

A hand in a black suit is holding a silver tray. On the tray is a glowing, futuristic skyscraper model with various screens and lights. The background is a dark, reflective surface.

# THE FUTURE IN OUR HANDS

## 2012 INTERIM REPORT



NAGACORP LTD. // 金界控股有限公司\*

(Incorporated in Cayman Islands with limited liability)

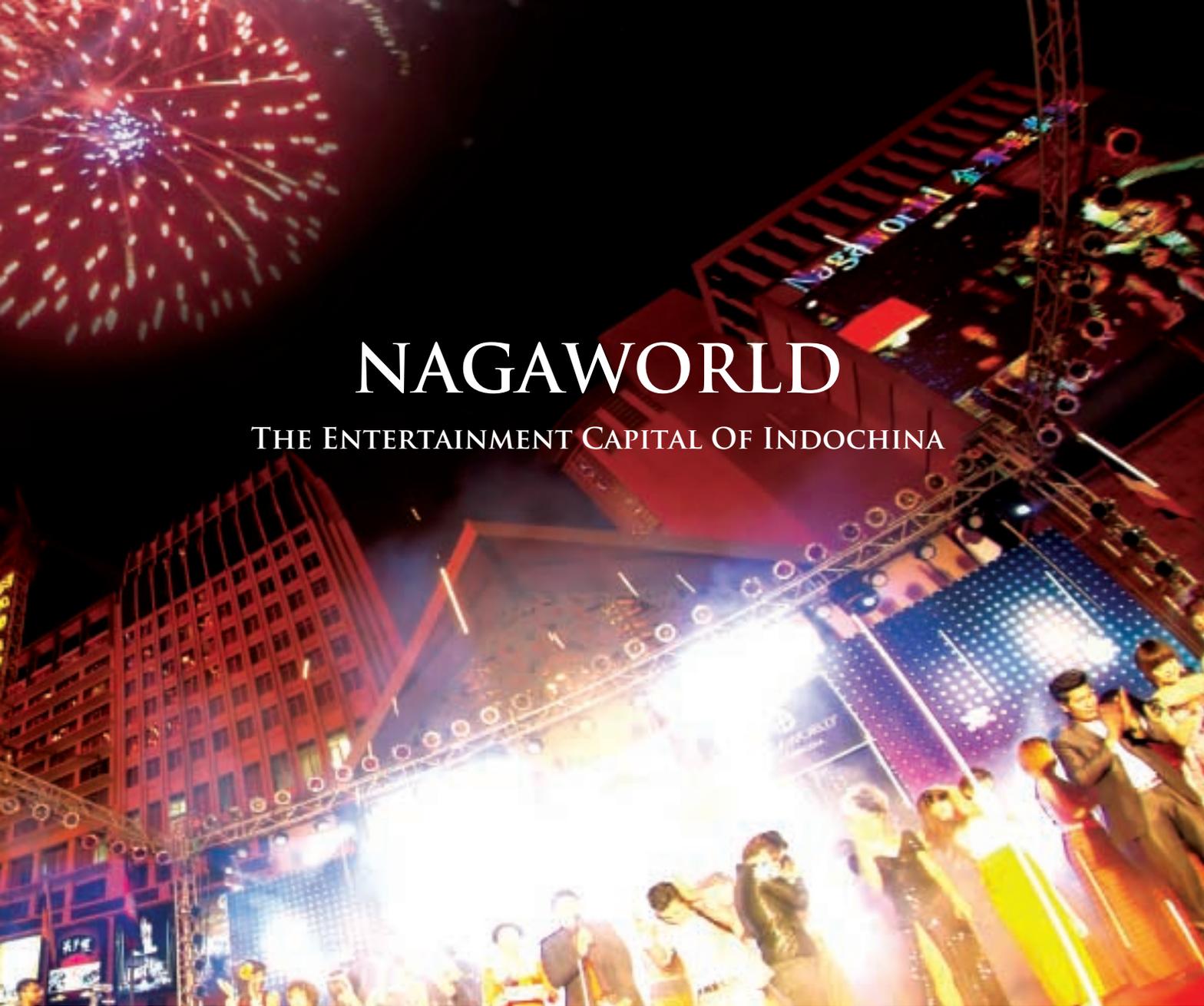
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\*for identification purpose only



# NAGAWORLD

THE ENTERTAINMENT CAPITAL OF INDOCHINA



# NAGA 2

THE ENTERTAINMENT CAPITAL OF INDOCHINA

NAGAWORLD



NAGA 2



# FIRST CLASS SERVICE IN CAMBODIA



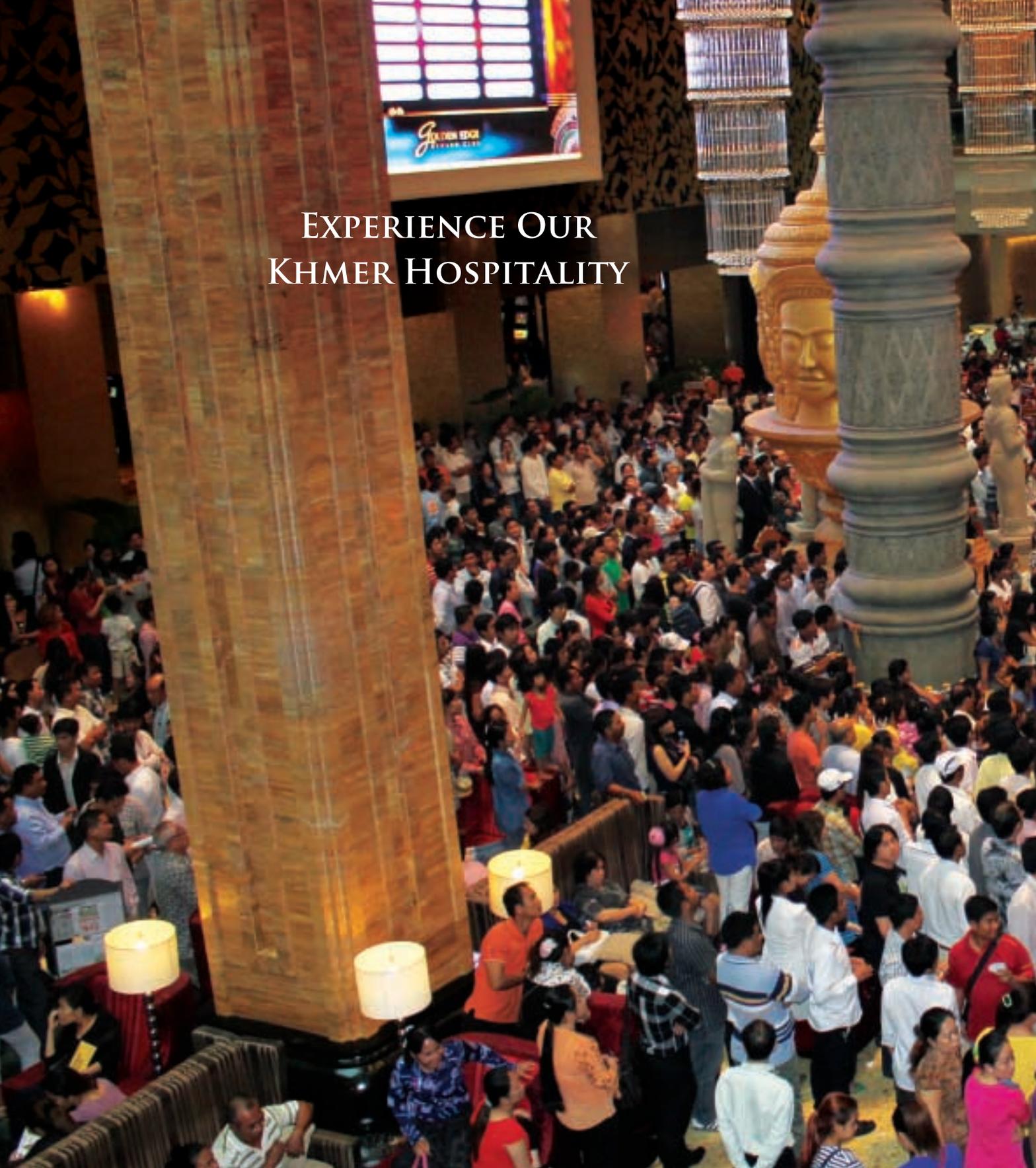


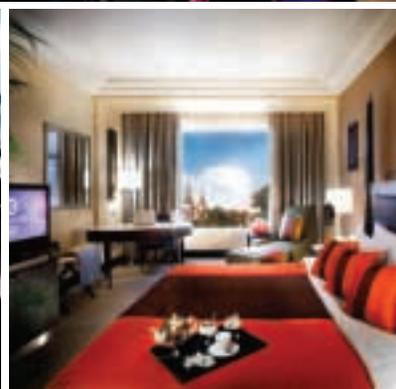
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EXPERIENCE OUR  
KHMER HOSPITALITY







## 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 *(Chief Financial Officer)*  
Chen Yepern

### Non-executive Director

Timothy Patrick McNally *(Chairman)*

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

Lim Mun Kee *(Chairman)*  
Tan Sri Datuk Seri Panglima  
Abdul Kadir Bin Haji Sheikh Fadzir  
Michael Lai Kai Jin

## REMUNERATION COMMITTEE

Tan Sri Datuk Seri Panglima  
Abdul Kadir Bin Haji Sheikh Fadzir  
*(appointed as Chairman on 13 March 2012)*  
Tan Sri Dr Chen Lip Keong  
*(ceased to be Chairman on 13 March 2012)*  
Chen Yepern  
Lim Mun Kee  
Michael Lai Kai Jin

## NOMINATION COMMITTEE

Tan Sri Datuk Seri Panglima  
Abdul Kadir Bin Haji Sheikh Fadzir  
*(appointed as Chairman on 22 February 2012)*  
Tan Sri Dr Chen Lip Keong  
*(ceased to be Chairman on 22 February 2012)*  
Chen Yepern  
Lim Mun Kee  
Michael Lai Kai Jin

