received a notice from Dr Chen, the Bondholder, of his intention to exercise the conversion rights in respect of the TSCLK Complex Convertible Bonds in full in the outstanding aggregate principal amount of US\$275,000,000. Subsequently, on 23 June 2017, the Company received a revised notice of intention from Dr Chen that after careful consideration of the market responses, he had decided to exercise concurrently the conversion rights in respect of both the TSCLK Complex Convertible Bonds and the NagaCity Walk Convertible Bonds in full in the outstanding aggregate principal amounts of US\$275,000,000 and US\$94,000,000, respectively. Please refer to note 13 for details.

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

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

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

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

Events after Reporting Period

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

PROJECT UPDATES AND PROSPECTS

Update on NagaCity Walk and Naga2

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

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

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

Update on the Investment Project in Vladivostok

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

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

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

Prospects

Cambodia continues to attract visitors from Asia and other nations, benefiting from its appeal as a tourism destination and the abundance of business opportunities that exist in an emerging economy with political stability. The Ministry of Tourism Cambodia targets to attract 7.0 million visitors by 2020, of which 2.0 million are Chinese visitors (Source: Khmer Times, 4 January 2017).

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

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

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The unaudited interim results for the Period have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM DIVIDEND AND DISTRIBUTION

The Board has resolved to declare payment of an interim dividend for Shareholders and a distribution for the Bondholder of US cents 2.08 per Share/Conversion Share (or equivalent to HK cents 16.12 per Share/Conversion Share) for the Period. This represents a payout ratio of approximately 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 10 August 2017.

Pursuant to the terms and conditions of the Convertible Bonds, distributions on the Convertible Bonds shall be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the Bondholder on the same date on which the relevant dividend is paid to the Shareholders. Distribution on the Convertible Bonds will be paid to the Bondholder shown on the register of bondholders at the close of business on Tuesday, 15 August 2017, pursuant to the terms and conditions of the Convertible Bonds.

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

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF BONDHOLDERS

For the purpose of determining the following entitlements:-

(i) Interim dividend for the Period

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

(ii) Distribution for the Period

Pursuant to the terms and conditions of the Convertible Bonds, the register of bondholders will be closed from Wednesday, 9 August 2017 to Tuesday, 15 August 2017, during which no transfer of Convertible Bonds will be registered.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The interim report of the Company for the Period containing, among others, the interim financial information of the Group will be despatched to the Shareholders and published on the above websites in due course.

By Order of the Board
NagaCorp Ltd.
Timothy Patrick McNally
Chairman

Hong Kong, 10 July 2017

As at the date of this announcement, the Directors are:

Executive Directors

Tan Sri Dr Chen Lip Keong, Philip Lee Wai Tuck, Chen Yiy Fon and Chen Yepern

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lim Mun Kee and Michael Lai Kai Jin

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars ("HK\$") and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2016: HK\$7.75) and US\$1.0 to RUB59.09 (as at 31 December 2016: RUB60.66).