



A GROWTH STORY

INTERIM REPORT
2011



NAGACORP LTD.

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918







Nagaworld 金界娛樂城





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CORPORATE INFORMATION

NagaCorp is the largest hotel, gaming and leisure operator in Cambodia, and the Company has been listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 2006. In fact, NagaCorp became the first company with operations in Cambodia to become a publicly 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 until 2065, and a 41-year monopoly within a 200km radius of Phnom Penh until 2035.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Tan Sri Dr Chen Lip Keong (Chief Executive Officer)

Philip Lee Wai Tuck (appointed on 31 May 2010 and appointed Chief Financial Officer on 14 February 2011)

Chen Yepern (appointed on 14 February 2011)

Non-executive Director:

Timothy Patrick McNally (Chairman)

Independent Non-executive Directors:

Leow Ming Fong (retired on 24 May 2011)

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir

Lim Mun Kee

Michael Lai Kai Jin (appointed as a Non-executive Director on 31 May 2010 and re-designated on 6 April 2011)

AUDIT COMMITTEE

Lim Mun Kee (Chairman)

Michael Lai Kai Jin

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir

REMUNERATION COMMITTEE

Tan Sri Dr Chen Lip Keong (Chairman)

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir

Leow Ming Fong (retired on 24 May 2011)

Lim Mun Kee

Chen Yepern (appointed on 14 February 2011)

Michael Lai Kai Jin (appointed on 6 April 2011)

NOMINATION COMMITTEE

Tan Sri Dr Chen Lip Keong (Chairman)

Tan Sri Datuk Seri Panglima Abdul Kadir
Bin Haji Sheikh Fadzir

Leow Ming Fong (retired on 24 May 2011)

Lim Mun Kee

Chen Yepern (appointed on 14 February 2011)

Michael Lai Kai Jin (appointed on 6 April 2011)

AML OVERSIGHT COMMITTEE

Timothy Patrick McNally (Chairman)

Tan Sri Dr Chen Lip Keong

Leow Ming Fong (retired on 24 May 2011)

Chen Yepern (appointed on 14 February 2011)

Michael Lai Kai Jin (appointed on 6 April 2011)

COMPANY SECRETARY

Ng Tien Che Margaret (appointed on 20 December 2010)

AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck (appointed on 20 December 2010)

Ng Tien Che Margaret (appointed on 20 December 2010)

AUDITOR

BDO Limited

SOLICITORS

P.C. Woo & Co.

Troutman Sanders

Reed Smith Richards Butler

PRINCIPAL BANKER

Malayan Banking Berhad (Phnom Penh Branch)

We acknowledge the importance of maintaining a communication with our shareholders and investors through channels like annual report and accounts, interim report and accounts, press release 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 Main Board of the Stock Exchange since 19 October 2006.

INTERIM REPORT 2011

This interim report, in both English and Chinese, is available in printed form and on the Company's website - www.nagacorp.com

STOCK CODE

3918

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CHIEF EXECUTIVE OFFICER

Tan Sri Dr Chen Lip Keong

CHIEF FINANCIAL OFFICER

Philip Lee Wai Tuck

VICE PRESIDENT, INVESTOR RELATIONS

Kevin Nyland

COMPANY WEBSITE

www.nagacorp.com





**Timothy Patrick
McNally**
Chairman



**Tan Sri Dr Chen Lip
Keong**
CEO

DEAR SHAREHOLDERS:

We are pleased to announce that NagaCorp Ltd. ("NagaCorp" or the "Company") reported a 118% increase in Net Profit of US\$45.9 million for the six months ended 30 June 2011 compared to Net profit of US\$21.1 million for the same period last year. We achieved this within a continued competitive and robust atmosphere throughout the Asia Pacific region. NagaWorld continues to appeal to guests from a wide variety of geographical backgrounds – guests not only from the Asia Pacific region, but worldwide.

FOCUSED ON GROWTH STRATEGY IN A COMPETITIVE GAMING CLIMATE

During 1998 – 2007, Cambodia's GDP growth was strong – averaging 9.1% per year. This period of impressive growth was interrupted in 2008 – 2009, but is recovering strongly and forecast to grow between 6.5 – 6.8% annually from 2011 – 2015. (Source: Ministry of Economy and Finance of Cambodia, International Monetary Fund). Gross National Income ("GNI") per capita during 2010 increased 17% over 2009 and cumulatively, GNI increased by 46% during 2006 – 2010 (Source: World Bank). This steady economic growth is tightly woven into the country's stable political environment.

Here are a few of the exciting recent events that demonstrate the country's burgeoning growth:

- The Cambodia Securities Exchange was launched in July of this year after many years of planning. This is a positive step forward in Cambodia's development and will bring stronger transparency in financial and accounting practices on an international level.
- Bank of China opened its first Cambodia-based branch. It's expected that Bank of China will bring new technology and innovative banking products to develop the Cambodian banking industry.
- Groundbreaking took place in February 2011 for the Neak Loeung Bridge, the longest bridge in Cambodia. At an expected cost of about US\$95 million, it is being built under a grant from Japan and is scheduled for completion in March 2015. It will be 5 kilometers long and will integrate Ho Chi Minh, Phnom Penh and Bangkok (Source: Agence Kampuchea Presse, Cambodia New Vision).

CHAIRMAN & CEO'S STATEMENT

Worldwide tourist travel grew by 4.5% in the first four months of 2011 compared to 2010 (Source: World Tourism Organization). Tourism in Cambodia increased by 13% to 1.4 million visitors during the first six months of 2011 compared to the corresponding period in 2010. Visitors from Vietnam are taking increased advantage of visa-free entry into Cambodia—33% more Vietnamese visited the country between January and May this year than during the first five months of 2010 (Source: Ministry of Tourism of Cambodia).

However, annual tourist arrivals from South East Vietnam (which includes Ho Chi Minh City) into Cambodia only represents 4% of the population of that region of the country (Source: 2009 General Statistics Office of Vietnam). With a population of 14 million, and close proximity to Phnom Penh, South East Vietnam may be our customer base.

Recovery in global travel during 2010 helped increase tourist arrivals into Cambodia by about 16% to 2.5 million, and increased tourism-generated revenue by 14.5% to US\$1.8 billion. The sharpest gains in arrivals during 2010 were from Asia, including Vietnam (up 48% to 467,000), Korea (up 47% to 290,000), and China (up 39% to 178,000). Overall, tourism arrivals into Cambodia is expected to grow 140% over the next 10 years, from 2.5 million in 2010 to 6 million by 2020 (Source: Ministry of Tourism of Cambodia).

The majority of these visitors who come to Phnom Penh also visit NagaWorld, making our hotel and entertainment complex one of the most visited sites in the Kingdom of Cambodia. This increased traffic translates into greater volume at NagaWorld, driving higher gaming revenue. During the past five years, the Company's performance has been on an upward trend and produced impressive results. NagaWorld performance continues to keep pace with robust levels of intra-regional travel and consumer spending, which is stimulating growth in gaming revenue. We have remained comparatively in line with regional competitors on a revenue basis, and have performed as a beacon in terms of net profit and return on investment.

FINANCIAL HIGHLIGHTS

- Net profit increased by 118% to approximately US\$45.9 million
- Revenue increased by 65% to approximately US\$111.8 million
- Gross profit increased by 59% to approximately US\$79.9 million
- Earnings per share of US cents 2.21 per share

OPERATIONAL HIGHLIGHTS

NagaWorld has been benefiting from sustained tourism arrivals in Cambodia, with a clear trend of more visitation to public floors and gaming machines, which yields a high margins gaming business.

Our revenue from junket floor tables has also seen gains, alongside our conservative credit policy, with increased numbers of junket players and overall higher check-in amounts.

With multiple food and beverage outlets, entertainment events, high quality hotel rooms, and meetings, incentives, conventions and exhibitions ('MICE') facilities, the Company's growing non-gaming business provides NagaWorld customers with world class variety and choice.

PUBLIC FLOOR TABLES

- Public floor revenue increased by 48% to US\$27.9 million
- Public floor tables contributed approximately 24.9% of total revenue
- Buy-in amounts increased 32% to US\$116.9 million
- Win rate (based on buy-in amounts) was 24%
- Gross profit margin for public floor tables was 90.7%

GAMING MACHINE STATIONS

- Revenue increased by 60% to US\$38.8 million
- Gaming machine stations contributed approximately 34.7% of total revenue
- Bills-in increased 54.0% to US\$379.6 million
- Slot Stations increased to 1,035

JUNKET FLOOR TABLES

- Revenue increased by 77% to US\$35.7 million
- Junket floor tables contributed approximately 32% of total revenue
- Check-in amounts increased by 89% to approximately US\$355.6 million
- Rollings increased by 72% to approximately US\$1.6 billion
- Approximately 7,009 junket players
- Average check-in amount per junket player was US\$50,735
- Win rate (based on rollings) was 2.3%

COMPETITIVE INTERIM DIVIDEND PAYOUT RATIO OF APPROXIMATELY 70%

The Board has resolved to declare an interim dividend of US cents 1.54 per share (or equivalent to HK cents 12.01 per share) for the six months ended 30 June 2011, representing a dividend pay-out ratio of approximately 70% based on the net profit generated for the period.

Based on the closing market price of HK\$1.90 on 30 June 2011, the Company's half-year dividend yield was 6.3%, which is impressive among gaming companies in any part of the world.