## AML OVERSIGHT COMMITTEE

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

## COMPANY SECRETARY

Ng Tien Che Margaret

## AUTHORISED REPRESENTATIVES

Philip Lee Wai Tuck  
Ng Tien Che Margaret

## AUDITOR

BDO Limited

## SOLICITORS

P. C. Woo & Co.  
Troutman Sanders  
Reed Smith Richards Butler

## PRINCIPAL BANKER

Malayan Banking Berhad (Phnom Penh Branch)

# INVESTOR RELATIONS

We acknowledge the importance of maintaining 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 2012

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

## STOCK CODE

3918

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN CAMBODIA

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## CHIEF EXECUTIVE OFFICER

Tan Sri Dr Chen Lip Keong

## CHIEF FINANCIAL OFFICER

Philip Lee Wai Tuck

## VICE PRESIDENT, INVESTOR RELATIONS (USA & EUROPE)

Kevin Nyland

## DIRECTOR, CORPORATE FINANCE / INVESTOR RELATIONS (ASIA PACIFIC)

Gerard Chai

## COMPANY WEBSITE

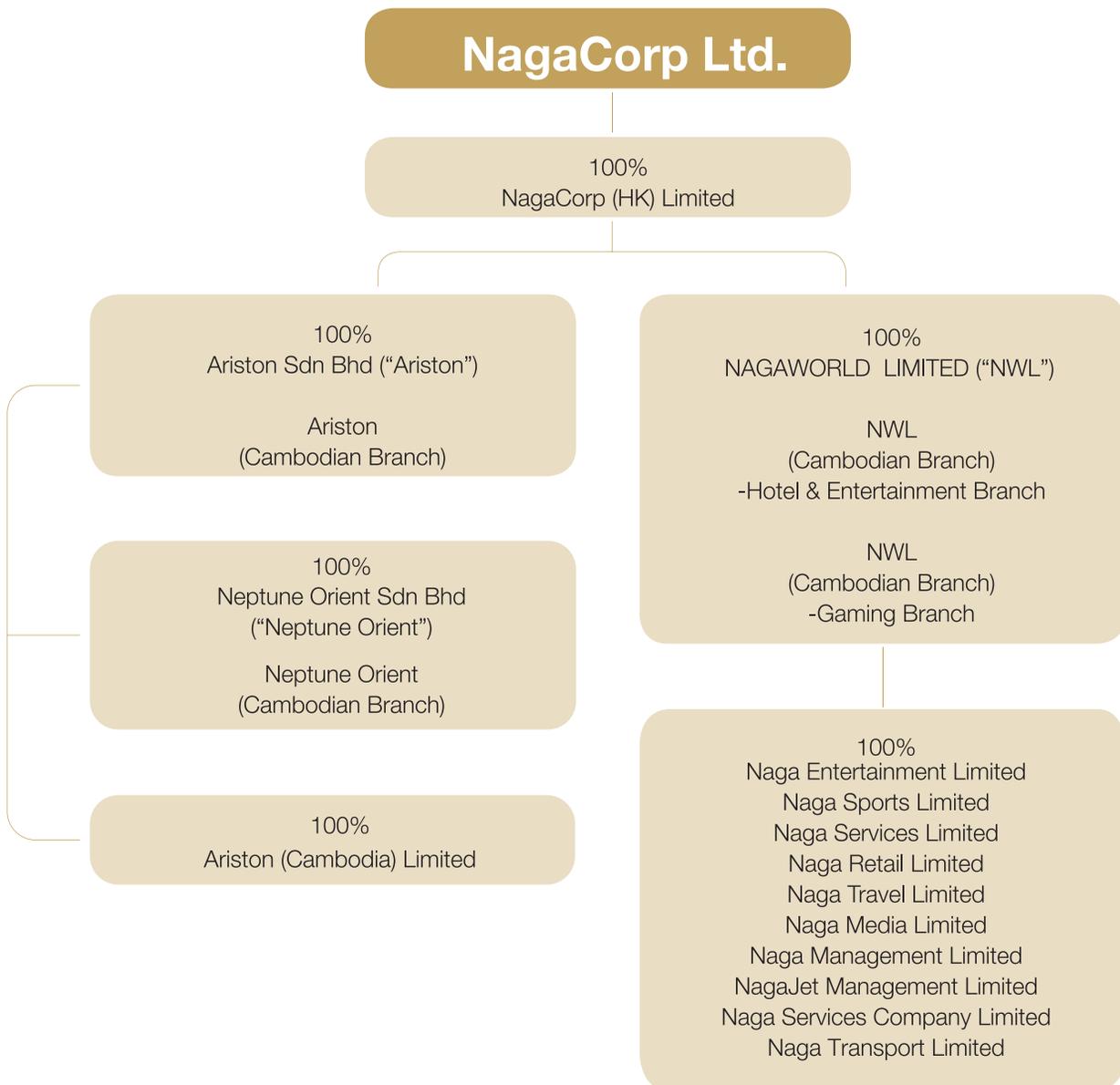
[www.nagacorp.com](http://www.nagacorp.com)



KEEP PLAYING AND KEEP WINNING



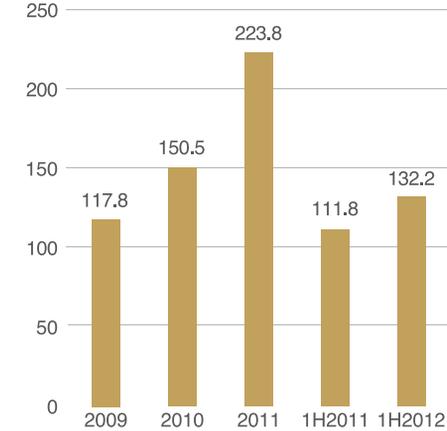
# CORPORATE STRUCTURE



# FINANCIAL HIGHLIGHTS

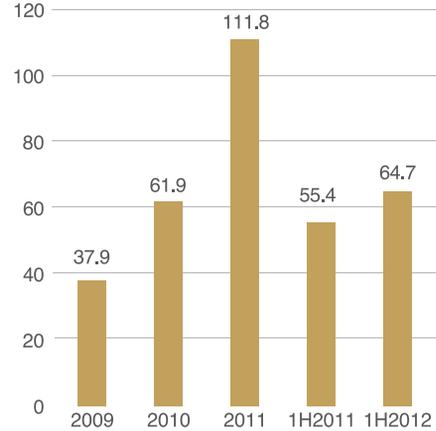
## Revenue (USD million)

(Millions of U.S. Dollar)



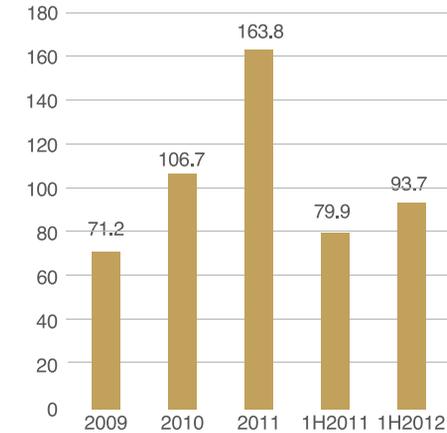
## EBITDA (USD million)

(Millions of U.S. Dollar)



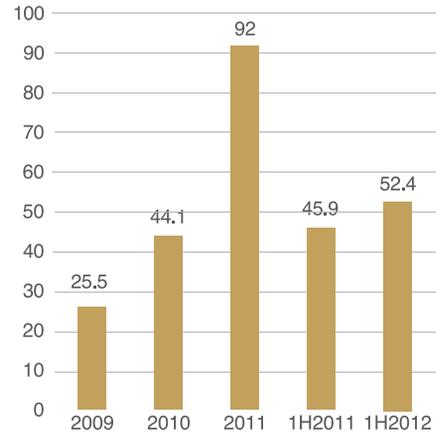
## Gross Profit (USD million)

(Millions of U.S. Dollar)

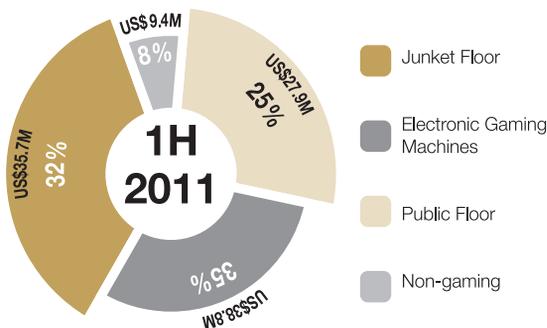


## Net Profit (USD million)

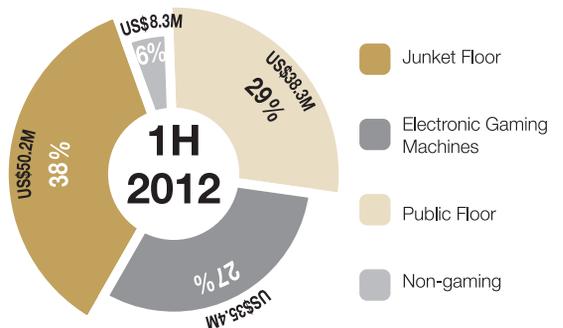
(Millions of U.S. Dollar)



## Revenue (US\$111.8 million)



## Revenue (US\$132.2 million)



ENJOY YOUR PLAYING EXPERIENCE





## CHAIRMAN & CEO'S STATEMENT



**Timothy Patrick McNally**  
Chairman

### **Dear Shareholders:**

We are pleased to announce that NagaCorp Ltd. (“NagaCorp” or the “Company”) reported a Net Profit of US\$52.4 million for the six months ended 30 June 2012, representing a 14% year-on-year increase. We achieved this as the Asia Pacific region continues to be a key driver in global economics, and as gaming throughout the region maintains its dominance on the global stage. NagaWorld, operating in a region that is home to half of the world’s population, continues to benefit from the region’s robust atmosphere.

During the first half of this year, global stock markets peaked in March and fell sharply in May as concerns grew surrounding the European sovereign debt crisis. However, despite this and other volatile economic conditions in various countries, we recorded healthy growth in all of our business segments.

