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**NAGACORPLTD.**

**金界控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 3918**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016**

### **Financial Highlights for 2016:**

- Gross Gaming Revenue increased by 4% to US\$500.8 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 12% to US\$256.1 million
- Net profit increased by 7% to US\$184.2 million
- VIP rollings increased by 11% to US\$8.7 billion
- Mass Market table buy-ins increased by 12% to US\$617.8 million
- Mass Market electronic gaming machines bills-in increased by 9% to US\$1.5 billion
- Basic earnings per share of US cents 7.89
- A final dividend for Shareholders and a distribution for the holder of the Convertible Bonds of US cent 0.82 per Share/Conversion Share (or equivalent to HK cents 6.36 per Share/Conversion Share) has been proposed. The Final Dividend and Distribution shall be paid on Monday, 15 May 2017.

The board of directors (the “Board”) of NagaCorp Ltd. (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2016 (the “Year”). The financial information for the Year contained in this announcement was prepared based on the audited consolidated financial statements.

Having considered the Company’s financial results, the Board has recommended the payment of a final dividend and distribution of US cent 0.82 per ordinary share of the Company (the “Shares”)/Conversion Share (or equivalent to HK cents 6.36 per Share/Conversion Share) for the Year (the “Final Dividend and Distribution”). The proposed Final Dividend and Distribution, and the interim dividend and distribution for the six months ended 30 June 2016, in the aggregate amount of US cents 3.59 per Share/Conversion Share (or equivalent to HK cents 27.82 per Share/Conversion Share) represent a dividend and distribution payout ratio of 60% based on the net profit generated for the Year. The Company will pay the Final Dividend and Distribution on Monday, 15 May 2017.

## CONSOLIDATED STATEMENT OF INCOME

	<i>Notes</i>	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
<b>Revenue</b>	2	<b>531,558</b>	503,655
Cost of sales		<b>(164,714)</b>	(175,844)
<b>Gross profit</b>		<b>366,844</b>	327,811
Other income		<b>5,748</b>	5,611
Administrative expenses		<b>(52,606)</b>	(47,169)
Other operating expenses		<b>(111,765)</b>	(97,235)
<b>Profit before taxation</b>	3	<b>208,221</b>	189,018
Income tax	4	<b>(24,062)</b>	(16,395)
<b>Profit attributable to owners of the Company</b>		<b>184,159</b>	172,623
 <b>Earnings per share (US cents)</b>			
<b>Basic</b>	6	<b>7.89</b>	(Re-presented) 7.58
<b>Diluted</b>	6	<b>7.04</b>	(Re-presented) 7.58

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Profit for the year</b>	<b>184,159</b>	172,623
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss		
- exchange differences from translation of foreign operations	<b>(486)</b>	(2,516)
	<hr/>	<hr/>
<b>Total comprehensive income attributable to the owners of the Company for the year</b>	<b>183,673</b>	170,107
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>810,149</b>	407,080
Interest in leasehold lands held for own use under operating lease		<b>27,266</b>	1,308
Intangible assets	9	<b>66,201</b>	69,748
Prepayments for acquisition, construction and fitting-out of property, plant and equipment	10	<b>93,458</b>	47,692
Promissory notes	11	<b>8,647</b>	6,885
		<hr/> <b>1,005,721</b> <hr/>	<hr/> 532,713 <hr/>
<b>Current assets</b>			
Consumables		<b>1,467</b>	1,177
Trade and other receivables	12	<b>72,559</b>	45,999
Cash and cash equivalents	13	<b>210,912</b>	143,081
		<hr/> <b>284,938</b> <hr/>	<hr/> 190,257 <hr/>
<b>Current liabilities</b>			
Trade and other payables	14	<b>36,969</b>	34,824
Current tax liability		<b>2,709</b>	1,570
		<hr/> <b>39,678</b> <hr/>	<hr/> 36,394 <hr/>
<b>Net current assets</b>		<hr/> <b>245,260</b> <hr/>	<hr/> 153,863 <hr/>
<b>NET ASSETS</b>		<hr/> <b>1,250,981</b> <hr/> <hr/>	<hr/> 686,576 <hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>30,750</b>	28,375
Reserves	15	<b>1,220,231</b>	658,201
<b>TOTAL EQUITY</b>		<hr/> <b>1,250,981</b> <hr/> <hr/>	<hr/> 686,576 <hr/> <hr/>

Notes:

## 1. Basis of preparation and adoption of new or revised International Financial Reporting Standards

The consolidated financial statements for the Year have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as “IFRS”) issued by the International Accounting Standards Board (the “IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis.

Except as described below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2015.

### Convertible bonds

Convertible bonds that contain conversion option are classified into equity or liability on initial recognition according to the terms of the convertible bonds.

The NagaCity Walk Convertible Bonds issued by the Company on 17 May 2016 and the TSCLK Complex Convertible Bonds issued by the Company on 30 December 2016 (collectively referred to as the “Convertible Bonds”) are on a perpetual basis with no maturity date and irredeemable. The TSCLK Complex Convertible Bonds constitute a separate series from the NagaCity Walk Convertible Bonds. The conversion option will be settled by exchanging the Company’s new Shares, at the option of the holder of the Convertible Bonds, pursuant to the terms of the relevant Convertible Bonds. Accordingly, the Convertible Bonds as a whole are therefore classified as equity instruments and the fair value of which is included in equity upon initial recognition.

In subsequent periods, the Convertible Bonds will remain in equity until the embedded option is exercised (in which case the balance stated in Convertible Bonds will be transferred to share capital and share premium). No gain or loss will be recognised upon conversion of the Convertible Bonds.

Transaction costs that relate to the issue of the Convertible Bonds are charged directly to equity.

### Share-based payments

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The IASB has issued certain amendments, revised standards and new interpretations that become effective for the current accounting period of the Group. The adoption of these amendments, revised standards and new interpretations has no material impact on the consolidated financial statements of the Group for the current and prior periods.

The Group has not adopted early any amendments, new or revised standards or interpretations that are issued but have not become effective for the current accounting period. The Group is in the process of making an assessment of the potential impact of these amendments and new or revised standards or interpretations. The directors of the Company (the “Directors”) are not yet in a position to conclude the impact on the consolidated financial statements.