FUTURE PROSPECTS

During the period under review, we achieved a record-breaking 118% increase in net profit compared to the same period last year. We achieved these results by controlling costs and staying focused on an efficient business mix, which has produced higher net profit margins and lower earnings volatility for the Company.

We believe that our integrated marketing strategy for Vietnam, and eventually for Thailand and other markets in the region will continue to generate growth from all segments of our business. We will continue to pursue market opportunities as they emerge.

NagaCorp's junket business continues to be an important component of our business model. With our conservative credit policy and relatively low table limit firmly in place, we are pleased to see our junket business making good progress. The positive growth in this segment of the business occurred in conjunction with credit policies that grant limited credit lines to certain junket operators under strict guidelines and supervision, as well as efforts to encourage wagering on cash terms.

As we continue to push forward with our strategy of maintaining a conservative gaming policy aimed at regional mid-size junket players, and fostering relationships with reputable operators, we believe that we have only just begun to tap into the junket market, especially within the burgeoning economies of Vietnam, China and Thailand. For the 6 months ended 30 June 2011 the junket business from Vietnam accounts for only 12% of headcount but 47% of rollings. Customers from China account for 13% of junket rollings while modest junket numbers from Thailand continue to improve. We believe that moving away from low-end junkets and furthering our penetration into these critical junket markets where the potential is sizeable, is key to the future growth of this part of the business.

CHAIRMAN & CEO'S STATEMENT

As NagaCorp reports its most profitable interim results in the history of the Company, we are optimistic about the future. We believe that being centrally located in the gaming culture of Asia will continue to offer scope and unique market opportunities. For example, with a combined population of almost 160 million and rapidly growing economies, Cambodia's neighbours, Thailand and Vietnam present prime opportunities for our mass market segment of the business.

During the next 3-5 years, our growth trajectory is expected to put significant strain on the Company's capacity. Operational issues such as hotel room demand, public floor congestion, and public car parking all need to be addressed. Our corporate vision is to become an internationally competitive, world class corporation with sustained excellence in all that we do. To get there, we must act on our vision and maintain our long term growth strategy – acting in a timely manner and seizing the moment.

Since the Company's early beginnings in 1995 on a barge located on the Mekong River, the NagaCorp story has revolved around growth. Never remaining stagnant is our mantra and driving force. With that in mind, we explored the best possible course of action to address this issue of growth and the need for expansion.

On 13 June 2011 we announced a very substantial acquisition and connected transaction with NagaCorp Chief Executive Officer and majority shareholder, Tan Sri Dr Chen Lip Keong that will lead to major growth of our footprint in Cambodia. Within a 5 year period, three projects, namely the TSCLK Complex, NagaCity Walk and Tourist Garden will be developed, which will then be acquired by NagaCorp upon completion.

These projects cost US\$369 million and will be developed by Tan Sri Dr Chen Lip Keong via TanSriChen Inc. ("TSC Inc."), who will bear all development, financing and cost inflation risk. NagaCorp will have no commitments or obligations until the completion of the projects. Upon completion, NagaCorp will acquire TSC Inc. from Tan Sri Dr Chen Lip Keong in exchange for shares/convertible bonds.

We are optimistic about future opportunities that lie ahead. In conjunction with this optimism, we must be competitive internationally as we aim toward a robust, sustained customer pool in the Indochina region.

Our vision is to become a regional powerhouse. To do this, we will stay focused on this strategic roadmap:

1. **Cambodia:** Realization of certain critical mass and securing further stability in the our home market, already its biggest market.
2. **Expansion to Vietnam** (population of 91 million and GDP of US\$104 billion):
 - a. Developing a marketing roadmap with reputable advertising/marketing firms
 - b. Creating a 'superhighway' in the sky and on the road – creating more direct transportation options for guests – particularly in Ho Chi Minh City
 - c. More emphasis on public floor visitors
3. **Thailand Initiatives** (population of 67 million and GDP of US\$319 billion):
 - a. Create a winning environment for junket groups
 - b. More emphasis on the junket market

We are intent on enhancing our position as Indochina's premier hotel casino complex, offering international standard services and products to our customers and visitors coming from surrounding and growing economies, and beyond. We are also intent on becoming more competitive throughout the region and internationally, both in terms of scale, and the range of facilities we offer. That means excellence on an international level in everything we bring to our customers: rooms, MICE facilities, restaurants, entertainment and gaming facilities. The success of our gaming and entertainment business will, in turn, continue to benefit Cambodia as a host nation and continue generating return for the company, our shareholders and investors.

SOCIAL RESPONSIBILITIES

In order to maintain the strategic position of the company and its monopoly and favorable tax status, NagaWorld continues to devise private and public sector participation programs.

NagaCorp will continue this journey of being a good corporate citizen and striving for excellence to uphold its position in Cambodia.

CORPORATE GOVERNANCE

The Company 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 and details of which will be enclosed in our annual report for the year ending 31 December 2011.

The Company has also engaged another professional party to assess the investment risks in Cambodia and its findings are set out in this report.

OUR APPRECIATION

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

Timothy Patrick McNally **Tan Sri Dr Chen Lip Keong**

Chairman

Chief Executive Officer

Hong Kong

8 August 2011



MANAGEMENT DISCUSSION & ANALYSIS

The Group owns, manages and operates the largest integrated entertainment hotel complex in Cambodia and the only casino in Phnom Penh, the capital city. It holds a casino licence (the "Casino Licence") granted to the Group by the Royal Government of Cambodia (the "Cambodian Government"), for a duration of 70 years commencing from 2 January 1995, and 41 years of exclusivity within a 200-km radius of Phnom Penh, Cambodia (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The Company completed an initial public offering of its shares (the "IPO") and became a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 October 2006.



MANAGEMENT DISCUSSION & ANALYSIS

RESULTS

Performance Highlights

For the period ended 30 June 2011 and comparative period

	1H 2011 US\$'000	1H 2010 US\$'000
PUBLIC FLOORS GAMING TABLES		
Total buy-ins	116,916	88,523
Gross revenue	27,857	18,835
Win rate	23.8%	21.3%
Average no. of gaming tables in daily operation	66	59
Average revenue per table per day (US\$)	2,336	1,760
SLOT MACHINES		
Total bills-in	379,569	246,419
Revenue	38,802	24,312
Win rate (hold rate)	11.8%	12.2%
No. of machines at end of period	1,035	846
Win per unit per day (US\$)	236	214
Naga's average share	69%	51%
JUNKET FLOOR GAMING TABLES		
Total rollings	1,569,544	909,915
Revenue	35,685	20,224
Win rate	2.3%	2.2%
Number of visitors (persons)	7,009	3,008
Average no. of gaming tables in daily operation	65	64
Average revenue per table per day (US\$)	3,034	1,744
HOTEL AND ENTERTAINMENT OPERATIONS		
Total revenue	9,442	4,400
Food & beverage and other revenue	7,230	2,887
Room revenue	2,212	1,513
No. of rooms	500	500
Average room rate	52	57
Average room occupancy rate	75.2%	42.4%

MANAGEMENT DISCUSSION & ANALYSIS

Net profit for the first six months of 2011 increased by 118% to approximately US\$45.9 million. This compared to approximately US\$21.1 million for the same period in 2010. The Company's significant net profit achievement was partnered with a gross profit increase of 59% to approximately US\$79.9 million for the first six months ended 30 June 2011, from US\$50.3 million for the same period in 2010.

The Company's gross profit margins were 71.5% for the first six months of 2011, and 74.2% for the first six months of 2010. Revenue increased by 65% to approximately US\$111.8 million for the six months ended 30 June 2011, from approximately US\$67.8 million for the same period in 2010. Profits before taxation increased by 106% to approximately US\$47.9 million for the six months ended 30 June 2011, from approximately US\$23.2 million for the same period in 2010.

BUSINESS OVERVIEW

Worldwide tourist travel grew by 4.5% in the first four months of 2011 compared to 2010 (Source: World Tourism Organization). Tourism in Cambodia increased by 13% to 1.4 million visitors during the first six months of 2011 compared to the corresponding period in 2010. Visitors from Vietnam are taking increased advantage of visa-free entry into Cambodia – 33% more Vietnamese visited the country between January and May this year than during the first five months of 2010 (Source: Ministry of Tourism of Cambodia).

However, annual tourist arrivals from South East Vietnam (which includes Ho Chi Minh City) into Cambodia only represents 4% of the population of that region of the country (Source: 2009 General Statistics Office of Vietnam). With a population of 14 million, and close proximity to Phnom Penh, South East Vietnam may be the Company's customer base.

Recovery in global travel during 2010 helped increase tourist arrivals into Cambodia by about 16% to 2.5 million, and increased tourism-generated revenue by 14.5% to US\$1.8 billion. The sharpest gains in arrivals during 2010 were from Asia, including Vietnam (up 48% to 467,000), Korea (up 47% to 290,000),

and China (up 39% to 178,000) (Source: Ministry of Tourism of Cambodia).

Overall, tourism arrivals into Cambodia is expected to grow 140% over the next 10 years, from 2.5 million in 2010 to 6 million by 2020 (Source: Ministry of Tourism of Cambodia)

NagaWorld has been benefiting from sustained tourism arrivals in Cambodia, with a clear trend of more visitation to public floors and gaming machines, which yields a high margins gaming business.