### **SECURING A REGIONAL LEADERSHIP POSITION**

#### **Tourism**

NagaWorld’s strategic geographic location in Indochina is key to our competitive strength in the mass gaming market. During the first half of 2012, our operations benefited from Cambodia’s sustained tourism arrivals, continued political stability and economic expansion. Tourist arrivals in Cambodia continued to significantly outpace worldwide tourism growth with an increase of 26.8% to 1.76 million visitors in the first six months of 2012.

However, annual tourist arrivals from South East Vietnam (which includes Ho Chi Minh City) into Cambodia only represents about 4% of the population of that region of the country (Source: 2009 General Statistics Office of Vietnam). This means that the potential for increasing the flow of customers to NagaWorld from Vietnam is significant. We believe that our integrated marketing strategy for Vietnam, and eventually for Thailand and other markets in the region will generate solid, sustainable results.

#### **Marketing**

NagaWorld’s performance is keeping pace with the robust levels of intraregional travel and consumer spending in the competitive and burgeoning Asia Pacific region. Our business strategy to optimise our products and services, and strengthen our brand awareness in target markets helped increase our revenue and profitability.

Our strategic marketing efforts continue to carve NagaWorld a unique niche in an increasingly competitive landscape. For instance, we launched our first loyalty programme called the Golden Edge Rewards Club in January 2012. This initiative has already captured more than 14,300 members. This loyalty programme will enable us to better understand members' profiles, create targeted gaming and promotional marketing efforts, and drive incremental business volume. We also conduct daily, monthly and quarterly lucky draws to encourage visitation and gaming from our members.

In May 2012, we opened our first office in the business district of Ho Chi Minh City to facilitate our sales and marketing efforts in Vietnam as well as an office in Bangkok. These physical offices are critical to our growth strategy within Indochina and positioning ourselves as the region's entertainment capital. We have also launched wide-reaching marketing and branding campaigns in both of these markets. We believe this will build further NagaWorld's awareness and critical mass in two of our key target markets. With a combined population of almost 160 million and rapidly growing economies, Thailand and Vietnam present prime opportunities for our mass market segment of the business.

### **Gaming Operations**

We continually upgrade and improve NagaWorld by creating new gaming areas and upgrading existing facilities. In February 2012, we launched NagaRock, a lifestyle gaming, entertainment and dining venue targeted towards higher-end mass market customers. In June 2012, we launched the Rapid2 gaming area with 92 machines, after our proven success of the Rapid1 gaming area in the second half of 2011. These rapid gaming areas are popular due to their low-scale options of table gaming.

On the junket business, our conservative credit policy, relatively low table limits, and higher rolling commissions to junket operators continues to drive momentum. We will continue to grow the low to mid-end junkets business, conservatively penetrate the higher end junket markets and build a strong direct VIP player database.

Long term, the completion of Naga2 will transform NagaWorld into a truly integrated gaming and entertainment destination in Indochina. This will further enable us to offer products and services to the growing economies in the region. This will also benefit Cambodia as our host nation, and in turn, deliver value to our shareholders.



**Tan Sri Dr Chen Lip Keong**  
CEO

# CHAIRMAN & CEO'S STATEMENT

## Strategy

With a projected GDP of 6.7% this year (Source: World Bank), Cambodia's stability and vibrancy is remarkable, and NagaCorp is proud to be part of the transformation shaping this country that is overflowing with rich heritage.

The Company's corporate vision is to become the undisputed entertainment destination in Indochina. We strive to be an internationally competitive, world class corporation with sustained excellence. Our planned Naga2 expansion will lead to major growth of our footprint in Cambodia and securely position us for capturing regional business.

Our strategy continues to focus on enhancing our position as Indochina's premier hotel casino complex by offering international standard services and products to our customers and visitors coming from surrounding and growing economies, and beyond.

## COMPETITIVE INTERIM DIVIDEND PAYOUT RATIO OF 60%

As a top performing gaming stock on the Hong Kong Stock Exchange, NagaCorp continues to deliver profitability and business volume growth at an impressive level compared to other gaming operations in the region, including name brand properties in Macau.

The Board has resolved to declare an interim dividend of US cents 1.51 per share (or equivalent to HK cents 11.78 per share) for the six months ended 30 June 2012, representing a dividend pay-out ratio of 60% based on the net profit generated for the period.

Based on the closing market price of HK\$4.20 on 30 June 2012, the Company's half-year dividend yield for the six months ended 30 June 2012 was 2.8%, which continues to be impressive among gaming companies in any part of the world.

## SOCIAL RESPONSIBILITIES

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. This year is no different. For instance, during the first half of this year, we sponsored the Cambodia National Tennis Team to compete at the Davis Cup Tournament in Doha, Qatar. We also sponsored the Cambodia Olympics team at this year's summer Olympics in London.

We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.

## **CORPORATE GOVERNANCE**

NagaCorp has engaged an independent professional party to review the internal controls of the 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 2012. 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 their appreciation to our employees for their hard work and dedication, and to our shareholders, customers and suppliers for their continued support.

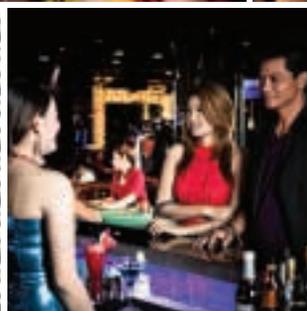
**Timothy Patrick McNally** *Chairman*

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

Hong Kong  
8 August 2012



NAGAROCK PREMIUM MASS  
LIFESTYLE CASINO





## MANAGEMENT DISCUSSION AND ANALYSIS

The Group owns, manages and operates the largest integrated gaming and entertainment hotel complex in Cambodia, NagaWorld. NagaWorld is the only licensed casino in the capital city of Phnom Penh. NagaWorld features a world-class 720-room hotel, 13 food and beverage outlets, a nightclub, karaoke lounge, and spa. NagaWorld is also widely recognised as a popular meetings, incentives, conventions and exhibitions ('MICE') facilities destination in Indochina. This includes 25,000 square meters of meeting and ballroom space, (6,500 square-meter ballroom), a 60-seat auditorium, and state-of-the-art exhibition space. With a built-up area of approximately 110,768 square meters, NagaWorld's scope positions it as a leading entertainment destination in Indochina.

The Group 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 (excluding 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 on 19 October 2006.

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of US cents 1.51 per share (or equivalent to HK cents 11.78 per share) for the six months ended 30 June 2012 to shareholders of the Company. This represents a dividend payout ratio of approximately 60% based on the net profit for the period. The interim dividend shall be paid on 28 September 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

### Performance Highlights

For the period ended 30 June 2012 and comparative periods:

|   | <b>1H 2012</b>   | 1H 2011   |
|---|------------------|-----------|
|   | <b>US\$'000</b>  | US\$'000  |
| <b>Public Floor Gaming Tables</b>         |                  |           |
| – Buy-ins                                 | <b>159,979</b>   | 116,916   |
| – Win Rate                                | <b>23.9%</b>     | 23.9%     |
| – Revenue                                 | <b>38,287</b>    | 27,857    |
| <b>Electronic Gaming Machines</b>         |                  |           |
| – Bills-in                                | <b>465,416</b>   | 379,569   |
| – Win Rate                                | <b>11.7%</b>     | 11.8%     |
| – Win per unit per day (WUD) (US\$)       | <b>238</b>       | 236       |
| – Revenue excluding 2011 Upfront Fee      | <b>35,423</b>    | 30,802    |
| – 2011 Upfront Fee                        | —                | 8,000     |
| – Revenue including 2011 Upfront Fee      | <b>35,423</b>    | 38,802    |
| – No. of machines at end of period        | <b>1,351</b>     | 1,035     |
| <b>Junket Floor Gaming Tables</b>         |                  |           |
| – Rollings                                | <b>2,041,455</b> | 1,569,544 |
| – Win Rate                                | <b>2.5%</b>      | 2.3%      |
| – Revenue                                 | <b>50,231</b>    | 35,685    |
| – Number of visitors (persons)            | <b>10,963</b>    | 7,009     |
| <b>Hotel and Entertainment Operations</b> |                  |           |
| – Revenue                                 | <b>8,300</b>     | 9,442     |
| – Average room occupancy rate             | <b>84.4%</b>     | 75.2%     |

In 1H2011, the Group's financial performance had included revenue from an Upfront Fee of US\$8 million collected from a new electronic gaming machines joint venture (the "2011 Upfront Fee"). There was no similar fee recognised in the current period of six months ended 30 June 2012. For the purpose of comparison and analysis, the table below illustrates the effect on the condensed consolidated statement of income had the 2011 Upfront Fee been excluded. Analysis and commentary has been prepared on the basis of this table.

|  |                                   | 1H 2012 vs<br>1H 2011<br>(Including<br>2011<br>Upfront<br>Fee)<br>Increase<br>(%) | 1H 2012 vs<br>1H 2011<br>(Excluding<br>2011<br>Upfront<br>Fee)<br>Increase<br>(%) |
|--|-----------------------------------|---|---|
|  | <b>1H 2012</b><br><b>US\$'mil</b> | 1H 2011<br>(Including<br>2011<br>Upfront<br>Fee)<br>US\$'mil                      | 1H 2011<br>(Excluding<br>2011<br>Upfront<br>Fee)<br>US\$'mil                      |
| Revenue  | <b>132.2</b>                      | 111.8   | 103.8   |
| Gross Profit   | <b>93.7</b>                       | 79.9  | 71.9  |
| Gross Profit Margin  | <b>71%</b>                        | 72%   | 69%   |
| Earnings before interest, tax,<br>depreciation and amortization (EBITDA) | <b>64.7</b>                       | 55.4  | 47.4  |
| EBITDA Margin  | <b>49%</b>                        | 50%   | 46%   |
| Profit before taxation (PBT)   | <b>54.6</b>                       | 47.9  | 39.9  |
| Net Profit   | <b>52.4</b>                       | 45.9  | 37.9  |
| Net Profit Margin  | <b>40%</b>                        | 41%   | 37%   |

## BUSINESS OVERVIEW

During the first half of this year, global stock markets peaked in March and fell sharply in May amidst growing concerns on the European sovereign debt crisis. Despite the volatile economic conditions in various countries, the Company has recorded healthy growth in all its business segments.