## 2. Revenue

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

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
Casino operations – gaming tables	<b>355,324</b>	343,766
Casino operations – electronic gaming machines *	<b>145,513</b>	136,834
Hotel room income, sales of food and beverage and others	<b>30,721</b>	23,055
	<hr/> <b>531,558</b> <hr/>	<hr/> 503,655 <hr/>

\* During the Year, revenue from electronic gaming included a fee of US\$60.0 million (“2016 EGM Fee”) from an investor for the placement and operating of electronic gaming machines (“EGM”) in NagaWorld. During the year ended 31 December 2015, revenue from electronic gaming included negotiation fees of US\$40.0 million from investors as exclusive negotiation fees for the placement of EGM in NagaWorld.

## 3. Profit before taxation

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

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
Interest income	<b>(1,092)</b>	(1,644)
Auditor’s remuneration:		
- current year	<b>637</b>	580
- under/(over)-provision in prior year	<b>5</b>	(44)
Amortisation of casino licence premium <sup>#</sup>	<b>3,547</b>	3,547
Depreciation and amortisation <sup>#</sup>	<b>44,312</b>	35,959
Impairment loss on trade receivables	<b>2,082</b>	1,079
Reversal of impairment loss on trade receivables previously recognised	<b>-</b>	(646)
Write-off of property, plant and equipment	<b>14</b>	521
(Gain)/Loss on disposal of property, plant and equipment	<b>(58)</b>	1
Realised gain on investment in bonds	<b>-</b>	(329)
Operating lease charges for:		
- land lease rental	<b>343</b>	201
- office and car park rental	<b>1,798</b>	1,510
- hire of equipment	<b>3,757</b>	3,511
Exchange loss, net	<b>545</b>	1,263
Staff costs (including directors’ remuneration) <sup>#</sup>		
- Salaries, wages and other benefits	<b>63,312</b>	56,747
- Contributions to defined contribution retirement scheme	<b>49</b>	48

<sup>#</sup> included in other operating expenses in the consolidated statement of income

#### 4. Income tax

Income tax in the profit or loss represents:

The monthly gaming obligation payment of (1) US\$410,987 (2015: US\$365,322) and monthly non-gaming obligation payment of (2) US\$214,338 (2015: US\$214,338) payable to The Ministry of Economy and Finance of Cambodia (the “MOEF”) by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, branches registered in Cambodia. The Group is not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Year (2015: Nil).

During the Year, having discussed with the MOEF, the Group paid an additional obligation payment of US\$16,558,000 (2015: US\$9,438,000) to the MOEF. Additional obligation payments (if any) are subject to future developments in this matter.

	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax expense		
– Current year	<b>7,504</b>	6,957
– Additional obligation payment	<b>16,558</b>	9,438
	<b>24,062</b>	16,395

#### 5. Dividends payable to owners of the Company attributable to the year

	<b>2016</b>	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend declared during the year:		
2016: US cents 2.77 per Share	<b>62,938</b>	-
2015: US cents 2.67 per Share	-	60,612
Final dividend proposed after the end of reporting year:		
2016: US cent 0.82 per Share	<b>20,051</b>	-
2015: US cents 1.89 per Share	-	42,962
	<b>82,989</b>	103,574

The interim dividend of US\$62,938,000 (six months ended 30 June 2015: US\$60,612,000) for the six months period ended 30 June 2016 was declared in August 2016 and paid in September 2016.

As further detailed in note 16, distributions on Convertible Bonds will be equal to the dividends that would have been paid on the Conversion Shares. Proposed distributions on the Convertible Bonds after the end of the Year is US\$15,332,000. Total interim and final distributions on the Convertible Bonds for the Year amounted to US\$27,506,000 (2015: Nil).

## 6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US\$184,159,000 (2015: US\$172,623,000) and the weighted average number of shares of 2,334,273,452 (2015: 2,277,403,832 (re-presented)) in issue during the Year.

The calculation of diluted earnings per share for the Year is based on the consolidated profit attributable to owners of the Company of US\$184,159,000 and weighted average number of shares for the purpose of diluted earnings per share of 2,616,873,080.

	Number of shares	
	2016	2015 (Re-presented)
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	2,334,273,452	2,277,403,832
Effect of dilution – weighted average number of shares:		
- Convertible Bonds	282,599,628	-
	<hr/>	<hr/>
Weighted average number of shares for the purpose of diluted earnings per share	<u>2,616,873,080</u>	<u>2,277,403,832</u>

There were no dilutive potential Shares in existence during the year ended 31 December 2015.

Basic and diluted earnings per share for the year ended 31 December 2015 are re-presented to reflect the bonus element of the placing of Shares during the Year.

## 7. Segment information

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

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

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

The SEM monitors the results, assets and liabilities attributable to each reportable segment as follows:

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.

	<b>Casino operations US\$'000</b>	<b>Hotel and entertainment operations US\$'000</b>	<b>Total US\$'000</b>
<i>Segment revenue:</i>			
Year ended 31 December 2015 ( <i>restated</i> )			
Revenue from external customers	480,600	23,055	503,655
Inter-segment revenue	(989)	34,144	33,155
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	<u>479,611</u>	<u>57,199</u>	<u>536,810</u>
<b>Year ended 31 December 2016</b>			
<b>Revenue from external customers</b>	<b>500,837</b>	<b>30,721</b>	<b>531,558</b>
<b>Inter-segment revenue</b>	<b>(3,137)</b>	<b>31,744</b>	<b>28,607</b>
	<hr/>	<hr/>	<hr/>
<b>Reportable segment revenue</b>	<b><u>497,700</u></b>	<b><u>62,465</u></b>	<b><u>560,165</u></b>
<i>Segment profit:</i>			
Year ended 31 December			
2015 ( <i>restated</i> )	211,899	31,926	243,825
<b>2016</b>	<b>236,608</b>	<b>35,253</b>	<b>271,861</b>
	<hr/>	<hr/>	<hr/>