The Company's revenue from junket floor tables has also seen gains, alongside its conservative credit policy, with increased numbers of junket players and overall higher check-in amounts.

With multiple food and beverage outlets, entertainment events, high quality hotel rooms, and meetings, incentives, conventions and exhibitions ("MICE") facilities, the Company's growing non-gaming business provides NagaWorld customers with world class variety and choice.

During the first half of this year NagaWorld co-marketed and hosted several promotional events. These efforts, along with expanding and constantly improving the Company's food and beverage outlets, helped NagaWorld secure the "Best Entertainment & Hospitality Services in Cambodia" award presented at the ASEAN Tourism Forum 2011 (ATF). Consecutively, ATF also named NagaWorld the "Best Business & MICE Services in Cambodia". These two prestigious awards affirm the Company's continued stature as the foremost destination in Indochina, for both business professionals and leisure travellers. Awards and recognition such as this attest to the Company's effective marketing efforts, resulting in an increase of non-gaming revenue from US\$4.4 million for the six months ended 30 June 2010 to US\$9.4 million for the six months ended 30 June 2011.

Public Floor Tables

Revenue from public floor tables increased by 48% from US\$18.8 million for the six months ended

30 June 2010 to US\$27.9 million for the six months ended 30 June 2011, as a result of higher buy-ins and an increased win rate.

Buy-ins on the public floor increased from US\$88.5 million for the six months ended 30 June 2010 to US\$116.9 million for the six months ended 30 June 2011, while win rates improved from 21% for the six months ended 30 June 2010 to 24% for the six months ended 30 June 2011. For the six months ended 30 June 2011, there was an average of 66 public gaming tables in operation daily. The average revenue per table per day was approximately US\$2,336 for the period under review and approximately US\$1,760 for the same period in 2010.

This notable revenue growth from the Company's public floor gaming tables is a clear indicator that its business strategy of emphasizing the mass gaming market to build a strong business base is the right direction in the evolution of developing the correct gaming strategy. Key factors contributing to the increase in revenue were tighter supervision of the Company's table operations, increased efficiency and speed of the games, emphasis on a games mix that addresses demand and profitability, and better management of table limits.

Gaming Machine Stations

For the six months ended 30 June 2011, total revenue for the gaming machines increased to US\$38.8 million, representing an increase of 60% over revenue of US\$24.3 million for the same period in 2010.

As at 30 June 2011, the total number of slot stations was 1,035, compared with 846 as at 30 June 2010.

An improving regulatory environment and the sustained political stability which has further ensured the Company's monopoly position in the country played a significant part in the growth of this part of the business. With the sole casino in the city, growth of the gaming machines business can simply be achieved by placing the most correct, up-to-date gaming machines to satisfy customers' tastes and experiences.

Visibly recognizable growth was also reflected in the increase in bills-in from US\$246.4 million for the six months ended 30 June 2010 to US\$379.6 million for the six months ended 30 June 2011, with an average winning per unit per day of approximately US\$236 for the period under review and approximately US\$214 for the same period in 2010. Win rates for the Company's gaming machines remained consistent at 12% for both the six months ended 30 June 2010 and the six months ended 30 June 2011. Also notable is that the Company's average revenue share on its slot machines was 69% for the period ended 30 June 2011, compared to 51% for the same period in 2010.

Junket VIP Floor Tables

For the six months ended 30 June 2011, revenue from the Company's junket business was US\$35.7 million, compared to US\$20.2 million for the six months ended 30 June 2010. Revenue from junket floor tables accounted for 32% of the Company's total revenue for the six months ended 30 June 2011, compared to 30% for the same period in 2010.

This growth is attributed to a pursuit of a conservative gaming policy aimed at earning stable revenue without gaming volatility. There is definitely visible improvement in the Company's junket business, which represents almost one third of total Gross Revenue for the six months ended 30 June 2011. The Company is pleased to see its junket business gaining momentum, despite its policies (implemented in 2009) of tight credit and wagering on cash terms.

The level of gaming activity conducted at junket floor tables, as measured by rollings, increased by 72% to approximately US\$1.6 billion for the six months ended 30 June 2011 from approximately US\$0.9 billion for the same period in 2010. Check-in amounts deposited by NagaWorld's junket players increased by 89% to approximately US\$355.6 million for the six months ended 30 June 2011, from approximately US\$188.1 million for the same period in 2010. There were approximately 7,009 junket players who visited the Company's casino for the six months ended 30 June 2011 compared to 3,008 junket players for same period in 2010. The increases in overall check-in

MANAGEMENT DISCUSSION & ANALYSIS

amounts and number of players clearly validates that the Company's strict credit policy is not a deterrent to players' comfort level playing with cash.

The win rate of NagaWorld's junket business increased from 2.2% for the six months ended 30 June 2010 to 2.3% for the same period in 2011.

For the six months ended 30 June 2011, there was an average of 65 gaming tables in operation daily. The average revenue per table per day was approximately US\$3,034 for the period under review and approximately US\$1,744 for the same period in 2010.

Non-Gaming Revenue - Hotel, Food & Beverage and Entertainment

The company saw an increase of 114% in non-gaming revenue for the six months ended 30 June 2011.

With a total of 12 food and beverage outlets, the Company provides multiple choices of cuisine, including its Chinese fine-dining outlet Fortune Palace, Korean Grill, Le Gourmet French restaurant, and Italian restaurant Bistro Romano. Each of these restaurants offers a sophisticated dining experience. For the convenience of gamers, NagaWorld's renovated Grand Casino Restaurant is the most popular of its food and beverage outlets.

The public floor area on the ground floor of the NagaWorld complex is very busy. To ease the ground floor traffic, and as an extension of public floor space, a new Life Style Casino called Naga Rock Café will soon be added to NagaWorld's gaming space. Along with a wide variety of menu items and beverages, the outlet will offer poker and other public floor games, as well as an additional 300 slot machines for the enjoyment of the Company's customers.

To encourage the visitation of Cambodians without foreign passports, NagaWorld has recently opened an entrance on the road leading to the neighbouring Ministry of Foreign Affairs building.

NagaWorld is widely recognised as a popular entertainment and meetings, incentives, conventions and exhibitions ("MICE") destination in Indochina,

well patronized by both the public and private sectors. The present MICE rooms (already the biggest in the city of Phnom Penh) are gradually lacking space.

The Company is currently constructing an additional block called the Pool Block, featuring a rooftop swimming pool, discotheque, additional 220 rooms, more gaming space and car park facilities. Also under construction is the renovation of additional 6 star suites with attached individual private gaming space – in the South Hotel Tower, for the enjoyment of junket players who seek privacy.

For the six months ended 30 June 2011, the Company derived revenue of US\$9.4 million from hotel and entertainment operations, representing an increase of 114% from revenue of US\$4.4 million for the same period in 2010.

Throughout the first half of 2011, NagaWorld's average room occupancy rate was 75.2%, compared to 42.4% for 30 June 2010. As the Company's occupancy rates continue to rise, it expects to see the results flow through to the mass market segment of the business.

This increase in non-gaming revenue was the result of the Company's strategic marketing efforts in key target markets and reflects providing these services to both gaming and non-gaming patrons.

Gross Profit

Gross profit margins were 71.5% and 74.2% for the six months ended 30 June 2011 and 2010 respectively. The drop in gross profit margin was a result of a slight change in NagaWorld's business mix wherein for the six months ended 30 June 2011, revenue derived from non-junket business contributed 68% of total revenue compared to 70% for the same period in 2010. These business segments do not incur rolling commissions, compared to the junket business where commissions are paid based on rollings achieved by junket players.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 20% to approximately US\$32.9 million for the six months ended 30 June 2011, from approximately US\$27.5 million for the same period in 2010. The change was due to an increase in fuel consumption for the operation of various gaming, hotel space and additional food and beverage outlets opened in the third quarter of 2009; additional staff costs; and promotional events hosted by NagaWorld.

Finance Costs

The Company did not incur finance costs as there were no financing arrangements for the six months ended 30 June 2011.

Net Profit

Profit attributable to owners of the Company or net profit increased by 118% to approximately US\$45.9 million for the six months ended 30 June 2011, from approximately US\$21.1 million for the same period in 2010. For the six months ended 30 June 2011 net profit margins improved to 41.1% from 31.1% during the same period of 2010.

This also means that the Company has more efficiency in its business, which is achieved through:

1. Pursuit of **a conservative gaming policy**, while generating steadily increasing gaming income, eg., monitoring junket floor table limits.
2. Devising **an ever-improving gaming strategy**, eg., the public floor's current emphasis on high-yield mass market (slots and public floor) toward building a strong base.
3. **Operational efficiency**, eg., NagaWorld hotel casino complex has continuous improving facilities, leading to more footfall and optimum mass market figures, higher non-gaming revenue, along with very strict cost control and monitoring.

Earnings per share were approximately US cents 2.21 (HK cents 17.24 per share) and US cents 1.01 (HK cents 7.88 per share) for the six months ended 30 June 2011 and 2010 respectively.

FINANCIAL REVIEW

Pledge of Assets

As at 30 June 2011 the Group had not pledged any assets for bank borrowings (31 December 2010: Nil).