Worldwide international tourist arrivals continued to grow by 5% to 285 million in the first four months of 2012 compared to 2011. By the end of this year, international tourist arrivals are projected to reach the historic 1 billion mark (Source: World Tourism Organisation). Tourist arrivals in Cambodia continued to significantly outpace worldwide tourism growth by

recording an increase of 26.8% to 1.76 million visitors in the first six months of 2012 as compared to the same period in 2011. During the first six months of 2012, Vietnam tourist arrivals rose to 378,133 visitors, an increase of 30.5% year-on-year. Laos and Thailand tourist arrivals improved tremendously with a year-on-year increase of 87.0% and 90.8% respectively; registering a total number of 103,233 visitors and 91,855 visitors respectively. Currently, tourist arrivals to Cambodia from the Indochina region accounted for 32.8% of total tourist arrivals during the first six months. Vietnam accounted for 21.5% of total tourist arrivals, representing the largest proportion of tourist to Cambodia (Source: Ministry of Tourism, Cambodia).

## MANAGEMENT DISCUSSION AND ANALYSIS

We launched our first loyalty programme called the Golden Edge Rewards Club in January 2012. To date, we have successfully captured more than 14,300 members. The loyalty programme will enable us to better understand the members profile and create targeted gaming and promotional marketing efforts. We also conduct daily, monthly and quarterly lucky draws to encourage visitation and gaming from our members.

The strong visitation from the Indochina region, especially Vietnam has encouraged us to stay focused to attract visitations from this market. In May 2012, the Group opened its first office in the business district of Ho Chi Minh City to facilitate the Company's sales and marketing efforts in Vietnam. In conjunction with the Vietnam office opening, we also launched the Luxury Bus service from Ho Chi Minh City to Phnom Penh, as a part of the joint efforts with the Ministry of Tourism Cambodia to promote tourism to the Kingdom of Cambodia.

### Public Floor Gaming Tables

During the period, revenue from the public floor gaming tables increased by 37.3% to US\$38.3 million. This is a result of higher buy-ins, whilst maintaining a healthy win rate of 23.9%. The buy-ins on the public floor increased by 36.8% to US\$160.0 million during the period.

The Company's strategy of emphasising the mass gaming market has resulted in the impressive growth in buy-ins on the public floors, which is supported by the strong growth in tourist arrivals. The successful launch of the loyalty program in January 2012 and the opening of the NagaRock lifestyle premium mass casino in February 2012 have also contributed to the growth in business volume. Our strategy to segmentise the mass market player based on their profiles and playing habits have driven incremental business volume within the different public floor gaming area. For example, NagaRock has managed to attract the higher-end public floor players who look for a more relaxed and entertaining gaming environment with higher table limits. This has freed up the space of other public floor gaming areas for the lower to mid-end mass market players.

Since the launch of the Luxury Bus programme from Ho Chi Minh City to Phnom Penh, we have seen increase in Vietnamese visitation. The tour packages have been well received in Ho Chi Minh City.

### Electronic Gaming Machines (EGMs)

The proven success of the Rapid1 gaming area launched in 2H2011 has led to the launch of Rapid2 gaming area in June this year, with 92 machines. The rapid gaming area is one of the strategies to further segmentise the mass market by moving the lower end players from the main public floor gaming tables to the rapid gaming machines with lower limits, driving incremental business volume growth in the overall mass market.

The increased demand for EGMs have translated into an increase in bills-in of 22.6% to US\$465.4 million during the period. Excluding the 2011 Upfront Fee of US\$8 million, revenue during the period increased by 15.0% to US\$35.4 million. Win Rate on the EGMs have also been maintained at a healthy 11.7%.

### Junket Floor Gaming Tables

The junket business continues to be an important market for the Company. Despite the Company's conservative credit policy implemented since 2009, the junket business has been experiencing a stable and manageable increase in number of players and business volume. The conservative credit policy is aimed at earning stable growth in revenue, whilst minimising gaming volatility. Rollings have increased by 30.1% to approximately US\$2.0 billion during the period, translating into a 40.8% increase in revenue to US\$50.2 million. Win Rate increased from 2.3% to 2.5%.

The Company will continue to maintain a conservative gaming policy with selective granting of credit to reputable junket operators with proven track record to further drive the business volume. Meanwhile, we will continue to grow our own direct VIP players organically to build a strong player database.

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

The non-gaming revenue represents revenue derived from the provision of hotel, food & beverage and entertainment services to both gaming and non-gaming patrons. Included in the non-gaming revenue of 1H2011 is an amount of US\$3.3 million representing inter-segment sales which was inadvertently included in the Group's condensed consolidated financial statements. If adjusted, the 1H2011 non-gaming revenue would be US\$6.1 million. Based on this, non-gaming revenue increased by 36.1% on the back of increased average occupancy rates from 75.2% to 84.4%.

The Company's strategic marketing efforts in key target markets aims to provide internationally recognised services to both gaming and non-gaming patrons and continues to carve NagaWorld a unique niche in an increasingly competitive landscape.

### **Gross Profit**

During the period, the Group continued to maintain its high gross profit margin of over 70% due to higher contribution from the public floor, gaming machines and hotel and entertainment segments which accounted of 62.0% of total revenue in 1H2012. These business segments do not incur rolling commissions, compared to the junket business where commissions are paid based on rollings by junket players.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 17.5% to US\$29.8 million during the period from US\$25.3 million in same period of 2011. The increased expenses were required to support the higher business volume (36.8% increase in buy-ins for public floor gaming table business, 22.6% increase in bill-ins for electronic gaming machines business and 30.1% increase in junket rollings) and the opening of

new gaming areas and non-gaming outlets during the period. Staff related costs also increased due to the hiring of experienced and qualified staff to facilitate the new regional marketing efforts and property enhancements of NagaWorld.

### **Finance Costs**

The Group did not incur any finance costs as there were no financing arrangements as at 30 June 2012. The Group has continued to remain ungeared.

### **Net Profit**

Excluding the 2011 Upfront Fee of US\$8 million, net profit margin for the period was higher at 40% compared to 37% in 1H2011. Net profit also increased by 38% to US\$52.4 million during the period, from US\$37.9 million in the same period of 2011.

The higher business volume registered across all business segments and continuous improvement in operational efficiency has contributed to the increase in net profit. We continue to maintain operational efficiency through better cost control as well as effective marketing efforts in various market segments to maintain the interest of our gaming customers and drive incremental revenues.

## **FINANCIAL REVIEW**

### **Pledge of Assets**

As at 30 June 2012, the Group had not pledged any assets for bank borrowings (31 December 2011: Nil).

### **Contingent Liabilities**

As at 30 June 2012, the Group had no contingent liabilities (31 December 2011: Nil).

### **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 TanSriChen Inc. ("TSC Inc.") and TanSriChen (Citywalk) Inc. ("City Walk Inc.").

# MANAGEMENT DISCUSSION AND ANALYSIS

The agreed consideration for the transaction is US\$369,000,000, divided into 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.

In advance of shareholder consideration on this agreement, a shareholder circular was issued by the Company on 30 December 2011 detailing all aspects of the agreement. An Extraordinary General Meeting (“EGM”) was held on 30 January 2012 at which a resolution was passed by the independent shareholders to approve the acquisition agreement and ancillary matters.

Please refer to the Company’s announcements dated 13 June 2011, 22 June 2011, 19 August 2011, 4 October 2011, 26 October 2011, 17 November 2011, 28 December 2011 and 30 January 2012, and circular dated 30 December 2011 for details on the transaction.

## Exchange Rate Risk

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

## Issue of New Shares

There were no share issues during the period.

## Liquidity, Financial Resources and Gearing

As at 30 June 2012, the Group had total cash and cash equivalents and fixed deposits at bank of approximately US\$85.1 million (31 December 2011: approximately US\$64.8 million).

As at 30 June 2012, the Group had net current assets of approximately US\$55.9 million (31 December 2011: US\$76.4 million). The Group had net assets of approximately US\$372.6 million as at 30 June 2012 (31 December 2011: US\$352.5 million).

As at 30 June 2012 and 31 December 2011, the Group had no outstanding borrowings.

## Capital and Reserves

As at 30 June 2012, the capital and reserves attributable to owners of the Company was approximately US\$372.6 million (31 December 2011: US\$352.5 million).

## Staff

As at 30 June 2012, the Group employed a total work force of 4,134 (as at 30 June 2011: 3,359), stationed in Cambodia, Malaysia, Hong Kong and United States. The remuneration and staff costs for the period were approximately US\$14.3 million (for the six months ended 30 June 2011: approximately US\$12.5 million).

## Employee benefits

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

### **Trade Receivables and Credit Policy**

The Company continues to monitor the changes in trade receivables and focused on their recovery, resulting in a 23% decrease in trade receivables from US\$13.3 million to US\$10.3 million during the period. This is a manageable level of receivables and is trending downwards.

For the period under review, the Group has made provision of impairment loss amounting to US\$0.1 million (31 December 2011: US\$0.3 million) and bad debts written off amounting to US\$2.4 million (31 December 2011: Nil). These debts had been fully provided for in previous years.

The Company has adhered to its strict credit guidelines implemented since 2009. From time to time, we review and monitor our junket operators to ensure they comply with the credit guidelines. We strive to maintain a win-win cordial commercial relationship with many of these junket operators for a long period of time. Mutual support from these junket operators are essential for the growth in the junket business going forward.

### **DEVELOPMENT OF NAGAWORLD**

The Company continually upgrades and improves NagaWorld by creating new gaming areas and upgrading existing facilities to cater to the changing needs of both gaming and non-gaming customers. In February 2012, we launched NagaRock, a lifestyle gaming, entertainment and dining venue targeted towards higher-end mass market customers seeking a high-energy entertainment venue, with higher table limits. With the successful launch of the Rapid1 gaming area, the Company launched, in June 2012, the Rapid2 gaming area with 92 machines. These rapid gaming areas are popular due to their low-scale options of table gaming.