	<b>Casino operations US\$'000</b>	<b>Hotel and entertainment operations US\$'000</b>	<b>Total US\$'000</b>
<i>Segment assets:</i>			
As at 31 December 2015 (restated)	666,743	143,838	810,581
<b>2016</b>	<b>766,129</b>	<b>643,202</b>	<b>1,409,331</b>
<i>Segment liabilities:</i>			
As at 31 December 2015 (restated)	(29,702)	(96,544)	(126,246)
<b>2016</b>	<b>(28,645)</b>	<b>(130,213)</b>	<b>(158,858)</b>
<i>Net assets:</i>			
As at 31 December 2015 (restated)	637,041	47,294	684,335
<b>2016</b>	<b>737,484</b>	<b>512,989</b>	<b>1,250,473</b>
<i>Other segment information:</i>			
Capital expenditure:			
Year ended 31 December 2015 (restated)	96,831	44,107	140,938
<b>2016</b>	<b>71,885</b>	<b>444,674</b>	<b>516,559</b>
Impairment loss on trade receivables:			
Year ended 31 December 2015	1,079	-	1,079
<b>2016</b>	<b>2,082</b>	<b>-</b>	<b>2,082</b>
<i>Reversal of impairment loss on trade receivables:</i>			
Year ended 31 December 2015	(646)	-	(646)
<b>2016</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i> (restated)
<b>Revenue</b>		
Reportable segment revenue	<b>560,165</b>	536,810
Elimination of inter-segment revenue	<b>(28,607)</b>	(33,155)
	<hr/>	<hr/>
<b>Consolidated revenue</b>	<b>531,558</b>	503,655
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit</b>		
Reportable segment profit	<b>271,861</b>	243,825
Other revenue	<b>6</b>	663
Depreciation and amortisation	<b>(47,859)</b>	(39,506)
Unallocated head office and corporate expenses	<b>(15,787)</b>	(15,964)
	<hr/>	<hr/>
<b>Consolidated profit before taxation</b>	<b>208,221</b>	189,018
	<hr/> <hr/>	<hr/> <hr/>
<b>Assets</b>		
Reportable segment assets	<b>1,409,331</b>	810,581
Elimination of inter-segment assets	<b>(120,516)</b>	(90,682)
	<hr/>	<hr/>
Unallocated corporate assets	<b>1,288,815</b> <b>1,844</b>	719,899 3,071
	<hr/>	<hr/>
<b>Consolidated total assets</b>	<b>1,290,659</b>	722,970
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Reportable segment liabilities	<b>(158,858)</b>	(126,246)
Elimination of inter-segment payables	<b>120,516</b>	90,682
	<hr/>	<hr/>
Unallocated corporate liabilities	<b>(38,342)</b> <b>(1,336)</b>	(35,564) (830)
	<hr/>	<hr/>
<b>Consolidated total liabilities</b>	<b>(39,678)</b>	(36,394)
	<hr/> <hr/>	<hr/> <hr/>

**(b) Geographical information**

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2016, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of US\$933,049,000 (2015: US\$488,221,000) and US\$64,025,000 (2015: US\$37,607,000), respectively.

**8. Property, plant and equipment**

For the Year, the Group acquired property, plant and equipment totalling US\$447,759,000 (2015: US\$106,231,000); which included US\$354,000,000 in respect of acquisition of TSCLK Complex and NagaCity Walk, and US\$81,245,000 in respect of capital work in progress mainly in relation to construction within NagaWorld.

**9. Intangible assets**

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2035 for a consideration of US\$108,000,000, less accumulated amortisation of US\$41,799,000 (2015: US\$38,252,000).

**10. Prepayments for acquisition, construction and fitting-out of property, plant and equipment**

As at the end of the Year, prepayments for property, plant and equipment relate to contractual advances made for various construction activities in NagaWorld and other jurisdictions.

**11. Promissory notes**

The promissory notes (the “Promissory Notes”) in total amount of RUB469,100,000 (approximately US\$8,647,000) (31 December 2015: US\$6,885,000) bought from a bank in Russia bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023. The Promissory Notes were pledged to the same bank for issuance of a bank guarantee amounting to RUB400,000,000 in favour of Primorsky Krai Development Corporation for the Group’s gaming and resort development project in Russia.

**12. Trade and other receivables**

	<b>2016</b> <i>US\$’000</i>	2015 <i>US\$’000</i>
Trade receivables	<b>32,319</b>	13,864
Less: Allowance for impairment loss	<b>(4,344)</b>	(2,262)
	<b>27,975</b>	11,602
Deposits, prepayments and other receivables	<b>44,584</b>	34,397
	<b>72,559</b>	45,999

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

	<b>2016</b> <i>US\$’000</i>	2015 <i>US\$’000</i>
Current to within 1 month	<b>22,213</b>	8,864
1 to 3 months	<b>2,182</b>	1,015
3 to 6 months	<b>1,494</b>	190
6 to 12 months	<b>1,144</b>	-
More than 1 year	<b>942</b>	1,533
	<b>27,975</b>	11,602

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

	<b>2016</b> <i>US\$’000</i>	2015 <i>US\$’000</i>
At beginning of year	<b>2,262</b>	1,829
Impairment loss recognised	<b>2,082</b>	1,079
Bad debts written off	-	-
Reversal of impairment loss previously recognised	-	(646)
At end of year	<b>4,344</b>	2,262

The credit policy for gaming receivables is five to thirty days (2015: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2015: thirty days from end of month).

**13. Cash and cash equivalents**

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
Cash and bank balances	<b>175,662</b>	74,690
Fixed deposits	<b><u>35,250</u></b>	<u>68,391</u>
	<b><u>210,912</u></b>	<u>143,081</u>

As at the end of the Year, fixed deposits bear interest of 1.20% to 1.80% (31 December 2015: 0.12% to 10.67%) per annum and mature at various times up to and including January 2017 (31 December 2015: mature at various times up to and including February 2016).

The carrying amounts of these assets approximate their fair value.