Contingent Liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Very Substantial Acquisition

The Company entered into a conditional Share Purchase Agreement on 13 June 2011 with Tan Sri Dr Chen Lip Keong to acquire TSC Inc. and TanSriChen (Citywalk) Inc. ("City Walk Inc.")

The agreed consideration for the transaction is US\$369,000,000, divided as to US\$275,000,000 for TSC Inc. and US\$94,000,000 for City Walk Inc.

The consideration will be settled, at the option of Dr Chen, in the form of consideration shares (being new ordinary shares of the Company), to be allotted and issued at a price of HK\$1.8376 per consideration share; or in the form of convertible bonds issued by the Company and convertible at the option of the bondholder into conversion shares (being new ordinary shares in the Company), also to be allotted and issued at a conversion price of HK\$1.8376 per conversion share; or through a combination of consideration shares and convertible bonds, to an aggregate value of US\$369,000,000. The total number of new ordinary shares of the Company that stand to be allotted and issued as consideration shares or on exercise of the convertible bonds is 1,566,282,107 shares.

The Extraordinary General Meeting of the Company to approve the transaction will be held on a date to be announced.

MANAGEMENT DISCUSSION & ANALYSIS

Please refer to the Company's announcements dated 13 June 2011 and 22 June 2011 for details to the transaction.

Exchange Rate Risk

The Group's income is principally earned in United States dollars. Expenditures are principally paid in United States dollars and to a lesser extent in Cambodian Riels. The Group does not have a significant exposure to foreign currency risk and therefore is not required to enter into currency hedging transactions.

Issue of New Shares

There were no share issues during the period under review.

Liquidity, Financial Resources and Gearing

As at 30 June 2011, the Group had total cash and cash equivalents of approximately US\$82.0 million (31 December 2010: approximately US\$44.0 million).

As at 30 June 2011, the Group had net current assets of approximately US\$84.9 million (31 December 2010: approximately US\$61.4 million).

As at 30 June 2011, the Group had no outstanding borrowings (31 December 2010: US\$ Nil).

Capital and Reserves

As at 30 June 2011, the capital and reserves attributable to owners of the Company was approximately US\$338.5 million (31 December 2010: approximately US\$308.7 million).

Staff

For six months ended 30 June 2011, the Group employed, on average, a work force of 3,345 (For six months ended 30 June 2010: 3,233) stationed mostly in Cambodia, Malaysia and Hong Kong. Remuneration and staff costs for the six months ended 30 June 2011 was approximately US\$10.9 million (for the six months ended 30 June 2010: approximately US\$8.7 million).

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to 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

NagaWorld is committed to delivering excellence in services and products to its gaming customers and good relationships with its junket operators are crucial toward satisfying this objective. The Company has maintained a win-win cordial commercial relationship with many of these junket operators for a long period of time, spanning many ups and downs in economic cycles. Mutual support is essential, as the Company's junket business continues to make an important contribution to its business. However, the Company continues to closely monitor and review the performance of its operators.

The Company has closely monitored the changes in trade receivables and focused on their recovery, resulting in a 14% decrease in trade receivables from US\$34.7 million to US\$29.8 million. The Company feels this is a manageable level of receivables and is pleased with the downward trend going forward.

Management has credit guidelines and supervision in place for monitoring the Company's junket operators, and depending on the performance and other criteria as set by the Company from time to time, some unqualified operators are not granted a credit facility. By doing so, the Company believe that this revised credit policy will be beneficial to the control and management of trade receivables in the future.

For the period under review, no provision for doubtful debts was made by the Group (31 December 2010: US\$7.2 million).

Development of NagaWorld

NagaWorld today is a popular tourist destination. The Company's hotel and casino complex appeals to guests from a wide variety of backgrounds, cultures and interests – guests not only from the Asia Pacific region, but worldwide. NagaWorld's facilities operate at an international standard and the Company is proud to continually receive praise and accolades from global media, investors and repeat guests. NagaWorld's built-up area of approximately 110,768 square meters provides both scope and variety.

A new lounge and club targeted toward sophisticated high-end local clientele has just been completed, helping to ensure NagaWorld's competitive position on Indochina's fast-growing entertainment scene.

Also, with the completion of a third wing later this year, it will house, among others, a rooftop swimming pool, health club, discotheque, offices, an additional 220 hotel rooms, more gaming space, an additional multi-purpose hall able to accommodate 1,000 people, and additional car parking. These incremental hotel rooms will be positioned at a lower price point to appeal to a wider segment of the Company's casino guests.

The Company is also currently constructing additional 6-star suites, each with private gaming space, in its South Hotel Tower for its high-end junket guests.

All of the Company's development efforts are aimed at strengthening NagaWorld's position as the gaming and entertainment hub of Indochina. However, this leadership position also means increasing popularity, and a strain on the Company's current facilities. Occupancy rates remain high and NagaWorld's public floor tables and gaming machines see consistent high levels of activity. The additional third wing and its rooms and other facilities will help alleviate an immediate need for space, however, strengthening the Company's long term competitive edge and maintaining its momentum require strategic vision in addressing this critical issue.

PROSPECTS

During the period under review, the Company achieved a record-breaking 118% increase in net profit compared to the same period last year. The Company achieved these results by controlling costs and staying focused on an efficient business mix, which has produced higher net profit margins and lower earnings volatility for the Company.

The Company believes that its integrated marketing strategy for Vietnam, and eventually for Thailand and other markets in the region will continue to generate growth from all segments of its business. The Company will continue to pursue market opportunities as they emerge.

NagaCorp's junket business continues to be an important component of the Company's business model. With its conservative credit policy and relatively low table limit firmly in place, the Company is pleased to see its junket business making good progress. The positive growth in this segment of the business occurred in conjunction with credit policies that grant limited credit lines to certain junket operators under strict guidelines and supervision, as well as efforts to encourage wagering on cash terms.

As the Company continues to push forward with its strategy of maintaining a conservative gaming policy aimed at regional mid-size junket players, and fostering relationships with reputable operators, the Company believes that it has only just begun to tap into the junket market, especially within the burgeoning economies of Vietnam, China and Thailand. For the 6 months ended 30 June 2011 the junket business from Vietnam accounts for only 12% of headcount but 47% of rollings. Customers from China account for 13% of junket rollings while modest junket numbers from Thailand continue to improve. NagaCorp believes that moving away from low-end junkets and furthering its penetration into these critical junket markets where the potential is sizeable, is key to the future growth of this part of the business.

MANAGEMENT DISCUSSION & ANALYSIS

As NagaCorp reports its most profitable interim results in the history of the Company, it is optimistic about the future. The Company believes that being centrally located in the gaming culture of Asia will continue to offer scope and unique market opportunities. For example, with a combined population of almost 160 million and rapidly growing economies, Cambodia's neighbours, Thailand and Vietnam present prime opportunities for NagaCorp's mass market segment of the business.

On a macro-economic level, Cambodia's key economic indicators are steadily keeping pace with its regional neighbours. Foreign Direct Investment (FDI) into Cambodia increased by 25% during 2009-2010 (Source: International Monetary Fund). China, Korea, Malaysia, Vietnam and Taiwan accounted for 78% of investments into Cambodia during this period. (Source: World Bank). These investments go toward constructing and developing critical infrastructure projects, such as the Neak Loeng Bridge. Being built with a grant from Japan at an expected cost of about US\$95 million, the bridge is scheduled for completion in March 2015. It will eventually replace the current ferry service across the Mekong River between Vietnam and Cambodia and reduce the travel time between the two countries by about 1 hour from the present 5½ hours (Source: Agence Kampuchea Presse; Cambodia New Vision).

During 1998-2007, Cambodia's GDP growth was strong – averaging 9.1% per year. This period of impressive growth was interrupted in 2008-2009, but is recovering strongly and forecast to grow between 6.5-6.8% annually from 2011 to 2015 (Source: Ministry of Economy and Finance of Cambodia, International Monetary Fund). Gross National Income (GNI) per capita during 2010 increased 17% over 2009 (Source: World Bank). Cumulatively, GNI increased by 46% during 2006-2010. This strong economic growth is tightly woven into the country's stable political environment.

Tourist arrivals to Cambodia during the first half of the year represented an increase of 13% to 1.4 million (Source: Ministry of Tourism of Cambodia). The majority of these visitors who come to Phnom Penh

also visit NagaWorld, making the company's hotel and entertainment complex one of the most visited sites in the Kingdom of Cambodia. This increased traffic translates into greater volume at NagaWorld, driving higher gaming revenue. During the past five years, the Company's performance has been on an upward trend and produced impressive results. NagaWorld performance continues to keep pace with robust levels of intra-regional travel and consumer spending, which is stimulating growth in gaming revenue. The Company has remained comparatively in line with regional competitors on a revenue basis, and has performed as a beacon in terms of net profit and return on investment.

However, during the next 3-5 years, NagaWorld's growth trajectory is expected to put significant strain on the Company's capacity. Operational issues such as hotel room demand, public floor congestion, and public car parking all need to be addressed. The Company's corporate vision is to become an internationally competitive, world class corporation with sustained excellence in all that it does. To get there, the Company must act on its vision and maintain its long term growth strategy – acting in a timely manner and seizing the moment.

Since the Company's early beginnings in 1995 on a barge located on the Mekong River, the NagaCorp story has revolved around growth. Never remaining stagnant is the Company's mantra and driving force. With that in mind, the Company explored the best possible course of action to address this issue of growth and the need for expansion.