During the first quarter of 2012, NagaWorld's third wing named the Pool Block added 110 hotel rooms to the 500 hotel rooms last year. Another 110 hotel rooms are scheduled to complete by September 2012. This new wing will feature a rooftop swimming pool, health club, and additional car park facilities. These new hotel rooms are especially catered for the Luxury Bus programme from Ho Chi Minh City to Phnom Penh. In addition, there are 7 luxury suites undergoing construction. These luxury suites will feature attached individual private gaming space for the enjoyment of high-end junket players who seek ultimate comfort, convenience and privacy. The luxury suites are scheduled to be completed by October 2012.

A new Vietnamese themed gaming area called Saigon Palace is slated to open by October 2012. NagaWorld will also add 3 new luxury retail outlets by third quarter of 2012. These outlets will feature international well-known luxury brands that are making their first entry into Cambodia.

The shareholders approval in January 2012 to acquire TSC Inc. and City Walk Inc. in a very substantial acquisition agreement with Tan Sri Dr Chen Lip Keong, marked a significant chapter in the history of NagaCorp. This new project, named Naga2, will feature over 1,000 hotel rooms, 50 VIP luxury suites, up to 18,738 square metres of retail space, a 3,000 seating capacity MICE/theatre facilities and additional gaming space. Upon completion of Naga2 within the next 3 to 5 years, NagaWorld will transform into an integrated resort, and its position as the gaming and entertainment hub of Indochina will be enhanced.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

In 2011, Cambodia registered a 14.2% growth in foreign direct investments (“FDIs”) amounting to US\$632 million from US\$553 million in 2010. These FDIs were mainly injected into the agriculture, tourism and construction sectors (Source: Ministry of Economy and Finance Cambodia). In April 2012, it was reported that Chinese President Hu Jintao wished to see the bilateral trade between China and Cambodia double to US\$5 billion by 2017, with the cooperation agreements signed to widen two national roads, build a bridge in Kandal province and improve irrigation infrastructure (Source: Phnom Penh Post). Additionally, in May 2012, it was reported that the United Kingdom Trade and Investment Office is planning to establish a permanent branch in Phnom Penh to facilitate the investment from United Kingdom (Source: Phnom Penh Post). These are positive signs in Cambodia’s economic development. Meanwhile, for 2012, the Ministry of Economy and Finance Cambodia has projected a GDP growth 6.9% and inflation rate to remain stable at 5%.

On the political front, during Cambodia’s third commune elections held on 4 June 2012, the ruling party, Cambodian People’s Party, achieved an overwhelming victory, winning 161 out of 173 communes in the province. This demonstrates the strong support for the ruling party by the people of Cambodia.

On the mass market business, NagaWorld will continue to benefit from the strong growth in tourist arrivals to Cambodia. Tourist arrivals into Cambodia are estimated to increase from 3.2 million to 7 million by 2020, representing a growth of approximately 119% (Source: Ministry of Tourism Cambodia). Our office in Vietnam and soon to be opened office in Thailand will enable us to increase our branding and awareness efforts to drive visitation growth to NagaWorld. We will continue to work closely with the Ministry of Tourism Cambodia to jointly promote Cambodia as a key destination in Indochina.

On the junket business, we believe the conservative credit policy combined with relatively low table limits and higher rolling commissions provided to the junket operators will continue to strengthen and drive the junket business. The Company will continue to grow the low to mid-end junkets business, conservatively penetrate the higher end junket markets and build a strong direct VIP player database.

In the longer term, the completion of Naga2 will transform NagaWorld into an integrated gaming and entertainment destination in Indochina, offering international standards of products and services to its customers from surrounding and growing economies. This will benefit Cambodia as the host nation, and in turn, delivering value to the Company’s shareholders.

RELAX,  
RENEW,  
REVITALIZE



# DISCLOSURE OF INTERESTS

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

The Directors and the chief executives who held office at 30 June 2012 had the following interests and short position in the shares and underlying shares of the Company or any of its 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:

### Interests in issued shares

| Name of director          | Capacity   | Number of ordinary shares held | % of total issued ordinary shares |
|---------------------------|--|--------------------------------|-----------------------------------|
| Tan Sri Dr Chen Lip Keong | Interest in control corporation-Cambodia Development Corporation ("CDC") <sup>(Note 1)</sup> | 162,260,443 (L)                | 7.79 (L)                          |
| Tan Sri Dr Chen Lip Keong | Beneficiary of a trust declared by Fourth Star Finance Corp. <sup>(Note 2)</sup>             | 493,917,323 (L)                | 23.72 (L)                         |
| Tan Sri Dr Chen Lip Keong | Beneficial owner   | 385,617,532 (L)                | 18.52 (L)                         |
| Tan Sri Dr Chen Lip Keong | Beneficial owner <sup>(Note 3)</sup>   | 1,566,282,107(L)               | 75.23 (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) These 1,566,282,107 shares are the consideration for the very substantial acquisition for TanSriChen Inc. and TanSriChen (CityWalk) Inc. ("Target Companies") under the conditional Share Purchase Agreement and a supplemental agreement entered into between the Company and Tan Sri Dr Chen Lip Keong on 13 June 2011 and 28 December 2011 respectively. They will not be issued until the respective completion applicable to each of the Target Companies. The deadline for the fulfillment of the conditions precedent in respect of the purchases of each target company is 12 June 2016.
- (4) The letter "L" denotes the entity's long position in the shares.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

## 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 authorized, 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 2012 and there are no outstanding share options at 30 June 2012.

Apart from the foregoing, at no time during the six months ended 30 June 2012 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 2012, 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:

| <b>Substantial shareholders</b>                      | <b>Capacity</b>   | <b>Number of ordinary shares held</b> | <b>% of total issued ordinary shares</b> |
|--|-------------------|---------------------------------------|--|
| Cambodia Development Corporation <sup>(Note 1)</sup> | Beneficial owner  | 162,260,443 (L)                       | 7.79 (L)                                 |
| Fourth Star Finance Corp. <sup>(Note 1 and 2)</sup>  | Trustee           | 493,917,323 (L)                       | 23.72 (L)                                |
| OSK Investment Bank (Labuan) Limited                 | Security interest | 236,956,383 (L)                       | 11.38 (L)                                |

Notes:

- (1) The beneficial owner of Cambodia Development Corporation and Fourth Star Finance Corp. is Tan Sri Dr Chen Lip Keong.
- (2) Fourth Star Finance Corp. is the trustee of a trust to which Tan Sri Dr Chen Lip Keong is a beneficiary.
- (3) The letter "L" denotes the entity's long position in the shares.

## DISCLOSURE OF INTERESTS

Save as disclosed above and so far as the Directors and the chief executives of the Company are aware of, as at 30 June 2012, 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.

### **INTERIM DIVIDEND**

The Board has resolved to declare payment of an interim dividend of US cents 1.51 per share (or equivalent to HK cents 11.78 per share) for the six months ended 30 June 2012 (the "Interim Dividend") payable to the shareholders of the Company whose name appear on the register of members of the Company at the close of business on 28 August 2012. This represents a dividend pay-out ratio of approximately 60%, based on the net profit generated for the period. The interim dividend shall be paid on 28 September 2012.

### **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from Friday, 24 August 2012 to Tuesday, 28 August 2012 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 August 2012.



LET'S PARTY



# INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

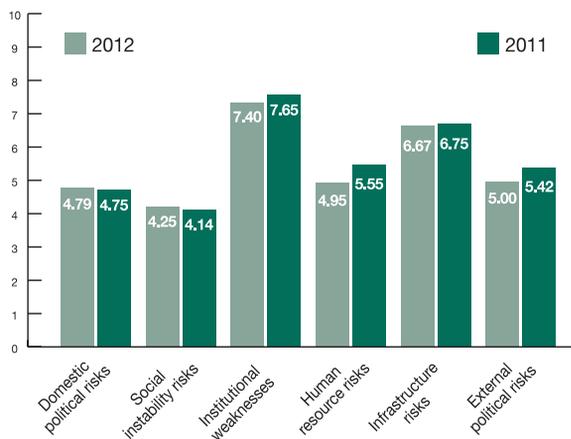
Political and Economic Risk Consultancy, Ltd. (“PERC”)  
 20/F, Central Tower  
 28 Queen’s Road, Central  
 Hong Kong

## 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.

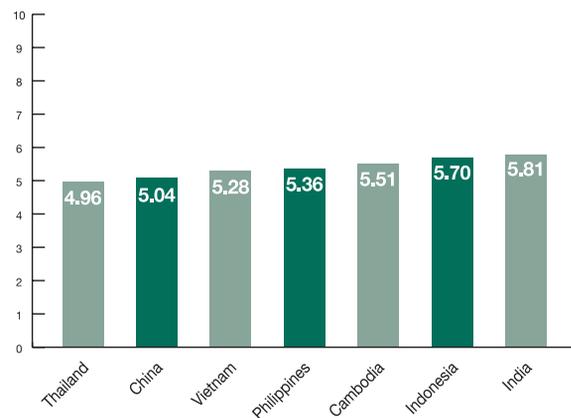
Based on the assessments and reviews carried out between early December 2011 and early January 2012, we summarised our findings below:

### Perceptions of Cambodia’s Business Environment Risks



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

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



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

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

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

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equals the score of a broader variable, while the weighted sum of the grades of the broad variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

The maximum possible risk rating is 10 (the worst grade possible) while the minimum is 0 (the most favorable grade possible). In PERC's most recent risk survey, in which the overall risk rating was graded 5.51 (slightly better than one year ago). The country is making progress in strengthening its institutions and building new physical infrastructure. The quality of labor is improving and, more importantly, its relative cost competitiveness has improved, especially vis-à-vis China. This is stimulating the growth of foreign investment and exports, diversifying the economic base, while increasing the country's attractiveness as a destination for foreign tourists, particularly from other Asian countries.

External political risks have decreased. Cambodia enjoys strong and stable relations with China, Vietnam, the US and other major trading partners. Its border problems with Thailand have diminished compared with one year ago, while its relations with other ASEAN members are supporting Cambodia's development efforts.

