



NagaCorp Ltd.

金界控股有限公司*

(Incorporated in the Cayman Islands with limited liability)



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Tan Sri Dr Chen Lip Keong (Chief Executive Officer)
David Martin Hodson
Monica Lam Yi Lin
Angus Au-Yeung Wai Kai (Chief Financial Officer)

Non-executive Director:

Timothy Patrick McNally (Chairman)

Independent Non-executive Directors:

Tun Dato' Seri Abdul Hamid Bin Haji Omar
Wong Choi Kay
Zhou Lian Ji
Jimmy Leow Ming Fong
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Lim Mun Kee

AUDIT COMMITTEE

Jimmy Leow Ming Fong
Lim Mun Kee
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

REMUNERATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Jimmy Leow Ming Fong
Lim Mun Kee
Tan Sri Dr Chen Lip Keong
Angus Au-Yeung Wai Kai

NOMINATION COMMITTEE

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Jimmy Leow Ming Fong
Lim Mun Kee
Tan Sri Dr Chen Lip Keong
Angus Au-Yeung Wai Kai

AML OVERSIGHT COMMITTEE

David Martin Hodson
Timothy Patrick McNally
Wong Choi Kay
Jimmy Leow Ming Tong
Tan Sri Dr Chen Lip Keong

Financial & Operational Highlights

for the six months ended 30 June 2007

FINANCIAL HIGHLIGHTS

- Revenue increased by 54.4% to approximately US\$64.7 million
- Gross profit increased by 25.7% to US\$33.7 million
- Net profit increased by 14.7% to approximately US\$20.1 million
- Earnings per share of US cents 0.97 per share
- Declared interim dividend of US cents 0.67 per share

OPERATIONAL HIGHLIGHTS

- STG players check-ins increased by 57.8% to US\$233.7 million
- Average check-in amounts per STG player increased by 15.1% to US\$25,424
- Number of STG players increased by 37.1% to 9,192 players
- Number of visitors to our casino increased by approximately 357% to 31,254 visitors

Chairman & CEO's Statement

TO OUR SHAREHOLDERS:

On behalf of the Board, we are pleased to announce that NagaCorp Ltd. (the "Company") recorded a net profit of US\$20.1 million for the six months ended 30 June 2007, representing an increase of approximately 14.7% compared to US\$17.5 million for the same period in 2006. Earnings per share was approximately US cents 0.97 (HK cents 7.6 per share) compared to US cents 1.29 (HK cents 10.1 per share) for the same period in 2006. The decrease in earnings per share reflects the expanded share base after completion of the Company's initial public offering in October 2006.

INTERIM DIVIDEND

In view of the good results, the board of directors (the "Board") has resolved to pay an interim dividend of US cents 0.67 per share (HK cents 5.23 per share) or a total of approximately US\$14 million for the six months ended 30 June 2007. The dividend payable represents approximately 70% of the net profit generated for the period. This is consistent with our dividend policy to distribute not be less than 50% of the net profit for each financial year.

FINANCIAL HIGHLIGHTS

- Revenue up 54.4% to US\$64.7 million
- Gross profit up 25.7% to US\$33.7 million
- Gross profit margin of 52.1%
- Net profit up 14.7% to US\$20.1 million
- Net profit margin of 31.0%

OPERATIONAL HIGHLIGHTS

For the six months ended 30 June 2007, our operations had benefited from the continued political stability and economic expansion of Cambodia. The number of visitors to Cambodia increased by approximately 25% to around 1.0 million visitors for the period under review (*Source: Ministry of Tourism, Cambodia*). Revenue from STG floors and public floor had continued to grow with a notable increase of 91% recorded for STG floors. We have launched various programmes that were well received by the market as suggested by the increase in the number of customers who joined the programmes and the number of visitors who visited our casino for the period. Our table limits have increased from US\$18,000 to US\$50,000 for players with higher check-ins and deposits.

- Casino operations contributed over 99% of revenue
- Revenue from casino operations increased by approximately 54.8%
- STG floors revenue increased by approximately 91.0% to US\$44.6 million
- STG floors contributed approximately 68.8% of revenue
- STG players check-ins increased by approximately 57.8% to US\$233.7 million
- Public floor revenue increased by 9.4% to US\$18.6 million
- Public floor contributed approximately 28.7% of revenue

Many have benefited from the economic development of our host nation. Cambodian holding foreign passports had visited our casino and contributed to the increase in the revenue for the period under review.