**14. Trade and other payables**

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
Trade payables ( <i>Note</i> )	<b>2,624</b>	2,624
Unredeemed casino chips	<b>12,305</b>	16,089
Deferred revenue	<b>1,170</b>	1,649
Deposits	<b>339</b>	718
Construction creditors	<b>5,826</b>	3,333
Accruals and other creditors	<b><u>14,705</u></b>	<u>10,411</u>
	<b><u>36,969</u></b>	<u>34,824</u>

*Note:*

Trade and other payables include trade creditors, the ageing analysis of which as at the end of the reporting year are set out below:

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>
Due within 1 month or on demand	<b>2,463</b>	2,606
Due after 1 month but within 3 months	<b>31</b>	-
Due after 3 months but within 6 months	<b>47</b>	-
Due after 6 months but within 1 year	<b>65</b>	-
Due after 1 year	<b><u>18</u></b>	<u>18</u>
Total	<b><u>2,624</u></b>	<u>2,624</u>

## 15. Capital and reserves

	Share capital	Treasury Shares	Convertible bonds	Share premium	Capital redemption reserves	Merger reserve	Capital contribution reserve	Exchange reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2015	28,526	(9,004)	-	287,936	-	(12,812)	55,568	63	275,223	625,500
Purchase of own Shares	-	(494)	-	-	-	-	-	-	-	(494)
Cancellation of treasury Shares	(151)	9,498	-	(9,498)	151	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	172,623	172,623
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	-	-	(2,516)	-	(2,516)
Dividend declared and paid	-	-	-	-	-	-	-	-	(108,537)	(108,537)
As at 31 December 2015	28,375	-	-	278,438	151	(12,812)	55,568	(2,453)	339,309	686,576
As at 1 January 2016	28,375	-	-	278,438	151	(12,812)	55,568	(2,453)	339,309	686,576
Issues of Shares under placement	2,375	-	-	120,207	-	-	-	-	-	122,582
Share placement expenses	-	-	-	(2,664)	-	-	-	-	-	(2,664)
Convertible bonds issue	-	-	378,888	-	-	-	-	-	-	378,888
Profit for the year	-	-	-	-	-	-	-	-	184,159	184,159
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	-	-	(486)	-	(486)
Dividend and distribution declared and paid (Note (a))	-	-	-	-	-	-	-	-	(118,074)	(118,074)
As at 31 December 2016	30,750	-	378,888	395,981	151	(12,812)	55,568	(2,939)	405,394	1,250,981

Note:

- (a) The dividend declared and paid during the Year comprises the 2015 final dividend of US\$42,962,000 which was paid in May 2016 and the 2016 interim dividend and distribution totalling of US\$75,112,000 which were paid in September 2016.

### Share Capital

- (i) Authorised:

	2016 US\$'000	2015 US\$'000
8,000,000,000 ordinary shares of US\$0.0125 each	<u>100,000</u>	<u>100,000</u>

- (ii) Issued and fully paid:

	2016		2015	
	Number of Shares	US\$'000	Number of Shares	US\$'000
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.0125 each:				
As at 1 January	2,269,988,875	28,375	2,282,078,875	28,526
Issue of Shares under placement (Note (c))	190,000,000	2,375	-	-
Cancellation of treasury Shares (Note (b))	-	-	(12,090,000)	(151)
As at 31 December	<u>2,459,988,875</u>	<u>30,750</u>	<u>2,269,988,875</u>	<u>28,375</u>

	2016		2015	
	Number of Shares	US\$'000	Number of Shares	US\$'000
<b>Treasury Shares:</b>				
As at 1 January	-	-	(11,490,000)	(9,004)
Purchase of own Shares (Note (a))	-	-	(600,000)	(494)
Cancellation of treasury Shares (Note (b))	-	-	12,090,000	9,498
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December	-	-	-	-

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

Notes:

- (a) During the year ended 31 December 2015, the Company repurchased its own Shares on the Stock Exchange as follows:

Month/year	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate price paid US\$'000
January 2015	<u>600,000</u>	6.350	6.290	<u>490</u>

Transaction costs of US\$4,000 were incurred in 2015 for the repurchase.

- (b) The 12,090,000 repurchased Shares were cancelled in December 2015. The issued share capital of the Company was reduced by the nominal value of these Shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the Shares cancelled of US\$151,000 was transferred from share premium to the capital redemption reserves. The premium paid on the purchase of the Shares of US\$9,347,000 was charged to share premium.
- (c) On 9 September 2016, the Company allotted and issued 190,000,000 new Shares of US\$0.0125 each at subscription price of HK\$5.00 per Share pursuant to the Placing and Subscription Agreement dated 1 September 2016. Transaction costs of US\$2,664,000 were incurred for the Shares issued.

## 16. Convertible bonds

On 17 May 2016, the Company issued the NagaCity Walk Convertible Bonds with a principal amount of US\$94,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen (Citywalk) Inc. and its wholly-owned subsidiary (collectively the “Citywalk Group”) and on 30 December 2016, the Company issued the TSCLK Complex Convertible Bonds with a principal amount of US\$275,000,000 on a perpetual basis with no maturity date in relation to the acquisition of TanSriChen Inc. (as mentioned in note 17). The NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds were issued on perpetual basis with no maturity date and are denominated in United States dollars. The Convertible Bonds can be converted into Shares at the bondholder’s option in accordance with terms of the relevant Convertible Bonds. Based on the conversion price of HK\$1.5301 (equivalent to US\$0.1962), 1,881,019,166 new Shares (the “Conversion Shares”) would be allotted and issued upon the full conversion of these Convertible Bonds. Pursuant to the terms of these two separate series of the Convertible Bonds, the conversion price and the number of Conversion Shares in respect of the Convertible Bonds are subject to further adjustment in the event of any future capital restructuring. Distributions on the Convertible Bonds will be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the holder of the Convertible Bonds on the date on which the relevant dividend is paid to the shareholders of the Company (the “Shareholders”).

On initial recognition, the fair value of the Convertible Bonds amounting to US\$378,888,000 was determined by the fair value of the assets and liabilities acquired through acquisition of subsidiaries as detailed in note 17 and were included in equity.