With local elections scheduled for this year and national elections in 2013, there has been a small increase in domestic political and social disorder risks, which is normal during election years no matter what the country, but the trend toward smoother election campaign periods in Cambodia should continue. The system of democracy is young and still developing, but it has weathered its teething period and is proving its durability. More importantly, political predictability is high in terms of the ruling CPP's being able to win another clear majority in both local and national elections and the continuity of its policies. Risks of political shocks such as a coup or other form of disruptive political change are small.

Cambodia's economy is not immune to the economic problems of the euro-zone and the US, but its GDP growth should hold up better than in most other Asian countries in 2012 thanks to continuing strong foreign investment inflows and special treatment by major foreign markets that will help sustain export growth. There could be a slowdown in tourism growth due to weaker travel by Americans and Europeans, but the bulk of Cambodia's inbound tourists are not from these areas but from neighboring Asian countries, where the growth of tourism is likely to be much less affected by adverse global conditions.

## **POSITIVE DEVELOPMENTS**

- Cambodia's domestic political situation remains stable. Local elections will be held in 2012 and national elections in 2013. The current government with Hun Sen as prime minister and the Cambodian People's Party as the dominant political party will be returned to power by a large majority of the vote. Risks of a coup are small and diminishing.
- The government's policies are consistent and, therefore, predictable. They promote an economy led by the private sector and an open door to foreign investment in most industries. The emphasis is to keep strengthening the three core sectors, namely, rice farming, garment manufacturing, and tourism, while also expanding the base of the manufacturing, agriculture and services sectors so Cambodia has a wider range of industries on which to rely for growth.
- Even if the global economy slows in 2012, Cambodia will continue to enjoy one of the highest growth rates in Asia (6%-7% in real terms), supported by a further shift of manufacturing investment from China, preferential tariff treatment by the EU and other major trading partners, and the continued strong growth of foreign visitors from countries like Vietnam and China that will be less affected by the economic slowdown that will hit the US and the EU.
- The growth and diversification of the economy have reduced the country's reliance on foreign aid. Although donor countries remain committed to the Kingdom and sustaining or raising their loans and aid, a growing share of investments is being financed domestically and with foreign private direct investment.
- The country continues to enjoy greater exchange rate stability than any other ASEAN country.

# INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

## THE CHALLENGES

- The biggest infrastructure challenge Cambodia faces going into 2012 and 2013 will be the high cost of electric power. The country is increasing its power generation capacity rapidly and the supply of electricity is much more reliable than it used to be. These improvements will continue, with new hydroelectric plants being completed. But the continuing high cost of electricity is hurting the country's competitiveness by undermining other advantages like the low cost of labor.
- The biggest human resource challenge involves weaknesses in the education system. The strong growth of foreign direct investment is increasing demand for labor with a wider range and more sophisticated skills, but the educational system is not being expanded and improved fast enough to meet fully this new demand.
- The country's institutional capacity, although improving, remains weak and uneven. This adds to business costs, hurts the quality of governance, increases inefficiency, and makes it difficult to deal with problems like corruption.
- Closely related to the problem of weak institutions is the large and inefficient bureaucracy. Many regulations are unclear and excessive. The result is not only bureaucratic inertia, but also increased costs and time delays for business that ultimately are hurting the economy.
- Overcoming the destruction of the Khmer Rouge years remains a challenge. In particular, land-ownership records were destroyed during this period, leaving a situation where disputes involving who has the right to occupy and develop land are straining the country's court system and becoming a source of friction and an issue motivating demonstrations.

### **Robert Broadfoot**

Managing Director  
PERC

Hong Kong, 16 January 2012

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

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

# CORPORATE GOVERNANCE REPORT

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT**

The revised Appendix 14, Corporate Governance Code and Corporate Governance Report (the “Revised Code”) took effect on 1 April 2012 and applies to financial reports covering periods after 1 April 2012. The Directors, having reviewed the corporate governance practices of the Company, and considered, among other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (for the period from 1 January 2012 to 31 March 2012) and Revised Code (for the period from 1 April 2012 to 30 June 2012) contained in Appendix 14 to the Listing Rules.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 for the six months ended 30 June 2012.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2012, 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 2012, 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 2012 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 2012 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.

# CORPORATE GOVERNANCE REPORT

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

For the six months ended 30 June 2012, the Nomination Committee has convened one meeting and considered, among other things, the composition of the Board, change of chairman of the Nomination Committee 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 Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Lim Mun Kee, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2012, the Remuneration Committee has convened two meetings 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.

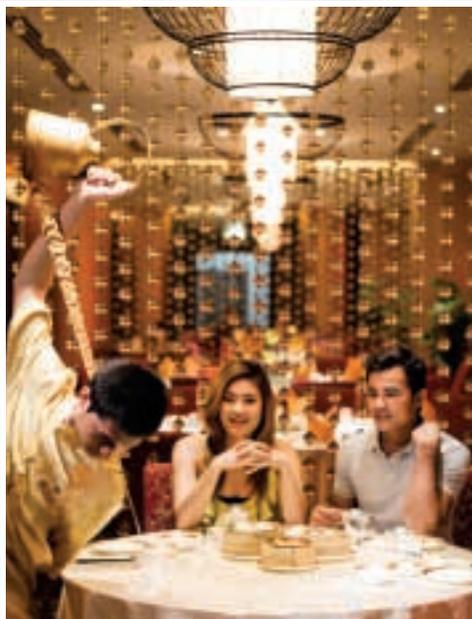
AML Oversight Committee consists of Mr. Timothy Patrick McNally (Chairman), Tan Sri Dr Chen Lip Keong, Mr. Michael Lai Kai Jin and Mr. Chen Yepern.

For the six months ended 30 June 2012, the AML Oversight Committee has convened two meetings 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 2012. 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 2012.

The Company has engaged an independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2011 and set out the findings of the assessment in this interim report. Please refer to "Independent Review of Investment Risks in Cambodia" on pages 30 to 32 for details.

# WORLD CLASS DINING EXPERIENCE





# LUXURY BUS FLEET CONNECTING HO CHI MINH CITY TO NAGAWORLD



# 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 39 to 63, which comprise the condensed consolidated statement of financial position of NagaCorp Ltd. and its subsidiaries as of 30 June 2012 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.

Yours faithfully

**BDO Limited**

25<sup>th</sup> Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

Hong Kong, 8 August 2012

# CONDENSED CONSOLIDATED STATEMENT OF INCOME

**For the six months ended 30 June 2012 (unaudited)**

(Expressed in United States dollars)

|   | Note | Six months ended 30 June      |                               |
|---|------|-------------------------------|-------------------------------|
|   |      | 2012<br>\$'000<br>(Unaudited) | 2011<br>\$'000<br>(Unaudited) |
| <b>Revenue</b>                                      | 4    | <b>132,241</b>                | 111,786                       |
| Cost of sales                                       |      | <b>(38,489)</b>               | (31,838)                      |
| <b>Gross profit</b>                                 |      | <b>93,752</b>                 | 79,948                        |
| Other income  |      | <b>771</b>                    | 831                           |
| Administrative expenses                             |      | <b>(17,242)</b>               | (14,424)                      |
| Other operating expenses                            |      | <b>(22,646)</b>               | (18,450)                      |
| <b>Profit before taxation</b>                       | 5    | <b>54,635</b>                 | 47,905                        |
| Income tax  | 6    | <b>(2,238)</b>                | (1,989)                       |
| <b>Profit attributable to owners of the Company</b> |      | <b>52,397</b>                 | 45,916                        |
| <b>Earnings per share (US cents)</b>                | 8    | <b>2.52</b>                   | 2.21                          |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 (unaudited)

(Expressed in United States dollars)

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2012                     | 2011        |
|  | \$'000                   | \$'000      |
|  | (Unaudited)              | (Unaudited) |
| <b>Profit for the period</b>   | <b>52,397</b>            | 45,916      |
| <b>Other comprehensive income for the period:</b>                                      |                          |             |
| Exchange adjustments   | —                        | (2)         |
| <b>Total comprehensive income attributable to owners of the Company for the period</b> | <b>52,397</b>            | 45,914      |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 (unaudited)

(Expressed in United States dollars)

|   | Note | 30 June<br>2012<br>\$'000<br>(Unaudited) | 31 December<br>2011<br>\$'000<br>(Audited) |
|---|------|--|--|
| <b>Non-current assets</b>   |      |  |  |
| Property, plant and equipment                                     | 10   | 221,952                                  | 187,084                                    |
| Interest in leasehold land held for own use under operating lease |      | 628                                      | 632  |
| Intangible assets   | 11   | 82,163                                   | 83,936                                     |
| Prepayments for purchase of construction materials                | 13   | 11,974                                   | 4,408                                      |
|   |      | <b>316,717</b>                           | 276,060                                    |
| <b>Current assets</b>   |      |  |  |
| Consumables   |      | 1,176                                    | 1,242                                      |
| Trade and other receivables                                       | 12   | 22,647                                   | 24,391                                     |
| Prepayments for purchase of construction materials                | 13   | 915                                      | 5,150                                      |
| Fixed deposits at bank  | 14   | 25,000                                   | 35,500                                     |
| Cash and cash equivalents   |      | 60,078                                   | 29,264                                     |
|   |      | <b>109,816</b>                           | 95,547                                     |
| <b>Current liabilities</b>  |      |  |  |
| Trade and other payables  | 15   | 21,285                                   | 18,794                                     |
| Dividend payable  |      | 32,280                                   | —  |
| Current tax liability   |      | 373                                      | 332  |
| Obligations under finance leases                                  |      | —  | 3  |
|   |      | <b>53,938</b>                            | 19,129                                     |
| <b>Net current assets</b>   |      | <b>55,878</b>                            | 76,418                                     |
| <b>NET ASSETS</b>   |      | <b>372,595</b>                           | 352,478                                    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**At 30 June 2012 (unaudited)**

(Expressed in United States dollars)

|                             | Note | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|-----------------------------|------|--|--|
| <b>CAPITAL AND RESERVES</b> |      |  |  |
| Share capital               | 16   | <b>26,026</b>                                      | 26,026                                     |
| Reserves                    |      | <b>346,569</b>                                     | 326,452                                    |
| <b>TOTAL EQUITY</b>         |      | <b>372,595</b>                                     | 352,478                                    |

Approved and authorised for issue by the Board on 8 August 2012.