Chairman & CEO's Statement

PROSPECTS

Our vision is to become a world class corporation "with excellence in our products, people and profitability" for the benefits of the host nation and all our shareholders.

The vision may be achieved through the implementation of a strategy which include firstly to increase revenue on the back of the successful completion of the Company's initial public offering; secondly, to increase market share of customer from Malaysia, Singapore, China, Vietnam and Thailand by leveraging on our tax advantage; and thirdly, to establish a strong brand through nation building exercises.

The Company aims to become a world-class Indo-China casino operator and to tap the fast growing economies of Thailand and of Vietnam with a total population of around 155 million people and a combined GDP of approximately US\$277 billion. The Company is also looking at the group of potential customers, namely the 6 million Chinese population, whose individual income are estimated to fall within a bracket of US\$100,000 and US\$1 million.

We do hope that, one day, the gaming revenue from Phnom Penh will be a small part of the global gaming revenue.

Property price in Phnom Penh has surged notably over the past few years. We intend to capitalise on the robust property market in Phnom Penh and expand NagaWorld to house a total of 700 rooms and 300 tables. We also intend to renovate the Hun Sen Garden located in front of NagaWorld and upgrade the motor court situated between the ground floor of the hotel and casino wings of NagaWorld into a grand hotel lobby. Part of the carpark block may be developed to house some of the additional rooms, a discotheque and a rooftop swimming pool. The addition of these features will not hold up the completion schedule of the 508 rooms and 176 tables.

OUR APPRECIATION

The Board would like to express their appreciation to our employees for their good 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
17 September 2007

NAGAWORLD





NagaWorld, a key landmark in the heart of Phnom Penh, comprises an 8-storey Entertainment Wing and a 14-storey Hotel Wing.

Star attractions include VIP gaming suites, public gaming hall, retail/shopping area, themed spa, grand ballroom, leisure, recreational & entertainment outlets, restaurants, bars, discotheque, karaoke lounge; as well as various meetings, incentives, conventions and exhibitions facilities

Management Discussion & Analysis

Our principal business is the management and operation of the only licensed casino in Phnom Penh, the capital city of Cambodia. We hold a casino licence (the "Casino Licence") issued by the Royal Government of Cambodia giving us the right to operate casino activities in the country for a period of 70 years commencing from 2 January 1995 with around 41 years exclusivity within a 200 km radius of the city (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville).

The following discussion should be read in conjunction with the unaudited consolidated interim financial statements and notes thereto included in this report. The unaudited consolidated interim financial statements had been prepared in accordance with all applicable International Financial Reporting Standards promulgated by the International Accounting Standards Board.

The Company has completed the initial public offering ("IPO") of its shares for listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 October 2006.

RESULTS

Our gaming business continued to grow for the financial period under review.

Revenue increased by 54.4% to approximately US\$64.7 million for the six months ended 30 June 2007 from approximately US\$41.9 million for the same period in 2006. Profits before taxation increased to approximately US\$20.9 million for the six months ended 30 June 2007 from approximately US\$18.3 million for the same period in 2006. Profit attributable to the equity shareholders of our Company amounted to approximately US\$20.1 million for the six months ended 30 June 2007, representing an increase of 14.7% compared to approximately US\$17.5 million for the same period in 2006.

INTERIM DIVIDEND

The board has resolved to pay an interim dividend of US cents 0.67 per share (or equivalent to HK cents 5.23 per share) for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 24 October 2007. The interim dividend payout ratio is approximately 70% of the net profits for the six months ended 30 June 2007. Interim dividend is expected to be made on or around 2 November 2007.

The Register of Members will be closed from 24 October 2007 to 26 October 2007 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 with the relevant share certificates must be lodged with the Company's Share Registrars, 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 23 October 2007.