On 13 June 2011 NagaCorp announced a very substantial acquisition and connected transaction with NagaCorp Chief Executive Officer and majority shareholder, Tan Sri Dr Chen Lip Keong that will lead to major growth of the Company's footprint in Cambodia. Within a 5 year period, three projects, namely the TSCLK Complex, NagaCity Walk and Tourist Garden will be developed, which will then be acquired by NagaCorp upon completion.

These projects cost US\$369 million and will be developed by Tan Sri Dr Chen Lip Keong via TSC Inc., who will bear all development, financing and cost inflation risk. NagaCorp will have no commitments or obligations until the completion of the projects. Upon completion, NagaCorp will acquire TSC Inc. from Tan Sri Dr Chen Lip Keong in exchange for shares/convertible bonds.

The Company is optimistic about future opportunities that lie ahead. In conjunction with this optimism, NagaCorp must be competitive internationally as it aims toward a robust, sustained customer pool in the Indochina region.

The Company's vision is to become a regional powerhouse. To do this, NagaCorp will stay focused on this strategic roadmap:

- 1. Cambodia:** Realization of certain critical mass and securing further stability in the Company's home market, already its biggest market.
- 2. Expansion to Vietnam** (population of 91 million and GDP of US\$104 billion):
 - a. Developing a marketing roadmap with reputable advertising/marketing firms
 - b. Creating a 'superhighway' in the sky and on the road – creating more direct transportation options for guests – particularly in Ho Chi Minh City
 - c. More emphasis on public floor visitors
- 3. Thailand Initiatives** (population of 67 million and GDP of US\$319 billion):
 - a. Create a winning environment for junket groups
 - b. More emphasis on the junket market

NagaWorld is intent on enhancing its position as Indochina's premier hotel casino complex, offering international standard services and products to its customers and visitors coming from surrounding and growing economies, and beyond. The Company is intent on becoming more competitive throughout the region and internationally, both in terms of scale, and the range of facilities it offers. That means excellence on an international level in everything NagaWorld

brings to its customers: rooms, MICE facilities, restaurants, entertainment and gaming facilities. The success of the Company's gaming and entertainment business will, in turn, continue to benefit Cambodia as a host nation and continue generating return for the company, its shareholders and investors.

INTERIM DIVIDEND

The Board has resolved to declare payment of an interim dividend of US cents 1.54 per share (or equivalent to HK cents 12.01 per share) for the six months ended 30 June 2011 to shareholders of the Company. This represents a dividend payout ratio of approximately 70%, based on the net profit generated for the period. The Company will make further announcement in respect of the book closure period and the payment of interim dividend in accordance with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Directors and the chief executive of the Company who held office at 30 June 2011 had the following interests and short position in the shares and underlying shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")) at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of 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 of the Listing Rules:

(A) Interests in issued shares

Name of director	Capacity	Number of ordinary shares held	% of total issued
Tan Sri Dr Chen Lip Keong	Interest in control corporation-Cambodia Development Corporation ("CDC") (Note 1)	162,260,443(L)	7.79(L)
Tan Sri Dr Chen Lip Keong	Beneficiary of a trust declared by Fourth Star Finance Corp. (Note 2)	735,517,323(L)	35.33(L)
Tan Sri Dr Chen Lip Keong	Beneficial owner	415,317,532(L)	19.95(L)

Notes:

- (1) Details of the interest in the Company held by CDC are set out in the section headed "Substantial Shareholder's and Other Person's Interests and Short Positions in Shares and Underlying Shares" below.
- (2) Details of the interest in the Company held by Fourth Star Finance Corp. are set out in the section headed "Substantial Shareholder's and Other Person's Interests and Short Positions in Shares and Underlying Shares" below.
- (3) The letter "L" denotes the entity's long position in the shares.

DISCLOSURE OF INTERESTS

(B) Interests in Issued Shares Immediately After Final Completion of Acquisition of TSC Inc. and City Walk Inc.

Name of director	Upon Conversion of the Convertible Bonds or issue of Consideration Shares up to the minimum public float requirement (with the balance of the Consideration held as unconverted Convertible Bonds)		Upon full conversion of the Convertible Bonds (assuming the entire Consideration is satisfied by Convertible Bonds) (for illustrative purpose) (Note 1)	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Tan Sri Dr. Chen Lip Keong	2,306,945,298 (Converted from Convertible Bonds or Consideration Shares issued)	75.00	2,879,377,405 (Note 2)	78.92

Notes:

(1) Please note that such situation is solely for illustration purpose only and would not occur as the Convertible Bonds have a restrictive clause in that at no material time will the Convertible Bonds be allowed to be converted so that the percentage of issued share capital of the Company held by the public would fall below the required 25% threshold. In terms of shareholding structure, this is also equivalent to the scenario whereby the Consideration is fully settled by the issuance of Consideration Shares.

(2) The corresponding aggregate number of Consideration Shares and Conversion Shares would be 1,566,282,107.

Save as disclosed above, as at 30 June 2011, none of the Directors and chief executives of the Company had any interests or short positions in the shares of the Company, any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted upon the listing of the Company's shares on the Main Board of the Stock Exchange on 19 October 2006 (the "Share Option Scheme") whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up option to subscribe for shares of the Company. The purpose of the scheme is to attract and retain the best personnel and to provide additional incentives to employees and directors to promote the success of the Group.

The Company did not grant any share options during the six months ended 30 June 2011 and there are no outstanding share options at 30 June 2011.

Apart from the foregoing, at no time during the six months ended 30 June 2011 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors or the chief executives of the Company are aware of, as at 30 June 2011, the Shareholders, other than the Directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Substantial shareholders	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Cambodia Development Corporation (Note 1)	Beneficial owner	162,260,443 (L)	7.79 (L)
Fourth Star Finance Corp (Note 1 and 2)	Trustee	735,517,323 (L)	35.33 (L)
Yardley Finance Limited (Note 3)	Security interest	148,000,000 (L)	7.10 (L)
Chan Kin Sun (Note 3)	Interest of a controlled corporation	148,000,000 (L)	7.10 (L)
OSK Investment Bank (Labuan) Limited	Security interest	236,956,383 (L)	11.38 (L)
Templeton Asset Management Ltd.	Investment manager	125,288,208 (L)	6.02 (L)
Tradewinds Global Investors, LLC	Investment manager	105,375,671 (L)	5.06 (L)

Notes:

- (1) The beneficial owner of Cambodia Development Corporation and the beneficiary of shares held by Fourth Star Finance Corp is Tan Sri Dr Chen Lip Keong.
- (2) Fourth Star Finance Corp. is the trustee of a trust of which Tan Sri Dr Chen Lip Keong is a beneficiary.
- (3) Mr. Chan Kin Sun, through Yardley Finance Limited, is interested in 148,000,000 shares.
- (4) 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 executives of the Company are aware of, as at 30 June 2011, no other party (other than the Directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company 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.



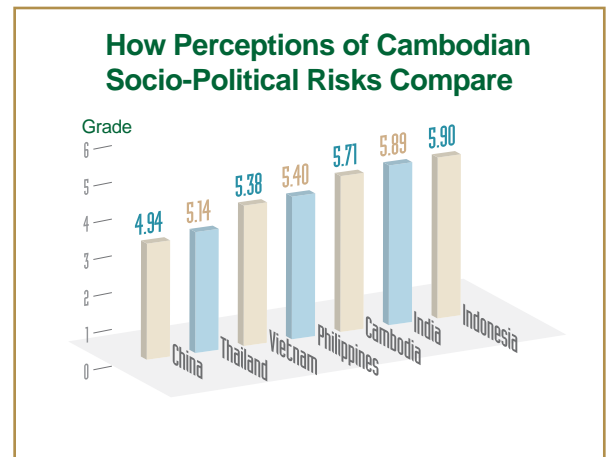
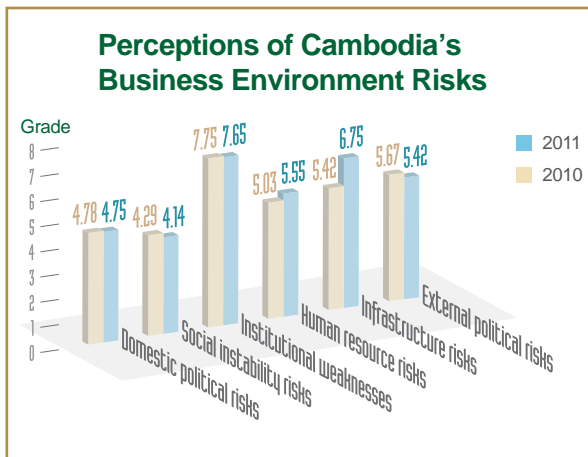
INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

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, particularly 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 2010 and January 2011, we summarised our findings below:



Grades range from zero to 10, with 0 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.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). In PERC's most recent risk survey, in which the overall risk rating was graded 5.71 (slightly worse than one year ago), domestic political and social conditions have improved compared with the year before, as have external risks. However, the improvement in the economy has also put pressure on the country's human and physical infrastructure capabilities, which are improving but not fast enough to support all the new demand. Scores for these sections have therefore worsened from one year ago.