The interim distributions of US\$12,174,000 (2015: Nil) for the six months period ended 30 June 2016 was declared in August 2016 and paid in September 2016. Proposed distributions on the Convertible Bonds after the end of the Year amounted to US\$15,332,000. Total interim and final distributions on the Convertible Bonds for the Year amounted to US\$27,506,000 (2015: Nil).

## 17. Acquisitions of assets and liabilities through acquisition of subsidiaries

On 17 May 2016 and 30 December 2016, respectively, the Group acquired 100% of the equity interest of Citywalk Group which is the owner of NagaCity Walk, and TanSriChen Inc. which is the owner of TSCLK Complex, at a consideration of US\$94,000,000 and US\$275,000,000, respectively which were satisfied by the issuance of the relevant Convertible Bonds by the Company (note 16).

The fair value of identifiable assets and liabilities of the Citywalk Group and TanSriChen Inc. as at the respective dates of acquisitions were:

	Citywalk Group US\$'000	TanSriChen Inc. US\$'000	Total US\$'000
Property, plant and equipment (note 8)	95,000	259,000	354,000
Interest in leasehold lands held for own use under operating lease	-	26,000	26,000
Deposit	20	-	20
Cash and cash equivalents	-	234	234
Amount due from related parties	-	137	137
Amount due to Shareholders	-	(1,084)	(1,084)
Amount due to a holding company	(137)	-	(137)
Other payables	(261)	(21)	(282)
	<u>94,622</u>	<u>284,266</u>	<u>378,888</u>
The fair value of considerations transfer:	US\$'000	US\$'000	US\$'000
Issuance of the Convertible Bonds with a principal amount of US\$94,000,000 and US\$275,000,000, at fair value (note 16)	<u>94,622</u>	<u>284,266</u>	<u>378,888</u>

The acquisitions were considered as acquisition of assets and liabilities and the considerations were settled by the issuance of the Convertible Bonds. The fair value of the Convertible Bonds issued in connection with the acquisitions are determined based on the fair value of the identifiable assets and liabilities acquired which amounted to US\$94,622,000 and US\$284,266,000, respectively.

## 18. Contingent Liabilities

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Tan Sri Dr Chen Lip Keong (“Dr Chen”), the chief executive officer of the Company (the “CEO”), the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,051,000 (the “2015 Bonus Entitlement”) and US\$9,011,037 (the “2016 Bonus Entitlement”) for the financial years ended 31 December 2015 and 2016.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such obligation. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators (the “KPIs”) set for the year ended 31 December 2016. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement should be extended to the financial year ended 31 December 2016 and the financial year ending 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company. Pursuant to a resolution passed by the Board on 8 February 2017, the Board further resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to further defer the 2015 Bonus Entitlement until the achievement of certain KPIs set for the year ending 31 December 2017.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board also considered the matter relating to the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2016 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2016 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company. For record purposes, Dr Chen has foregone bonus of US\$18,600,000 from the financial years 2010 to 2014.

Except for the above, and as disclosed elsewhere in the Group’s financial statements, there were no other contingent liabilities as at 31 December 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The Cambodian economy continued to register stable growth. The International Monetary Fund is projecting real growth in Cambodia's Gross Domestic Product of 7.0% in 2016 and 6.9% in 2017 along with inflation of 3.1% and 2.7% respectively.

Visitation to Cambodia continued to grow with international arrivals increasing by 5.0% in 2016 to 5.0 million visitors, with arrivals through Phnom Penh International Airport increasing by 10%. Visitors originating from Vietnam (19%), China (17%) and Thailand (8%), together accounted for 44% of total arrivals to Cambodia. Visitors from China increased by 20% year-on-year to 830,003 visitors in 2016 (Source: Ministry of Tourism, Cambodia). Visitor growth continues to be one of the growth drivers of the Group's business.

NagaWorld, which is situated in the Cambodian capital city of Phnom Penh, recorded gross gaming revenue ("GGR") growth of 4%, compared to a 3% decline for Macau. For the Year, the Group's net profit increased by 7% to US\$184.2 million. The positive results were attributable to an increase in business volume across all segments of the gaming business. In addition, the Group earned a fee of US\$60.0 million from electronic gaming in 2016 which was recorded as EGM revenue for the Year. As at 31 December 2016, NagaWorld had 241 gaming tables and 1,648 EGM in place.

### BUSINESS REVIEW

**Table 1: Performance Highlights**

For the Year and comparative prior year:

	<b>2016</b> <i>US\$'000</i>	2015 <i>US\$'000</i>	Increase %
<b>Mass Market: Public Floor Tables</b>			
– Buy-ins	<b>617,799</b>	550,177	12
– Win rate	<b>21.0%</b>	22.0%	
– Revenue	<b>129,669</b>	120,821	7
– No. of tables at end of year	<b>87</b>	87	
<b>Mass Market: EGM</b>			
– Bills-in	<b>1,498,874</b>	1,370,652	9
– Win rate	<b>8.2%</b>	9.8%	
– Revenue	<b>145,513</b>	136,834	6
– No. of machines at end of year	<b>1,648</b>	1,656	
<b>VIP Market</b>			
– Rollings	<b>8,714,097</b>	7,875,918	11
– Win rate	<b>2.6%</b>	2.8%	
– Revenue	<b>225,655</b>	222,945	1
<b>Gross Gaming Revenue</b>	<b>500,837</b>	480,600	4

## Mass Market (Public Floor Tables and EGM)

The Group continued to achieve growth in the Mass Market segment where Public Floor Tables buy-ins and EGM bills-in increased by 12% and 9%, respectively. This business volume growth is attributable to tourism growth into Cambodia, generating increased footfall into NagaWorld.

During the Year, Public Floor Tables revenue grew by 7%, as a result of 12% increase in buy-ins. EGM revenue grew by 6%, as a result of a 9% increase in bills-in and the receipt of the 2016 EGM Fee.

The Group, via its Golden Edge Rewards Club loyalty program, continues to understand its members' profile, create targeted marketing promotions and rollout player development initiatives to increase the number of visitors and the amount of gaming spending.

## VIP Market

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

VIP rollings increased by 11% to US\$8.7 billion with a win rate of 2.6%. In January 2016, the Group revised its overseas junket incentive program to improve its margins.