BUSINESS REVIEW

Our operations continued to benefit from the political stability and economic expansion of Cambodia for the financial period under review. The number of visitor arrivals to Cambodia increased by approximately 25% to around 1.0 million visitors for the six months ended 30 June 2007 from around 0.8 million visitors for the same period in 2006. (*Source: Ministry of Tourism, Cambodia*)

For the six months ended 30 June 2007, casino operations continued to be the major revenue contributor for us and brought in revenue of approximately US\$64.7 million, representing over 99% of our total revenue. Revenue derived from casino operations was approximately US\$41.8 million for the same period in 2006. The majority of the revenue from the hotel wing was inter-divisional and was eliminated on consolidation. The increase of approximately 54.8% in revenue from casino operations was attributable mainly to the higher revenue contributions from our specialised tour group (STG) floor tables and public floor tables for the six months ended 30 June 2007. We launched a number of programmes, which were well received by the market as reflected by the increase in number of customers who joined the programmes and the number of visitors who visited our casino for the six months ended 30 June 2007. Our table limits also increased from US\$18,000 to US\$50,000 to cater for players with higher check-ins and deposits. Cambodians holding foreign passports also contributed to the increase in revenue for the period under review.

Management Discussion & Analysis

STG Floors

Revenue from STG floor tables increased notably by 91.0% to approximately US\$44.6 million for the six months ended 30 June 2007 from approximately US\$23.3 million for the same period in 2006. This was the result of the increase in number of quality STG players, the increase in the check-ins and the increase in number of tables and table limits. It is noteworthy that revenue from STG floor tables accounted for approximately 68.8% of our total revenue for the six months ended 30 June 2007.

There was a notable increase in the number of STG players who visited our casino. For the six months ended 30 June 2007, 9,192 STG players visited our casino compared to 6,704 STG players for the same period in 2006, representing an increase of 37.1% in the number of STG players. We increased the number of STG tables to 40 tables for the six months ended 30 June 2007. Levels 5, 6, 7 and 8 of the entertainment wing of NagaWorld were completed.

The total check-in amounts deposited by STG players increased by 57.8% to approximately US\$233.7 million for the six months ended 30 June 2007 from approximately US\$148.1 million for the same period in 2006. The average check-in amounts per STG player was approximately US\$25,424 per STG player for the six months ended 30 June 2007 and US\$22,091 for the same period in 2006.

Public Floor Tables

Public floor tables generated revenue of approximately US\$18.6 million for the six months ended 30 June 2007 compared to approximately US\$17.0 million for the same period in 2006. Revenue derived from 44 public floor tables accounted for approximately 28.7% of our total revenue for the six months ended 30 June 2007. The buy-in amounts made by public players increased to approximately US\$68.0 million for the six months ended 30 June 2007 from approximately US\$64.7 million for the same period in 2006.

Gaming Machine Stations

Under the existing arrangements for provision of gaming machine stations in our casino, we will continue to receive fixed income payments in aggregate of US\$10 million for the four years ending 30 June 2009. We are not required to pay rental costs for the gaming machine stations under the arrangement.

For the six months ended 30 June 2007, revenue derived from the gaming machine stations was approximately US\$1.5 million, same as that recorded for same period in 2006.

As at the end of June 2007, 211 gaming machine stations, the same as the number of gaming machine stations for the same period in 2006, were available for patronage in our casino.

Gross Profit

For the six months ended 30 June 2007, cost of sales increased to approximately US\$31.0 million from approximately US\$15.1 million for the same period in 2006. The increase in cost of sales was attributable to the rise in rollings achieved by STG players and other players, resulting in higher commissions paid to STG operators and local operators. The rise in related expenditure, such as costs for accommodation, food and beverages and rebates for air tickets also added to the cost of sales. For the financial period under review, gross profit increased by 25.7% to US\$33.7 million from US\$26.8 million for the same period in 2006.

The Company recorded gross profit margins of 52.1% for the financial period under review against 64.0% for the same period in 2006.

Management Discussion & Analysis

Operating and administrative expenses

NagaWorld requires additional trained professionals to manage the gaming and hotel operations and other entertainment facilities. We have recruited new talents to cater for our business expansion. Staff costs rose to approximately US\$5.8 million for the six months ended 30 June 2007 from approximately US\$3.4 million for the same period in 2006 on account of the increase in number of employees to 1,564 employees as at 30 June 2007.