Cambodia's risks are in line with those of Asia's other developing economies. Its economy has bounced back from the recession of 2009 and is now enjoying moderate growth (5%-6% in real terms) with low inflation. Cambodia has less developed institutions and infrastructure than many other Asian countries, but this means it has also avoided some of the problems of other countries like a worrying level of non-performing loans and volatile capital flows that cause exchange rate volatility.

POSITIVE DEVELOPMENTS

- Cambodia's domestic political situation is stable. The risks of a coup are low. Prime Minister Hun Sen does not face a serious challenger even with the ruling Cambodian People's Party (CPP). The opposition is weak and divided and is unlikely to make much headway against the CPP in either the 2012 commune elections or the next national elections scheduled for 2013.
- The government maintains strong, stable relations with the governments of countries that are most important to Cambodia's economic development, namely, China, the US, Korea, Japan, EU members, Australia and most ASEAN nations, especially Vietnam, Malaysia and Singapore. The one exception is Thailand (see Challenges below).
- There is a consistency to government policies that reduces the risks of shocks or changes in direction that could be upsetting for business, especially relating to tourism. The government has successfully steered the country through the global recession and the economy is now enjoying moderate growth, increasing employment, low inflation, and improving external accounts.
- Tourism rebounded in 2010, underpinning the travel, hotel and gaming sectors. Prospects for 2011 are for more strong growth in the number of foreign visitors, led by Vietnamese, Chinese and South Koreans.
- Over the past two years, Cambodia has enjoyed more exchange rate stability vs. the US dollar than any other Southeast Asian country, enhancing its competitiveness as a manufacturing base and a site attractive to foreign travelers, particularly from countries with appreciating currencies like China, Japan, Korea and wealthier ASEAN countries.

THE CHALLENGES

- The biggest challenges Cambodia faces going into 2011 and 2012 – and the main reasons why risks this year are higher than one year ago despite the improvement in the economy – relate to human and physical infrastructure inadequacies. The country's key industries are growing faster than the ability of the education system to turn out enough trained manpower and the government's ability to build new physical infrastructure to support the extra demand. Consequently, several bottlenecks are developing like shortages of qualified staff companies need to expand operations and maintain quality standards, growing traffic congestion in Phnom Penh, and crowd control capabilities needed to prevent and deal with disasters like last November's deadly stampede at a major festival in the capital.
- The country's institutional capacity, although improving, remains weak and uneven. This adds to business costs, increases inefficiency, and makes it difficult to deal with problems like corruption, unclear and excessive regulations, and bureaucratic inertia.
- High fuel and energy costs are compounding other problems like expensive trucking, storage and other logistical services.
- Cambodia is a victim of Thailand's domestic political turmoil. Factions vying for political power in Thailand have tried to help their own agenda while undermining rivals by accusing the Thai government of not doing enough to defend what they claim is Thai territory now occupied by Cambodia. In fact, the territory in question belongs to Cambodia, but the government in Phnom Penh still has to divert military and financial resources to deal with this problem; the dispute is hurting tourism and trade between the two countries; and it is a diversion that could slow ASEAN's effective integration as an economic area in ways that would benefit Cambodia.

Robert Broadfoot

Managing Director
PERC

Hong Kong, 1 February 2011

Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of Political & Economic Risk Consultancy, Ltd. (PERC). Established in 1976, PERC is headquartered in Hong Kong and engaged principally in the monitoring and auditing of country risks in Asia. From this base, PERC manages a team of researchers and analysts in the ASEAN countries, the Greater China region and South Korea. Over 1,200 corporations and financial institutions worldwide currently 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.

CORPORATE GOVERNANCE PRACTICES

In the Directors' opinion, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 and its code of conduct reporting director's securities transactions for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

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 the 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.

For the six months ended 30 June 2011, the Audit Committee has convened two meetings and 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 six months ended 30 June 2011 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 requirement and that adequate disclosure have been made.

The Company has engaged BDO Limited, who has reviewed the condensed consolidated financial statements for the six months ended 30 June 2011 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 and make recommendations to the Board in the above areas.

The Nomination Committee consists of Tan Sri Dr Chen Lip Keong (Chairman), Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Leow Ming Fong (retired on 24 May 2011), Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2011, the Nomination Committee has convened one meeting and considered, among other things, the composition of the Board and related matters.

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 Dr Chen Lip Keong (Chairman), Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Leow Ming Fong (retired on 24 May 2011), Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2011, the Remuneration Committee has convened one meeting and considered, among other things, the remuneration of Directors and members of senior management of the Company.

INTERNAL CONTROLS

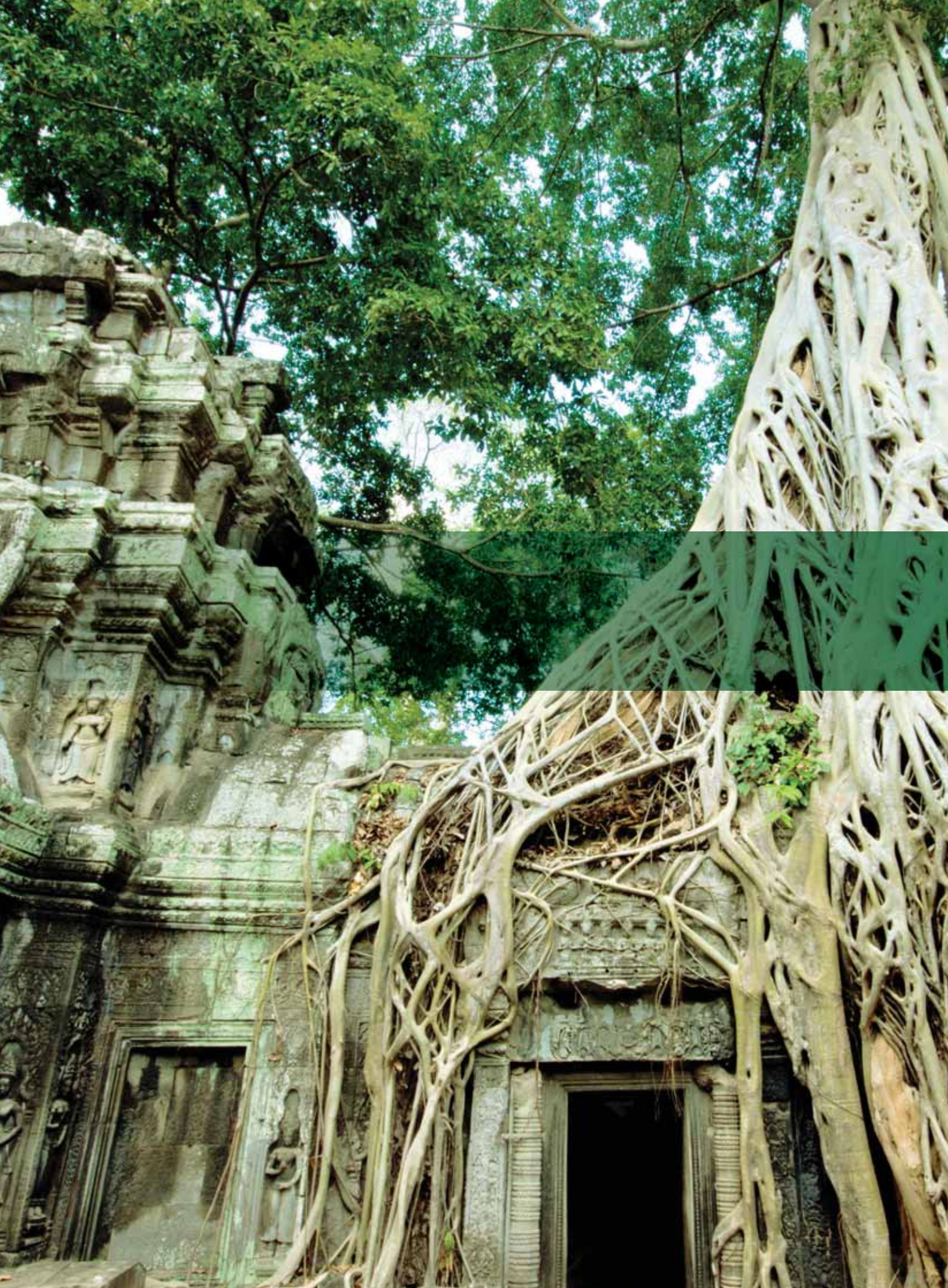
The AML Oversight Committee is responsible for formulating policies and strategies on anti-money laundering ("AML") development and acts as the oversight committee on AML matters.

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

For the six months ended 30 June 2011, the AML Oversight Committee has convened one meeting and 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 six months ended 30 June 2011. 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 2011.

The Company has engaged an independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2010 and set out the findings of the assessment in this interim report. Please refer to "Independent Review of Investment Risks in Cambodia" on pages 29 to 31 for details.



FINANCIAL REVIEW & STATEMENTS

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 37 to 59 which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. and its subsidiaries as of 30 June 2011 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 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.