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

Non-gaming revenue increased by 33% to US\$30.7 million, primarily resulting from higher occupancy and average rates as well as better performance across all the food and beverage outlets.

## Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
<b>2016</b>					
<b>Mass Market</b>	<b>275.2</b>	<b>52</b>	<b>270.5</b>	<b>74</b>	<b>98</b>
<b>VIP Market</b>	<b>225.7</b>	<b>42</b>	<b>72.0</b>	<b>19</b>	<b>32</b>
<b>Non-Gaming</b>	<b>30.7</b>	<b>6</b>	<b>24.3</b>	<b>7</b>	<b>79</b>
<b>Total</b>	<b>531.6</b>	<b>100</b>	<b>366.8</b>	<b>100</b>	<b>69</b>

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2015					
Mass Market	257.7	51	248.7	76	97
VIP Market	222.9	44	60.9	19	27
Non-Gaming	23.1	5	18.2	5	79
Total	503.7	100	327.8	100	65

The Group recorded a gross profit increase of 12% to US\$366.8 million for the Year. Overall gross profit margin increased to 69% (2015: 65%). VIP gross profit increased by 18% as VIP rollings increased by 11%. The increase in gross profit of the Mass Market by 9% to US\$270.5 million was driven by higher Public Floors Tables buy-ins, EGM bill-ins and the receipt of the 2016 EGM Fee. The Mass Market continued to generate a high gross profit margin of 98%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation increased by 10% to US\$114.4 million during the Year. This increase in expenses is in line with higher business volume across all segments. The Group continued to hire experienced and qualified staff to facilitate regional marketing efforts and ongoing property enhancements at NagaWorld.

#### **Finance Costs**

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

#### **Net Profit**

Net profit attributable to the shareholders of the Group, or net profit, increased by 7% to US\$184.2 million for the Year. Net profit margin for the Year increased marginally to 35% attributed to better cost control and the 2016 EGM Fee.

Basic earnings per share were US cents 7.89 (HK cents 61.15) and US cents 7.58 (HK cents 58.75) (re-presented) for the years ended 31 December 2016 and 2015, respectively.

Diluted earnings per share were US cents 7.04 (HK cents 54.56) and US cents 7.58 (HK cents 58.75) (re-presented) for the years ended 31 December 2016 and 2015, respectively.

### **FINANCIAL REVIEW**

#### **Pledge of Assets**

As at 31 December 2016, the Group had a Promissory Notes amounting to US\$8.6 million (31 December 2015: US\$6.9 million) pledged for issuance of a bank guarantee.

#### **Contingent Liabilities**

Based on the formula stated in Clause 3.3 of the service agreement entered into between the Company and Dr Chen, the CEO of the Company, the parties acknowledge and agree that Dr Chen will be entitled to a performance bonus of US\$8,051,000 (the "2015 Bonus Entitlement") and US\$9,011,037 (the "2016 Bonus Entitlement") for the financial years ended 31 December 2015 and 2016.

Pursuant to a resolution passed by the Board on 1 February 2016, the Board considered the matter relating to the payment of the 2015 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer such obligation. The Company and Dr Chen agreed that it was in the interests of the Company to defer the 2015 Bonus Entitlement to subsequent years until the achievement of certain key performance indicators (the "KPIs") set for the year ended 31 December 2016. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2015 Bonus Entitlement should be extended to the financial year ended 31 December 2016 and the financial year ending 31 December 2017 and beyond at the sole election of Dr Chen and that the parties shall negotiate in good faith a reasonable timeframe which is in the best interests of the Company. Pursuant to a resolution passed by the Board on 8 February 2017, the Board further resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2015 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to further defer the 2015 Bonus Entitlement until the achievement of certain KPIs set for the year ending 31 December 2017.

Pursuant to the resolution passed by the Board on 8 February 2017, the Board also considered the matter relating to the 2016 Bonus Entitlement and resolved to appeal to the generosity and good judgement of Dr Chen to defer the 2016 Bonus Entitlement. The Company and Dr Chen agreed that it is in the interests of the Company to defer the 2016 Bonus Entitlement to subsequent years until the achievement of certain KPIs set for the year ending 31 December 2017. The Company and Dr Chen agreed that subject to the achievement of the KPIs, the deferral of the 2016 Bonus Entitlement should be extended to the financial year ending 31 December 2017 and that the parties should negotiate in good faith a reasonable timeframe which is in the best interests of the Company. For record purposes, Dr Chen has foregone bonus of US\$18,600,000 from the financial years 2010 to 2014.

Except for the above and as disclosed elsewhere in the Group's financial statements, there were no other contingent liabilities as at 31 December 2016.

### **Exchange Rate Risk**

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

### **Issue of New Shares**

As disclosed in the Company's announcement dated 1 September 2016 (the "Announcement") relating to the placing of existing Shares and top-up subscription of new Shares under the general mandate (the "Top-up Placing and Subscription") and another announcement dated 9 September 2016 concerning the completion of the Top-up Placing and Subscription, pursuant to the Placing and Subscription Agreement dated 1 September 2016 (the "Placing and Subscription Agreement"), the Company allotted and issued 190,000,000 new ordinary Shares (the "Subscription Shares") of US\$0.0125 each at a subscription price of HK\$5.00 per Share to Fourth Star Finance Corp., a substantial shareholder of the Company, on 9 September 2016 following completion of the top-up placing of an aggregate of 190,000,000 existing Shares (the "Placing Shares") to not less than six independent investors at a placing price of HK\$5.00 each.

As disclosed in the Announcement, the subscription price for the Subscription Shares, which was equal to the placing price for the Placing Shares, represented a discount of approximately 8.9% to the closing price of HK\$5.49 per Share as quoted on the Stock Exchange on 31 August 2016, being the last trading day prior to the signing of the Placing and Subscription Agreement.

Pursuant to the terms and conditions of the Placing and Subscription Agreement, 190,000,000 Subscription Shares were allotted and issued under the general mandate granted to the Directors by its shareholders at the annual general meeting of the Company held on 20 April 2016.