Administrative expenses increased to approximately US\$6.6 million for the financial period under review from approximately US\$3.1 million for the same period in 2006. The rise can, to a certain extent, be attributable to the payment of an insurance premiums by the Group for the purpose of hedging country risks in Cambodia as part of the IPO process, completed in October 2006. No such insurance premiums were paid for the first six months in 2006.

For the six months ended 30 June 2007, amortisation expense of approximately US\$1.8 million was incurred in relation to the amortisation of the premium for extension of the exclusivity period of the Casino Licence, which is the same as that recorded for the six months ended 30 June 2006.

Finance costs

We did not incur finance costs as there were no significant financing arrangements for the six months ended 30 June 2007.

Net Profit

For the six months ended 30 June 2007, net profit increased to approximately US\$20.1 million from approximately US\$17.5 million for the same period in 2006, representing an increase of 14.7%. Investments and recruitment for new staff are required prior to full completion of NagaWorld and therefore initial outlays have been made. In view of the above, the Company recorded net profit margin of 31.0% for the six months ended 30 June 2007 against 41.8% for the same period in 2006.

Earnings per share were approximately US cents 0.97 (HK cents 7.6 per share) for the six months ended 30 June 2007 compared to US cents 1.29 (HK cents 10.1 per share) for the same period in 2006. With the increase in number of shares after completion of the IPO, earnings per share decreased for the six months ended 30 June 2007 despite the increase in net profit.

FINANCIAL REVIEW

Pledge of Assets

As at 30 June 2007, the Group had not pledged any assets for bank borrowings (31 December 2006: US\$ Nil).

Contingent Liabilities

As at 30 June 2007, the Group had contingent liabilities of approximately US\$2.1 million provided for in full in relation to litigation.

Exchange rate risk

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

Management Discussion & Analysis

Liquidity, Financial Resources and Gearing

As at 30 June 2007, the Group had total cash and bank balances of approximately US\$63.9 million (31 December 2006: approximately US\$78.3 million). Utilisation of the IPO proceeds was in accordance with the expenditure plan as set out in the IPO prospectus and announcements. Funding of our construction and operations is by cash generated from operations and IPO proceeds.

As at 30 June 2007, the Group had net current assets of approximately US\$70.1 million (31 December 2006: approximately US\$86.7 million). The decrease in net current assets was attributed mainly to payments made to the contractor for construction of NagaWorld. The Group had net assets of approximately US\$246.0 million (31 December 2006: approximately US\$235.9 million).

As at 30 June 2007, the Group had no outstanding borrowings (31 December 2006: US\$ Nil).

Capital and Reserves

As at 30 June 2007, the capital and reserves attributable to equity shareholders of our Company were approximately US\$246.0 million (31 December 2006: approximately US\$235.9 million).

Staff

As at 30 June 2007, the Group employed a work force of 1,564 (as at 30 June 2006: 923) stationed mostly in Cambodia, Malaysia and Hong Kong. Remuneration and staff costs for the financial period under review were approximately US\$5.8 million (for the six months ended 30 June 2006: approximately US\$3.4 million).

Application of IPO Proceeds

Net proceeds from the IPO were approximately US\$94.9 million, after deduction of related expenses. In line with the expenditure plan set out in the prospectus and announcements issued in connection with the IPO, the net proceeds were applied as follows:

Descriptions

	Approximate net IPO proceeds (US\$ million)	Proceeds utilized as at 30 June 2007 (US\$ million)	Remaining net IPO proceeds (US\$ million)
Development of NagaWorld	69.5	36.9	32.6
Development of gaming activities such as installation of gaming equipment and tables and other ancillary equipment for public gaming floor in the hotel lobby	21.4	2.8	18.6
General working capital	4	3.7	0.3
Total	94.9	43.4	51.5

Construction of Levels 7 and 8 of the South Tower of the entertainment wing of NagaWorld was completed. Installation of leisure, entertainment and recreational facilities are being carried out and will be ready by the end of 2007. A total of 217 hotel rooms were completed and the remaining of the 291 hotel rooms are expected to be completed by the end of 2007.

Management Discussion & Analysis

PROSPECTS

Our corporate vision is to become a world class corporation “with excellence in our products, people and profitability” for the benefits of the host nation and all our shareholders.