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

Tony Yuk Tung Chan

Practising Certificate Number P04654

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

Hong Kong, 8 August 2011

CONDENSED CONSOLIDATED STATEMENT OF INCOME

for the six months ended 30 June 2011 (unaudited)

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2011 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
REVENUE	4	111,786	67,771
Cost of sales		(31,838)	(17,498)
GROSS PROFIT		79,948	50,273
Other income		831	386
Administrative expenses		(14,424)	(11,777)
Other operating expenses		(18,450)	(15,702)
PROFIT BEFORE TAXATION	5	47,905	23,180
Income tax	6	(1,989)	(2,120)
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		45,916	21,060
EARNINGS PER SHARE (US CENTS)	8	2.21	1.01

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 (unaudited)

(Expressed in United States dollars)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	45,916	21,060
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
Exchange adjustments	(2)	93
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD	45,914	21,153

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2011 (unaudited)
(Expressed in United States dollars)

	Note	30 June 2011 \$'000 (Unaudited)	31 December 2010 \$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	165,943	155,767
Interest in leasehold land held for own use under operating lease		636	639
Intangible assets	11	85,710	87,483
Trade receivables	12	1,331	3,431
Deposit payments for purchase of raw materials	13	3,190	-
		256,810	247,320
CURRENT ASSETS			
Consumables		655	571
Trade and other receivables	12	26,116	24,936
Deposit payments for purchase of raw materials	13	5,150	5,737
Fixed deposits at bank	14	40,500	21,100
Cash and cash equivalents		41,543	22,852
		113,964	75,196
CURRENT LIABILITIES			
Trade and other payables	15	15,839	13,825
Dividend payable		16,101	-
Current tax liability		331	-
Obligations under finance leases		1	1
		32,272	13,826
NET CURRENT ASSETS		81,692	61,370
TOTAL ASSETS LESS CURRENT LIABILITIES		338,502	308,690
NON-CURRENT LIABILITIES			
Obligations under finance leases		2	3
NET ASSETS		338,500	308,687

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2011 (unaudited)

(Expressed in United States dollars)

	Note	30 June 2011 \$'000 (Unaudited)	31 December 2010 \$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	16	26,026	26,026
Reserves		312,474	282,661
TOTAL EQUITY		338,500	308,687

Approved and authorised for issue by the Board on 8 August 2011.

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 2011 (unaudited)

(Expressed in United States dollars)

Note	Share capital	Share premium	Merger reserve	Capital contribution reserve	Exchange reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 JANUARY 2010 (AUDITED)	26,026	135,498	(12,812)	55,568	79	83,389	287,748
CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010:							
Profit for the period	-	-	-	-	-	21,060	21,060
Other comprehensive income	-	-	-	-	93	-	93
Total comprehensive income for the period	-	-	-	-	93	21,060	21,153
2009 final dividend declared	-	-	-	-	-	(8,363)	(8,363)
BALANCE AT 30 JUNE 2010 AND 1 JULY 2010 (UNAUDITED)	26,026	135,498	(12,812)	55,568	172	96,086	300,538
CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2010							
Profit for the period	-	-	-	-	-	23,001	23,001
Other comprehensive income	-	-	-	-	(110)	-	(110)
Total comprehensive income for the period	-	-	-	-	(110)	23,001	22,891
2010 interim dividend declared	7	-	-	-	-	(14,742)	(14,742)
BALANCE AT 31 DECEMBER 2010 (AUDITED)	26,026	135,498	(12,812)	55,568	62	104,345	308,687

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 (unaudited)

(Expressed in United States dollars)

	Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
BALANCE AT 1 JANUARY 2011 (AUDITED)		26,026	135,498	(12,812)	55,568	62	104,345	308,687
CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011:								
Profit for the period		–	–	–	–	–	45,916	45,916
Other comprehensive income		–	–	–	–	(2)	–	(2)
Total comprehensive income for the period		–	–	–	–	(2)	45,916	45,914
2010 final dividend declared	7	–	–	–	–	–	(16,101)	(16,101)
BALANCE AT 30 JUNE 2011 (UNAUDITED)		26,026	135,498	(12,812)	55,568	60	134,160	338,500

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2011 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2011 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
CASH GENERATED FROM OPERATIONS	57,070	25,344
Tax paid	(1,658)	(2,360)
NET CASH GENERATED FROM OPERATING ACTIVITIES	55,412	22,984
NET CASH USED IN INVESTING ACTIVITIES	(36,720)	(11,914)
NET CASH USED IN FINANCING ACTIVITIES	(1)	(6,918)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,691	4,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,852	14,987
CASH AND CASH EQUIVALENTS AT END OF PERIOD	41,543	19,139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2011

(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, South of Samdech Decho Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

The condensed consolidated financial statements for the six months ended 30 June 2011 comprise the Company and its subsidiaries.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" 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").

3. PRINCIPAL ACCOUNTING POLICIES

The 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 2010 (the "2010 annual financial statements"). The 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 2010 annual financial statements.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted by the Group in the 2010 annual financial statements, except for the adoption of certain new or revised standards and interpretations issued by the IASB which are effective for the current accounting period as follows:

IFRSs (Amendments)	Improvements to IFRSs
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Interpretation 14	Prepayments of a Minimum Funding Requirement
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures

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

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 2011 and which have not been early adopted in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

		Effective for accounting period beginning on or after
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 1 (Revised)	Presentation of Financial Statements	1 July 2012
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19 (2011)	Employee Benefits	1 January 2013
IAS 27 (2011)	Separate Financial Statements	1 January 2013
IAS 28 (2011)	Investment in Associates and Joint Ventures	1 January 2013

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. So far it was considered that their adoption is unlikely to have a significant impact on the Group’s results of operations and financial position.

4. REVENUE

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

	Six months ended 30 June	
	2011 \$’000 (Unaudited)	2010 \$’000 (Unaudited)
Casino operations	63,542	39,059
Income from gaming machine stations	38,802	24,312
Hotel room income, sales of food and beverages and others	9,442	4,400
	111,786	67,771

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting) / charging:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interest income	(731)	(231)
Auditor's remuneration		
– Current period	104	101
– Under-provision for prior period	53	87
Amortisation of casino licence premium	1,773	1,773
Depreciation and amortisation	5,761	5,139
Impairment loss on trade receivables	–	1,303
Exchange loss, net	36	126
Fuel expenses	3,848	3,067
Operating lease charges for:		
– office and car park rental	233	223
– land lease rental	93	93
– hire of equipment	932	795
Staff costs (Note (a))		
– salaries, wages and other benefits	10,876	8,661
– contributions to defined contribution retirement scheme	4	3

Note:

(a) Included in staff costs are the following:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Basic salaries and allowances	562	346
– Contributions to defined contribution retirement scheme	–	1
Senior management's remuneration		
– Basic salaries, allowances and benefits-in-kind	1,381	1,014

6. INCOME TAX

Income tax in profit or loss represents:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax expense		
– Current period	1,989	1,756
– Under-provision in prior period	–	364
	1,989	2,120

Taxation represents the monthly gaming obligation payment of (1) \$228,068 (six months ended 30 June 2010: \$202,728) and monthly non-gaming obligation payment of \$103,500 (six months ended 30 June 2010: \$90,000) payable to The Ministry of Economy and Finance of Cambodia (the "Ministry") by NagaWorld Limited Gaming Branch, a branch registered under the name of NagaWorld Limited ("NWL"), a subsidiary of the Company incorporated in Hong Kong. There are no Malaysia or Hong Kong income taxes payable by the Group.

7. DIVIDENDS PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE PERIOD

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Dividend paid during the period:		
2009 Interim dividend: US cents 0.33 per ordinary share	–	6,917

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2011: US cents 1.54 per ordinary share	32,141	–
2010: US cents 0.71 per ordinary share	–	14,742
	32,141	14,742

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$45,916,000 (six months ended 30 June 2010: \$21,060,000) and the weighted average number of 2,082,078,875 (2010: 2,082,078,875) ordinary shares in issue during the six months ended 30 June 2011.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. SEGMENT INFORMATION

The Group manages its businesses by division, which are organised by a mixture of business lines (casino, hotel & 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.

Segment results, assets and liabilities

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible and current assets. Segment liabilities include trade creditors, other creditors, provision for unredeemed chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to 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.

9. SEGMENT INFORMATION (CONTINUED)

Segment results, assets and liabilities (continued)

	Casino operations	Hotel and entertainment operations	Total
	\$'000	\$'000	\$'000
<i>Segment revenue:</i>			
Six months ended 30 June 2011 (unaudited):			
Revenue from external customers	102,344	9,442	111,786
Inter-segment revenue	–	11,808	11,808
Reportable segment revenue	102,344	21,250	123,594
Six months ended 30 June 2010 (unaudited):			
Revenue from external customers	63,371	4,400	67,771
Inter-segment revenue	–	4,788	4,788
Reportable segment revenue	63,371	9,188	72,559
<i>Segment profit/(loss):</i>			
30 June 2011 (unaudited)	49,838	7,026	56,864
30 June 2010 (unaudited)	33,213	(1,900)	31,313
<i>Segment assets:</i>			
30 June 2011 (unaudited)	377,438	172,150	549,588
31 December 2010 (audited)	332,121	157,019	489,140

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. SEGMENT INFORMATION (CONTINUED)

Segment results, assets and liabilities (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	
	2011 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Revenue		
Reportable segment revenue	123,594	72,559
Elimination of inter-segment revenue	(11,808)	(4,788)
Consolidated revenue	111,786	67,771
Profit		
Reportable segment profit	56,864	31,313
Depreciation and amortisation		
– reportable segment	(7,508)	(6,882)
– unallocated	(26)	(30)
Unallocated head office and corporate expenses	(1,425)	(1,221)
Consolidated profit before taxation	47,905	23,180

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment totalling \$16,124,000 which included \$14,792,000 in respect of capital work-in-progress in relation to the construction of NagaWorld. The additions have been included in the assets of the segment of hotel and entertainment operations as disclosed in note 9.