As disclosed in the Announcement, the Directors had considered various ways of raising funds and had considered that it would be in the interests of the Company to raise equity funding via the Top-up Placing and Subscription to broaden its shareholder base, strengthen the capital base and to enhance its financial position and net assets base for long-term development and growth. The Directors (including the independent non-executive Directors) had also considered the terms of the Placing and Subscription Agreement to be fair and reasonable in light of the market conditions at that time, and the Top-up Placing and Subscription to be in the interests of the Company and the Shareholders as a whole.

As disclosed in the Announcement, the net proceeds from the Top-up Placing and Subscription amounting to approximately HK\$930.0 million (or equivalent to US\$120.0 million) (the "Net Proceeds") (equivalent to a net price of approximately HK\$4.89 per Subscription Share) were intended to be used for the fit-out of the TSCLK Complex, which is expected to be operational in 2017, and for general corporate purposes.

During the Year, approximately 16% of the Net Proceeds had been utilized or deployed in accordance with the intended use as disclosed in the Announcement.

### **Issue of Convertible Bonds**

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and TSCLK Complex (also known as Naga2), at a consideration of US\$94.0 million which was satisfied by the issuance of the NagaCity Walk Convertible Bonds by the Company in accordance with the terms of the share purchase agreement dated 13 June 2011, as supplemented by supplemental agreements dated 28 December 2011 and 28 December 2015, entered into between the Company and Dr Chen (collectively referred to as the “Share Purchase Agreement”).

On 30 December 2016, the Group acquired TanSriChen Inc. which is the owner of the TSCLK Complex (also known as Naga2). The agreed consideration for the transaction of US\$275.0 million was settled by way of issue of the TSCLK Complex Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement. The TSCLK Complex Convertible Bonds constitute a separate series from the NagaCity Walk Convertible Bonds.

Under the Share Purchase Agreement, the initial conversion price was HK\$1.8376 per Conversion Share. In the period since 13 June 2011 and up to the date of this announcement, the Company has completed two placings of new Shares (in March 2013 and September 2016) and effected on-market buy-backs of Shares (in December 2014 and January 2015, with all such Shares being cancelled in December 2015). Both the placings and buy-backs resulted in a change in the nominal value of the issued share capital of the Company and therefore each constitutes a capital restructuring. Pursuant to the terms of the Share Purchase Agreement, the conversion price of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, respectively has been adjusted to HK\$1.5301 as a result of the various capital restructuring events since 13 June 2011, which would have resulted in an aggregate of 1,881,019,166 Conversion Shares being issued were these two separate series of the Convertible Bonds converted in full then (assuming there is no change in the nominal value of the issued share capital of the Company following the date of this announcement).

Pursuant to the terms of the two series of Convertible Bonds, the conversion price and the number of Conversion Shares are subject to further adjustment in the event of any future capital restructuring.

### **Liquidity, Financial Resources and Gearing**

As at 31 December 2016, the Group had total cash and cash equivalents of US\$210.9 million (31 December 2015: US\$143.1 million).

As at 31 December 2016, the Group had net current assets of US\$245.3 million (31 December 2015: US\$153.9 million). The Group had net assets of US\$1.3 billion as at 31 December 2016 (31 December 2015: US\$686.6 million).

As at 31 December 2016 and 31 December 2015 respectively, the Group had no outstanding external borrowings. The Group has continued to remain ungeared.

### **Capital and Reserves**

As at 31 December 2016, the capital and reserves attributable to owners of the Company was US\$1.3 billion (31 December 2015: US\$686.6 million).

### **Employees**

As at 31 December 2016, the Group employed a total work force of 6,153 (31 December 2015: 5,763), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States, Vietnam and Russia. The remuneration and staff costs for the Year were US\$63.4 million (31 December 2015: US\$56.8 million).

## **Employee Benefits**

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

## **Trade Receivables and Credit Policy**

The Group continues to monitor changes in trade receivables. Net trade receivables increase from US\$11.6 million to US\$28.0 million during the Year.

During the Year, the Group prudently made provision for impairment loss of US\$2.1 million (2015: US\$1.1 million).

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

## **Significant Investments Held and Material Acquisitions of Subsidiaries**

On 17 May 2016, the Group acquired the Citywalk Group which is the owner of NagaCity Walk, an underground linkway connecting NagaWorld Hotel and Naga2, at a consideration of US\$94.0 million which was satisfied by the issuance of the NagaCity Walk Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement.

On 30 December 2016, the Group acquired TanSriChen Inc. which is the owner of the TSCLK Complex (also known as Naga2). The agreed consideration for the transaction of US\$275.0 million was settled by way of issue of the TSCLK Complex Convertible Bonds by the Company in accordance with the terms of the Share Purchase Agreement. The TSCLK Complex Convertible Bonds constitute a separate series from the NagaCity Walk Convertible Bonds.

As disclosed under the heading "Issue of Convertible Bonds", the conversion price of the NagaCity Walk Convertible Bonds and the TSCLK Complex Convertible Bonds, respectively has been adjusted to HK\$1.5301, which would have resulted in an aggregate of 1,881,019,166 Conversion Shares being issued were these two separate series of the Convertible Bonds converted in full then (assuming there is no change in the nominal value of the issued share capital of the Company following the date of this announcement).

Immediately following the completion of the acquisitions, the Citywalk Group and TanSriChen Inc. became wholly-owned subsidiaries of the Company and the financial results of these companies have been consolidated into the Group.

## **Events after Reporting Year**

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

## **PROJECT UPDATES AND PROSPECTS**

### **Update on NagaCity Walk and Naga2**

Reference is made to the announcements of the Company dated 13 June 2011, 28 December 2011 and 29 December 2015, and a circular dated 30 December 2011, in relation to the acquisition by the Company of the NagaCity Walk Project and the TSCLK Complex Project.

As disclosed in the announcement of the Company dated 29 December 2015, the Company and Dr Chen entered into a second supplemental agreement on 28 December 2015 to extend the completion date for the sale and purchase of the NagaCity Walk and the TSCLK Complex from 13 June 2016 to a date falling on or before 31 December 2017 (or such other date as the Company and Dr Chen may agree in writing).