Our mission and strategy are, first to increase revenue on the back of the successful completion of the IPO; secondly, to increase market share of customer from Malaysia, Singapore, China, Vietnam and Thailand by leveraging on our tax advantage; and thirdly, to establish a strong brand through nation building exercises.

We do hope that, one day, the gaming revenue from Phnom Penh will be a small part of the global gaming revenue. Our casino, being the key casino located at the heart of an ASEAN city, our strategy is to focus on existing gaming business and to ‘squeeze’ more value from our existing operation in Phnom Penh.

The Company aims to be vigilant of and responsive to opportunities arising from the wave of liberalisation of the casino industry in Asia, especially that of Thailand and of Vietnam. The Company will consolidate its strong foundation with a view to becoming a world-class Indo-China casino operator with strong corporate governance, and an ability to maximise benefits from the fast growing economies of Cambodia’s immediate neighbours, Thailand and Vietnam. The two countries have a combined population of around 155 million people and a combined GDP of approximately US\$277 billion. The Company also aims to tap on a group of 6 million Chinese population, whose income is estimated to fall within a bracket of US\$100,000 and US\$1 million. We also envisage a significant increase in the number of visitors from China in the years to come.

Full completion of NagaWorld including 508 rooms, 176 tables and other facilities is expected to be within budget and schedule.

Property price in Phnom Penh has increased substantially over the past 5 years, likely as a result of political stability and an increase in the number of foreign investors. A parcel of land next to NagaWorld has been offered at approximately US\$2,300 per m².

We intend to capitalise on the buoyant property market in Phnom Penh and increase the total number of hotel rooms to about 700 rooms and the number of gaming tables to about 300 tables. We also intend to renovate the Hun Sen Garden located in front of NagaWorld. The motor court situated between the ground floor of the hotel and casino wings of NagaWorld will be converted into a grand hotel lobby. It is anticipated that additional floors may be added to the North Tower and the South Tower of the hotel wing. Part of the carpark block may be developed to house about 100 rooms (the additional rooms which are intended for use by our staff), a discotheque and a rooftop swimming pool. The construction costs of these additional features to the NagaWorld complex are not covered in the budget of US\$90.5m referred to in the IPO prospectus. The addition of these features will not hold up the schedule of completion of the 508 rooms and 176 tables.

AUDIT COMMITTEE

The unaudited consolidated interim financial statements for the six months ended 30 June 2007 have been reviewed by the Audit Committee of the Company which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

REVIEW OF INTERIM RESULTS

The Company has engaged KPMG Malaysia who have reviewed the unaudited consolidated interim financial results for the six months ended 30 June 2007 in accordance with International Standards on Review Engagements 2400, Engagement to Review Financial Statements. KPMG Hong Kong have not reviewed the unaudited consolidated interim financial results for the six months ended 30 June 2007.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The directors who held office at 30 June 2007 had the following interests in the shares of the Company at that date as recorded in the register of directors' and chief executives' interests required to be kept by the Company 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 Companies ("Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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	Beneficial interest in the Company through his interest in Cambodia Development Corporation ("CDC")	161,197,228	7.77
Tan Sri Dr Chen Lip Keong	Personal interest in the Company	1,230,769,876 (Note)	59.31

Note: These are of (i) an interest in 1,181,505,883 shares of the Company; and an option over 49,263,993 shares of the Company granted by Tan Sri Dr Chen Lip Keong to Evolution Master Fund, Ltd. SPC, Segregated Portfolio M, to exercise the shares of the Company for the period from 20 October 2007 to 14 June 2009.

Save as disclosed above, as at 30 June 2007, none of the directors of the Company had any interests or short positions in the shares of the Company, any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

The Company did not grant any share options during the year and there are no outstanding share options at 30 June 2007.

Apart from the foregoing, at no time during the year 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.

Disclosure of Interests

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 2007, the shareholders, other than the directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Substantial shareholders	Number of ordinary shares held	% of total issued ordinary shares
CDC (<i>Note 1</i>)	161,197,228	7.77
Evolution Capital Management, LLC (<i>Note 2</i>)	163,597,652	7.88
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M (<i>Note 2</i>)	163,597,652	7.88

Notes:

- (1) The beneficial owner of CDC is Tan Sri Dr Chen Lip Keong.
- (2) Evolution Capital Management, LLC is the investment manager of Evolution Master Fund, Ltd. SPC, Segregated Portfolio M.