11. INTANGIBLE ASSETS

	30 June 2011 \$'000 (Unaudited)	31 December 2010 \$'000 (Audited)
Casino licence premium and extended exclusivity premium		
Cost		
At beginning and at end of period/year	108,000	108,000
Accumulated amortisation		
At beginning of period/year	20,517	16,970
Charge for the period/year	1,773	3,547
At end of period/year	22,290	20,517
Net book value		
At end of period/year	85,710	87,483

12. TRADE AND OTHER RECEIVABLES

	30 June 2011 \$'000 (Unaudited)	31 December 2010 \$'000 (Audited)
Trade receivables – non current assets (Note)	1,331	3,431
Trade receivables – current assets	28,507	31,295
	29,838	34,726
Less: Allowance for impairment loss included in current portion	(11,190)	(11,190)
	18,648	23,536
Deposits, prepayments and other receivables	7,764	4,343
Amounts due from related companies	1,035	488
	27,447	28,367
Less: Trade receivables classified as non-current assets	(1,331)	(3,431)
Balance classified as current assets	26,116	24,936

Note:

The balance is unsecured, bears interest at 8.5% per annum since 1 January 2011 and repayable by December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in trade and other receivables are trade debts (net of impairment losses) with the following ageing analysis as at the end of reporting period:

	30 June 2011	31 December 2010
	\$'000	\$'000
	(Unaudited)	(Audited)
Current to within 1 month	746	916
1 to 3 months	1,470	3,610
3 to 6 months	2,398	1,538
6 to 12 months	30	174
More than 1 year	14,004	17,298
	18,648	23,536

The following table reconciles the impairment loss of trade receivables for the period:

	30 June 2011	31 December 2010
	\$'000	\$'000
	(Unaudited)	(Audited)
At beginning of period / year	11,190	3,971
Impairment loss recognised	–	7,219
At end of period / year	11,190	11,190

The Group recognises impairment loss on individual assessments. The Group's credit policy is set out in note 20(c).

13. DEPOSIT PAYMENTS FOR PURCHASE OF RAW MATERIALS

As at the end of reporting period, deposit payments for the purchase of construction raw materials relate to deposits made for purchases of raw materials necessary for the construction of NagaWorld. The materials have not been received by the Group as at the period end. It is anticipated that the materials will be used within the next twelve months.

14. FIXED DEPOSITS AT BANK

The deposits bear interest from 4.0% to 8.0% (31 December 2010: 6.0% to 8.0%) per annum and mature in various periods up to December 2011 (31 December 2010: various periods up to December 2011).

15. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	\$'000	\$'000
	(Unaudited)	(Audited)
Trade payables (note)	354	444
Unredeemed casino chips	6,615	6,185
Construction creditors	4,187	3,514
Deposits	122	320
Accruals and other creditors	4,561	3,362
	15,839	13,825

Note:

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

	30 June 2011	31 December 2010
	\$'000	\$'000
	(Unaudited)	(Audited)
Due within 1 month or on demand	299	407
Due after 1 month but within 3 months	55	–
Due after 3 months but within 6 months	–	15
Due over 1 year	–	22
Total	354	444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL

(i) Authorised

	30 June 2011	31 December 2010
	\$'000	\$'000
	(Unaudited)	(Audited)
8,000,000,000 ordinary shares of \$0.0125 each	100,000	100,000

(ii) Issued and fully paid

	30 June 2011		31 December 2010	
	No of shares	\$'000	No of shares	\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
At beginning and end of period/year	2,082,078,875	26,026	2,082,078,875	26,026

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

There were no share issues during the period under review.

17. LEASE COMMITMENTS

At the end of reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2011 In respect of: (Unaudited)					31 December 2010 In respect of: (Audited)			
	Land lease \$'000	Office, staff quarters and car park rental \$'000	Equipment rental \$'000	Gaming machine stations \$'000	Total \$'000	Land lease \$'000	Office, staff quarters and car park rental \$'000	Equipment rental \$'000	Total \$'000
Within 1 year	187	301	1,536	412	2,436	187	305	1,536	2,028
1 to 5 years	748	135	1,830	1,149	3,862	748	285	2,598	3,631
After 5 years	20,771	–	–	–	20,771	20,865	–	–	20,865
	21,706	436	3,366	1,561	27,069	21,800	590	4,134	26,524

Note:

Hotel and casino complex, Phnom Penh

The Group has entered into lease arrangements in respect of land in Phnom Penh, Cambodia which forms the site for the NagaWorld hotel and entertainment complex with integrated casino facilities currently under construction. The lease agreement is valid for a period of seventy years and does not include any provision for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to the rentals are included in the lease agreement and in the commitments shown above.

18. CAPITAL COMMITMENTS

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

	30 June 2011 \$'000 (Unaudited)	31 December 2010 \$'000 (Audited)
Hotel and casino complex, Phnom Penh - contracted but not incurred	30,757	32,847

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

19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme upon listing of the Company's shares on the Stock Exchange on 19 October 2006 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options at nil consideration to subscribe for shares of the Company.

The Company did not grant any share options during the period (six months ended 30 June 2010: Nil) and there are no outstanding share options at the end of reporting period (31 December 2010: Nil).

20. RISK MANAGEMENT

(a) Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and currency risks arise in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. Such policies are regularly reviewed by the Board and regular reviews will be undertaken to ensure that the Group's policies and guidelines are adhered to.

(b) Political and economic risks

The Group's activities are carried out in the Kingdom of Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Cambodian Government has been pursuing reform policies in recent years, no assurance can be given that the Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the Cambodian Government's pursuit of reforms will be consistent or effective. Changes in laws on taxation and investment and in policies affecting the industry in which the Group operates could have a significant negative effect on its operating results and financial condition.

The Company has engaged an independent party to review and assess the political and investment risks in Cambodia on an annual basis. The findings of the independent party are to be disclosed in the annual and interim financial reports of the Company.

20.RISK MANAGEMENT (CONTINUED)

(c) Credit risk

The Group recognises impairment loss based on individual assessment of each trade receivable. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group grants credit facilities, on an unsecured basis, to selected Junket VIP operators who have good financial background or with whom the Group has had extensive dealings over the past few years. Credit evaluations are performed on all customers requesting credit facilities.

The credit policy on gaming revenue is 7 days from the end of tour. Trade receivables relate mostly to Junket VIP operators and local operators who have good track records with the Group or were active during the period. At the end of reporting period, the Group has a certain concentration of credit risk at 57% (31 December 2010: 66%) of the total trade receivables that were due from the five largest operators.

As at 30 June 2011, the Group placed demand deposits and fixed deposits of \$14,976,000 and \$40,500,000 respectively with Cambodia Asia Bank Ltd., an independent bank registered with the Cambodian banking and monetary authority. Management remains vigilant of the banking environment in Cambodia and aims to ensure the deposits are secure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the condensed consolidated statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

(d) Interest rate risk

To date the Group's funding requirements have largely been met by cash flows generated from its operations. In respect of income from monetary assets, the effective interest rates and terms are as follows:

	30 June 2011		31 December 2010	
	Effective interest rate % (Unaudited)	One year or less \$'000 (Unaudited)	Effective interest rate % (Audited)	One year or less \$'000 (Audited)
Bank deposits				
- On demand	0.01 to 1.5	29,447	0.01 to 1.5	9,930
- Fixed term of 7 days or less	0.08	11	0.01	11
- Within one year	4.0 to 8.0	40,500	6.0 to 8.0	21,100
		69,958		31,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(e) Foreign currency risk

The Group's income is principally earned in United States dollars. The Group's expenditure is principally paid in United States dollars and to a lesser extent in Cambodian Riels. The Group does not therefore have significant exposure to foreign currency risk. The Group does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential cost of exchange rate fluctuations.

21. RELATED PARTY TRANSACTIONS

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

Expenses

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Travel expenses (note)	86	112

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 2011, amounts due from related companies of \$1,035,000 (31 December 2010: \$488,000) in respect of office rental and financial support are included in trade and other receivables as disclosed in note 12 to the consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the period was \$1,035,000 (31 December 2010: \$488,000).

22. ULTIMATE CONTROLLING PARTY

At 30 June 2011, Tan Sri Dr Chen Lip Keong is beneficially interested in 1,313,095,298 ordinary shares out of the 2,082,078,875 issued ordinary shares of the Company.

23. PROPOSED ACQUISITION OF SUBSIDIARIES

The Company entered into a conditional share purchase agreement on 13 June 2011 with Tan Sri Dr Chen Lip Keong, controlling shareholder of the Company, to acquire the entire equity interests in TSC Inc. and City Walk Inc. both of which are incorporated in the British Virgin Islands and wholly owned by Tan Sri Dr Chen Lip Keong. The agreed consideration is US\$369,000,000, which will be settled upon completion in the form of issued shares of the Company or convertible bonds to be issued by the Company. The completion of the acquisition is subject to the approval by the shareholders of the Company in an extraordinary general meeting to be held by the Company, and the completion of the construction of several projects to be undertaken by TSC Inc. and City Walk Inc. The projects include the development and construction of a hotel and gaming complex, a retail walkway and a tourist park.