**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 2012 (unaudited)**

(Expressed in United States dollars)

|  | Note | Share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Merger<br>reserve<br>\$'000 | Capital<br>contribution<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Retained<br>profits<br>\$'000 | Total<br>\$'000 |
|--|------|----------------------------|----------------------------|-----------------------------|--|-------------------------------|-------------------------------|-----------------|
| <b>Balance at 1 January 2011 (audited)</b>                         |      | 26,026                     | 135,498                    | (12,812)                    | 55,568                                       | 62                            | 104,345                       | 308,687         |
| <b>Changes in equity for the six months ended 30 June 2011:</b>    |      |                            |                            |                             |  |                               |                               |                 |
| 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                                       |      | —                          | —                          | —                           | —  | —                             | (16,101)                      | (16,101)        |
| <b>Balance at 30 June 2011 and<br/>1 July 2011 (unaudited)</b>     |      | 26,026                     | 135,498                    | (12,812)                    | 55,568                                       | 60                            | 134,160                       | 338,500         |
| <b>Changes in equity for the six months ended 31 December 2011</b> |      |                            |                            |                             |  |                               |                               |                 |
| Profit for the period  |      | —                          | —                          | —                           | —  | —                             | 46,114                        | 46,114          |
| Other comprehensive income   |      | —                          | —                          | —                           | —  | 5                             | —                             | 5               |
| Total comprehensive income for the period                          |      | —                          | —                          | —                           | —  | 5                             | 46,114                        | 46,119          |
| 2011 interim dividend declared                                     | 7    | —                          | —                          | —                           | —  | —                             | (32,141)                      | (32,141)        |
| <b>Balance at 31 December 2011 (audited)</b>                       |      | 26,026                     | 135,498                    | (12,812)                    | 55,568                                       | 65                            | 148,133                       | 352,478         |
| <b>Balance at 1 January 2012 (audited)</b>                         |      | 26,026                     | 135,498                    | (12,812)                    | 55,568                                       | 65                            | 148,133                       | 352,478         |
| <b>Changes in equity for the six months ended 30 June 2012:</b>    |      |                            |                            |                             |  |                               |                               |                 |
| Profit and total comprehensive income<br>for the period            |      | —                          | —                          | —                           | —  | —                             | 52,397                        | 52,397          |
| 2011 final dividend declared                                       |      | —                          | —                          | —                           | —  | —                             | (32,280)                      | (32,280)        |
| <b>Balance at 30 June 2012 (unaudited)</b>                         |      | 26,026                     | 135,498                    | (12,812)                    | 55,568                                       | 65                            | 168,250                       | 372,595         |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**For the six months ended 30 June 2012 (unaudited)**

(Expressed in United States dollars)

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2012</b>                     | 2011        |
|   | <b>\$'000</b>                   | \$'000      |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| <b>Cash generated from operations</b>                   | <b>68,707</b>                   | 57,070      |
| Tax paid  | <b>(2,197)</b>                  | (1,658)     |
| <b>Net cash from operating activities</b>               | <b>66,510</b>                   | 55,412      |
| <b>Net cash used in investing activities</b>            | <b>(35,693)</b>                 | (36,720)    |
| <b>Net cash used in financing activities</b>            | <b>(3)</b>                      | (1)         |
| <b>Net increase in cash and cash equivalents</b>        | <b>30,814</b>                   | 18,691      |
| <b>Cash and cash equivalents at beginning of period</b> | <b>29,264</b>                   | 22,852      |
| <b>Cash and cash equivalents at end of period</b>       | <b>60,078</b>                   | 41,543      |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

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

The condensed consolidated financial statements for the six months ended 30 June 2012 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 2012 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.

## 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 2011 (the “2011 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 2011 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 2011 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:

Amendments to IFRS 7

Disclosure – Transfers of Financial Assets

Amendments to IAS 12

Deferred Tax – Recovery of Underlying Assets

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 2012 and which have not been early adopted in these condensed consolidated financial statements.

|                                  |  | <b>Effective for<br/>accounting period<br/>beginning<br/>on or after</b> |
|----------------------------------|--|--|
| IFRSs (Amendments)               | Annual Improvements 2009 to 2011 Cycle                             | 1 January 2013   |
| Amendments to IFRS 7             | Disclosure – Offsetting Financial Assets and Financial Liabilities | 1 January 2013   |
| Amendments to IAS 32             | Offsetting Financial Assets and Financial Liabilities              | 1 January 2014   |
| Amendments to IAS 1<br>(Revised) | Presentation of Items of Other Comprehensive Income                | 1 July 2012  |
| IFRS 9                           | Financial Instruments  | 1 January 2015   |
| 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 |             |
|---|--------------------------|-------------|
|   | 2012                     | 2011        |
|   | \$'000                   | \$'000      |
|   | (Unaudited)              | (Unaudited) |
| Casino operations – gaming tables                         | 88,518                   | 63,542      |
| Casino operations – electronic gaming machine stations    | 35,423                   | 38,802      |
| Hotel room income, sales of food and beverages and others | 8,300                    | 9,442       |
|   | 132,241                  | 111,786     |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 5. PROFIT BEFORE TAXATION

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

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2012</b>                     | 2011        |
|   | <b>\$'000</b>                   | \$'000      |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| Interest income   | <b>(429)</b>                    | (731)       |
| Auditor's remuneration  |                                 |             |
| – Current period  | <b>125</b>                      | 104         |
| – Under-provision for prior period  | <b>59</b>                       | 53          |
| Amortisation of casino licence premium                                    | <b>1,773</b>                    | 1,773       |
| Depreciation and amortisation   | <b>8,251</b>                    | 5,761       |
| Impairment loss on trade receivables                                      | <b>89</b>                       | —           |
| Reversal of impairment loss on trade receivables<br>previously recognised | <b>(259)</b>                    | —           |
| Exchange loss, net  | <b>199</b>                      | 36          |
| Fuel expenses   | <b>4,483</b>                    | 3,848       |
| Operating lease charges for:  |                                 |             |
| – office and car park rental  | <b>280</b>                      | 233         |
| – land lease rental   | <b>93</b>                       | 93          |
| – hire of equipment   | <b>956</b>                      | 932         |
| Staff costs (Note (a))  |                                 |             |
| – Salaries, wages and other benefits                                      | <b>14,302</b>                   | 12,498      |
| – Contributions to defined contribution<br>retirement scheme              | <b>4</b>                        | 4           |

## 5. PROFIT BEFORE TAXATION (Continued)

Note:

(a) Included in staff costs are the following:

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2012                     | 2011        |
|   | \$'000                   | \$'000      |
|   | (Unaudited)              | (Unaudited) |
| Directors' remuneration                           |                          |             |
| – Basic salaries and allowances                   | 1,027                    | 562         |
| Senior management's remuneration                  |                          |             |
| – Basic salaries, allowances and benefits-in-kind | 1,722                    | 1,381       |

## 6. INCOME TAX

Income tax in profit or loss represents:

|                     | Six months ended 30 June |             |
|---------------------|--------------------------|-------------|
|                     | 2012                     | 2011        |
|                     | \$'000                   | \$'000      |
|                     | (Unaudited)              | (Unaudited) |
| Current tax expense |                          |             |
| – Current period    | 2,238                    | 1,989       |

Taxation represents the monthly gaming obligation payment of (1) \$256,577 (six months ended 30 June 2011: \$228,068) and monthly non-gaming obligation payment of \$116,438 (six months ended 30 June 2011: \$103,500) payable to The Ministry of Economy and Finance of Cambodia by NagaWorld Limited Gaming Branch, a branch registered under the name of NagaWorld Limited, a subsidiary of the Company incorporated in Hong Kong. There are no Malaysia or Hong Kong income taxes payable by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

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

|  | Six months ended 30 June      |                               |
|--|-------------------------------|-------------------------------|
|  | 2012<br>\$'000<br>(Unaudited) | 2011<br>\$'000<br>(Unaudited) |
| Interim dividend declared after the end of reporting period: |                               |                               |
| 2012: US cents 1.51 per ordinary share                       | <b>31,438</b>                 | —                             |
| 2011: US cents 1.54 per ordinary share                       | —                             | 32,141                        |
|  | <b>31,438</b>                 | 32,141                        |

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$52,397,000 (six months ended 30 June 2011: \$45,916,000) and the weighted average number of 2,082,078,875 (six months ended 30 June 2011: 2,082,078,875) ordinary shares in issue during the six months ended 30 June 2012.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2012 (six months ended 30 June 2011: 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.