On 17 May 2016, pursuant to the Share Purchase Agreement, Dr Chen notified the Company of his election of split completion, whereby the NagaCity Walk completion would take place in advance of the TSCLK Complex completion. The NagaCity Walk completion, comprising the transfer of the entire issued share capital of TanSriChen (Citywalk) Inc. to the Company and the issue of the NagaCity Walk Convertible Bonds to Dr Chen took place on 17 May 2016.

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

On 30 December 2016, pursuant to the Share Purchase Agreement, Dr Chen elected for the consideration for the completion of the TSCLK Complex acquisition to be settled by way of issue of the TSCLK Complex Convertible Bonds. Accordingly, the TSCLK Complex completion, comprising the transfer of entire issued share capital of TanSriChen Inc. to the Company and the issue of the TSCLK Complex Convertible Bonds to Dr Chen, took place on 30 December 2016.

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

#### **Update on the Investment Project in Vladivostok**

Piling work on site commenced in 2016 in respect of the Group’s gaming and resort development project in Vladivostok, Russia; while an office has been established in the city centre and a certain number of key personnel have been appointed to monitor various aspects of the progress of the project, which is scheduled for operation in 2019.

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

#### **Prospects**

Cambodia continues to attract visitors from Asia and other nations; benefiting from its appeal as a tourism destination and the abundance of business opportunities that exist in an emerging economy with political stability. In order to provide convenience for investors and increase investment in Cambodia, the government of Cambodia is now offering three-year, multiple-entry visas to Chinese, South Korean and Japanese investors (Source: Phnom Penh Post, 2 December 2016). Poised to benefit from this growth is NagaWorld, which is one of the main tourist destinations located in the city centre of Phnom Penh and the entertainment centre for the Mekong region.

According to Ministry of Tourism Cambodia, Cambodia is targeting to attract up to 7.0 million visitors, of which 2.0 million are Chinese visitors by 2020 (Source: Khmer Times, 4 January 2017). The 11% increase in VIP rollings during the Year demonstrates the success of NagaWorld’s incentive program in promoting NagaWorld to a wider range of operators and players in the region. The Group aspires to further penetrate the regional VIP Market, by offering attractive commercial terms to junket operators and agents as a result of NagaWorld’s low cost structure.

The Group continued its efforts to provide internationally recognised products and services to both gaming and non-gaming patrons whilst continuing to grow market share through its unique position in the region. The opening of the NagaCity Walk in August 2016 marked a significant step in the Group's development. NagaCity Walk, is Phnom Penh's first downtown duty-free shopping mall, which strive to enhances the overall retail experience available to patrons and further strengthens NagaWorld's appeal to both the VIP Market and Mass Market. In addition, the expected opening of the TSCLK Complex (also known as Naga2) in 2017 is expected to enhance NagaWorld's appeal to both the Mass Market and VIP Market across the region and further cement NagaWorld as the entertainment centre in the Mekong Region.

#### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Directors, having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Year.

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

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

#### **AUDIT COMMITTEE**

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

#### **INTERIM AND FINAL DIVIDEND AND DISTRIBUTION**

The Board recommends the payment of a final dividend of US cent 0.82 per Share (or equivalent to HK cents 6.36 per Share) for the Year to Shareholders whose names appear on the Company's register of members on Tuesday, 2 May 2017. Subject to the approval of the Shareholders at the annual general meeting to be held on Tuesday, 25 April 2017 (the "2017 AGM"), the final dividend is expected to be paid to Shareholders by post on or about Monday, 15 May 2017.

Pursuant to the terms and conditions of the Convertible Bonds, distributions on the Convertible Bonds shall be equal to the dividends that would otherwise have been paid on the Conversion Shares. Distributions shall be paid to the holder of the Convertible Bonds on the same date on which the relevant dividend is paid to the Shareholders. Accordingly, the Board has also resolved to declare payment of a distribution to the holder of the Convertible Bonds of US cent 0.82 per Conversion Share (or equivalent to HK cents 6.36 per Conversion Share) for the Year subject to the approval by the Shareholders of the final dividend payment at the 2017 AGM. Distribution on the Convertible Bonds will be paid to the holder shown on the register of bondholders at the close of business on Monday, 8 May 2017, pursuant to the terms and conditions of the Convertible Bonds.

The proposed Final Dividend and Distribution together with the interim dividend and distribution for the six months ended 30 June 2016 of US cents 2.77 per Share/Conversion Share (or equivalent to HK cents 21.47 per Share/Conversion Share) paid on Tuesday, 13 September 2016, amounts to a total dividend/distribution declared for the Year of US cents 3.59 per Share/Conversion Share (or equivalent to HK cents 27.82 per Share/Conversion Share).

## **CLOSURE OF REGISTER OF MEMBERS AND REGISTERS OF BONDHOLDERS**

For the purpose of determining the following entitlements:-

### **1. 2017 AGM**

The register of members will be closed on Monday, 24 April 2017 and Tuesday, 25 April 2017, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 April 2017.

### **2. Proposed Final Dividend**

The register of members will be closed on Tuesday, 2 May 2017. The ex-dividend date will be Thursday, 27 April 2017. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the abovementioned address not later than 4:30 p.m. on Friday, 28 April 2017.

### **3. Distribution for the Year**

Pursuant to the terms and conditions of the Convertible Bonds, the register of bondholders will be closed from Tuesday, 2 May 2017 to Monday, 8 May 2017, during which period no transfer of Convertible Bonds will be registered.

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

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

## **PUBLICATION OF FINANCIAL INFORMATION**

This announcement is available for viewing on the Company's website at [www.nagacorp.com](http://www.nagacorp.com) and the website of Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the Year containing, among others, the annual financial information of the Group will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 8 February 2017

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

*Executive Directors*

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

*Non-executive Director*

Timothy Patrick McNally

*Independent Non-executive Directors*

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

For the purpose of this announcement, amounts denominated in US\$ have been converted to HK\$ and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2015: HK\$7.75) and US\$1.0 to RUB60.66 (as at 31 December 2015: RUB72.88).