## 9. SEGMENT INFORMATION (Continued)

### 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.

|  | Casino<br>operations<br>\$'000 | Hotel and<br>entertain-<br>-ment<br>operations<br>\$'000 | Total<br>\$'000 |
|--|--------------------------------|--|-----------------|
| <b>Segment revenue:</b>                    |                                |  |                 |
| Six months ended 30 June 2012 (unaudited): |                                |  |                 |
| Revenue from external customers            | 124,022                        | 8,219  | 132,241         |
| Inter-segment revenue                      | —                              | 16,686   | 16,686          |
| Reportable segment revenue                 | 124,022                        | 24,905   | 148,927         |
| 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         |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 9. SEGMENT INFORMATION (Continued)

### Segment results, assets and liabilities (Continued)

|                            | Casino<br>operations<br>\$'000 | Hotel and<br>entertain-<br>-ment<br>operations<br>\$'000 | Total<br>\$'000 |
|----------------------------|--------------------------------|--|-----------------|
| <b>Segment profit:</b>     |                                |  |                 |
| 30 June 2012 (unaudited)   | 56,708                         | 10,674   | 67,382          |
| 30 June 2011 (unaudited)   | 49,838                         | 7,026  | 56,864          |
| <b>Segment assets:</b>     |                                |  |                 |
| 30 June 2012 (unaudited)   | 427,983                        | 218,408  | 646,391         |
| 31 December 2011 (audited) | 372,702                        | 192,766  | 565,468         |

## 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 |             |
|--|--------------------------|-------------|
|  | 2012                     | 2011        |
|  | \$'000                   | \$'000      |
|  | (Unaudited)              | (Unaudited) |
| <b>Revenue</b>                                 |                          |             |
| Reportable segment revenue                     | 148,927                  | 123,594     |
| Elimination of inter-segment revenue           | (16,686)                 | (11,808)    |
| <b>Consolidated revenue</b>                    | <b>132,241</b>           | 111,786     |
| <b>Profit</b>                                  |                          |             |
| Reportable segment profit                      | 67,382                   | 56,864      |
| Depreciation and amortisation                  | (10,024)                 | (7,534)     |
| Unallocated head office and corporate expenses | (2,723)                  | (1,425)     |
| <b>Consolidated profit before taxation</b>     | <b>54,635</b>            | 47,905      |

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment totalling \$43,116,000 which included \$27,775,000 in respect of capital work-in-progress in relation to the construction of NagaWorld. The additions of \$28,083,000 have been included in the assets of the segment of hotel and entertainment operations as disclosed in note 9, while the remaining additions of \$14,836,000 have been included in those of the segment of casino operations.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 11. INTANGIBLE ASSETS

|   | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|---|--|--|
| <hr/>   |  |  |
| Casino licence premium and extended exclusivity premium |  |  |
| <b>Cost</b>   |  |  |
| At beginning and at end of period/year                  | <b>108,000</b>                                     | 108,000                                    |
| <hr style="border-top: 1px dashed #ccc;"/>              |  |  |
| <b>Accumulated amortisation</b>                         |  |  |
| At beginning of period/year                             | <b>24,064</b>                                      | 20,517                                     |
| Charge for the period/year                              | <b>1,773</b>                                       | 3,547                                      |
| <hr/>   |  |  |
| At end of period/year                                   | <b>25,837</b>                                      | 24,064                                     |
| <hr style="border-top: 1px dashed #ccc;"/>              |  |  |
| <b>Net book value</b>                                   |  |  |
| At end of period/year                                   | <b>82,163</b>                                      | 83,936                                     |
| <hr/>   |  |  |

## 12. TRADE AND OTHER RECEIVABLES

|   | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|---|--|--|
| Trade receivables                           | <b>19,192</b>                                      | 24,734                                     |
| Less: Allowance for impairment loss         | <b>(8,937)</b>                                     | (11,469)                                   |
|   | <b>10,255</b>                                      | 13,265                                     |
| Deposits, prepayments and other receivables | <b>8,551</b>                                       | 8,969                                      |
| Amounts due from related companies          | <b>3,841</b>                                       | 2,157                                      |
|   | <b>22,647</b>                                      | 24,391                                     |

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:

|                           | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|---------------------------|--|--|
| Current to within 1 month | <b>962</b>   | 167  |
| 1 to 3 months             | <b>1,888</b>                                       | 841  |
| 3 to 6 months             | —  | 1,150                                      |
| 6 to 12 months            | —  | 567  |
| More than 1 year          | <b>7,405</b>                                       | 10,540                                     |
|                           | <b>10,255</b>                                      | 13,265                                     |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 12. TRADE AND OTHER RECEIVABLES (Continued)

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

|   | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|---|--|--|
| At beginning of period/year                       | <b>11,469</b>                                      | 11,190                                     |
| Impairment loss recognised                        | <b>89</b>  | 279  |
| Bad debts written off                             | <b>(2,362)</b>                                     | —  |
| Reversal of impairment loss previously recognised | <b>(259)</b>                                       | —  |
| At end of period/year                             | <b>8,937</b>                                       | 11,469                                     |

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

## 13. PREPAYMENTS FOR PURCHASE OF CONSTRUCTION MATERIALS

As at the end of reporting period, prepayments for the purchase of construction raw materials relate to prepayments 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 1.75% to 4.5% (31 December 2011: 3.5% to 8.0%) per annum and mature in various periods up to July 2012 (31 December 2011: various periods up to April 2012).

## 15. TRADE AND OTHER PAYABLES

|                              | <b>30 June</b>     | 31 December |
|------------------------------|--------------------|-------------|
|                              | <b>2012</b>        | 2011        |
|                              | <b>\$'000</b>      | \$'000      |
|                              | <b>(Unaudited)</b> | (Audited)   |
| Trade payables               | 572                | 794         |
| Unredeemed casino chips      | 8,366              | 7,335       |
| Deferred revenue             | 176                | —           |
| Construction creditors       | 5,353              | 5,533       |
| Deposits                     | 101                | 96          |
| Accruals and other creditors | 6,717              | 5,036       |
|                              | <b>21,285</b>      | 18,794      |

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

|  | <b>30 June</b>     | 31 December |
|--|--------------------|-------------|
|  | <b>2012</b>        | 2011        |
|  | <b>\$'000</b>      | \$'000      |
|  | <b>(Unaudited)</b> | (Audited)   |
| Due within 1 month or on demand        | 317                | 718         |
| Due after 1 month but within 3 months  | 117                | 14          |
| Due after 3 months but within 6 months | 136                | 6           |
| Due after 6 months but within 1 year   | 2                  | 56          |
| Total                                  | <b>572</b>         | 794         |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 16.SHARE CAPITAL

### (i) Authorised

|  | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|--|--|--|
| 8,000,000,000 ordinary shares of \$0.0125 each | <b>100,000</b>                                     | 100,000                                    |

### (ii) Issued and fully paid

|                                     | <b>30 June 2012</b>                 |               | 31 December 2011          |        |
|-------------------------------------|-------------------------------------|---------------|---------------------------|--------|
|                                     | <b>No of shares<br/>(Unaudited)</b> | <b>\$'000</b> | No of shares<br>(Audited) | \$'000 |
| At beginning and end of period/year | <b>2,082,078,875</b>                | <b>26,026</b> | 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 2012 In respect of: (Unaudited) |  |                               |   |                 | 31 December 2011 In respect of: (Audited) |  |                               |   |                 |
|---------------|---|--|-------------------------------|---|-----------------|---|--|-------------------------------|---|-----------------|
|               | Land<br>lease<br>\$'000                 | Office,<br>staff<br>quarter<br>and<br>car park<br>rental<br>\$'000 | Equipment<br>rental<br>\$'000 | Gaming<br>machine<br>stations<br>\$'000 | Total<br>\$'000 | Land<br>lease<br>\$'000                   | Office,<br>staff<br>quarter<br>and<br>car park<br>rental<br>\$'000 | Equipment<br>rental<br>\$'000 | Gaming<br>machine<br>stations<br>\$'000 | Total<br>\$'000 |
| Within 1 year | 187                                     | 344  | 1,536                         | 1,236                                   | 3,303           | 187                                       | 325  | 1,536                         | 689                                     | 2,737           |
| 1 to 5 years  | 763                                     | 459  | 294                           | 2,153                                   | 3,669           | 754                                       | 162  | 1,063                         | 1,478                                   | 3,457           |
| After 5 years | 20,570                                  | 684  | —                             | —                                       | 21,254          | 20,672                                    | 706  | —                             | —                                       | 21,378          |
|               | <b>21,520</b>                           | <b>1,487</b>   | <b>1,830</b>                  | <b>3,389</b>                            | <b>28,226</b>   | 21,613                                    | 1,193  | 2,599                         | 2,167                                   | 27,572          |

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 18. CAPITAL COMMITMENTS

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

|   | <b>30 June<br/>2012<br/>\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>\$'000<br>(Audited) |
|---|--|--|
| Hotel and casino complex, Phnom Penh<br>– contracted but not incurred | <b>11,206</b>                                      | 17,205                                     |

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.

## 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 2011: Nil) and there are no outstanding share options at the end of reporting period (31 December 2011: 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 are 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 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 Cambodian 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.

## 20. RISK MANAGEMENT (Continued)

### (c) Credit risk

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 38% (31 December 2011: 44%) of the total trade and other receivables that were due from the five largest operators.

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 a regular 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 several years. Credit evaluations are performed on all customers requesting credit facilities.

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 2012                             |  | 31 December 2011                       |                                      |
|--------------------------------|--|--|--|--------------------------------------|
|                                | Effective interest rate %<br>(Unaudited) | One year or less \$'000<br>(Unaudited) | Effective interest rate %<br>(Audited) | One year or less \$'000<br>(Audited) |
| Bank deposits                  |  |  |  |                                      |
| – On demand                    | 0.01 to 1.5                              | 24,265                                 | 0.01 to 1.5                            | 10,961                               |
| – Fixed term of 7 days or less | 0.01                                     | 11                                     | 0.01                                   | 11                                   |
| – Within one year              | 1.75 to 4.5                              | 25,000                                 | 3.5 to 8.0                             | 35,500                               |
|                                |  | <b>49,276</b>                          |  | 46,472                               |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the six months ended 30 June 2012**

(Expressed in United States dollars)

## 20. RISK MANAGEMENT (Continued)

### (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 |             |
|------------------------|--------------------------|-------------|
|                        | 2012                     | 2011        |
|                        | \$'000                   | \$'000      |
|                        | (Unaudited)              | (Unaudited) |
| Travel expenses (note) | 360                      | 86          |

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 2012, amounts due from related companies of \$3,841,000 (31 December 2011: \$2,157,000) 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 \$3,841,000 (31 December 2011: \$2,157,000).

## **22. ULTIMATE CONTROLLING PARTY**

At 30 June 2012, Tan Sri Dr Chen Lip Keong is beneficially interested in 1,041,795,298 ordinary shares out of the 2,082,078,875 issued ordinary shares of the Company.

## **23. SUBSEQUENT EVENTS**

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 TanSriChen Inc. ("TSC Inc.") and TanSriChen (Citywalk) Inc. ("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 acquisition was approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 January 2012. The completion of the acquisition is subject to 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 the hotel and gaming complex, a retail walkway and a tourist park in Cambodia.



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