Save as disclosed above and so far as the directors and the chief executives of the Company are aware of, as 30 June 2007, 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.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

In the Directors' opinion, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the "Listing Rules" for the first six months ended 30 June 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 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 financial period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing, among other things, the objectivity and credibility of financial reporting and the internal control. The Audit Committee consists of the independent non-executive Directors namely, Mr. Jimmy Leow Ming Fong, Mr. Lim Mun Kee, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir.

The Audit Committee has convened three meetings since the beginning of the current financial year and has reviewed the financial reports and statements as well as the internal control reports of the Company.

The Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30 June 2007 and the financial standards adopted by the Group.

The Company has engaged KPMG Malaysia, who have reviewed the unaudited consolidated interim financial results for the six months ended 30 June 2007. KPMG Hong Kong has not reviewed the unaudited consolidated interim financial results for the six months ended 30 June 2007.

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board in this regard.

The Nomination Committee consists of Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Mr. Jimmy Leow Ming Fong, Mr. Lim Mun Kee, Tan Sri Dr Chen Lip Keong and Mr. Angus Au Yeung Wai Kai.

The Nomination Committee has convened two meetings since the beginning of the current financial period and considered, among other things, the composition of the Board and proposed candidates as Independent Non-Executive Directors, Non-Executive Director and Executive Director.

Corporate Governance Report

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, Mr. Jimmy Leow Ming Fong, Mr. Lim Mun Kee, Tan Sri Dr Chen Lip Keong and Mr. Angus Au Yeung Wai Kai.

The Remuneration Committee has convened two meetings since the beginning of the current financial period and considered, among other things, the remuneration of Directors.

INTERNAL CONTROLS

The AML Oversight Committee is responsible for formulating policies and strategies on AML development and act as oversight committee on AML matters.

AML Oversight Committee consists of Mr. David Martin Hodson, Mr. Timothy Patrick McNally, Ms. Wong Choi Kay, Mr. Jimmy Leow Ming Fong and Tan Sri Dr Chen Lip Keong.

The AML Oversight Committee has convened two meetings since the beginning of the current financial period 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/or audit internal controls of the Group with a focus on anti-money laundering for the six months ended 30 June 2007 and will arrange for another review and/or audit of the same for the financial year ending 31 December 2007. Details of the findings of the review and/or audit will be enclosed in our annual report for the financial year ending 31 December 2007.

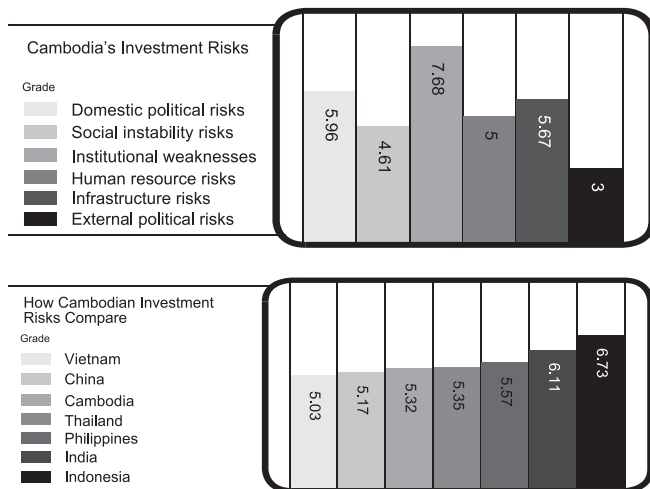
The Company has engaged an independent professional party to assess the investment risks in Cambodia for the financial year ended 31 December 2006 and set out the findings of the assessment in the annual report for the financial year 2006 and this interim report. Please refer to "Independent Review of Investment Risks in Cambodia" on page 16 for details.

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 investment risks in Cambodia and in arriving at our findings below, taken into account, amongst others, domestic political risks, social instability risks, institutional quality, accountability and standards, human resource risks, infrastructure and environmental risks and external political risks. Based on the assessment and review carried out in the last quarter of 2006 and February 2007, we summarised our findings below:



We quantify investment risks in Cambodia through the measure of socio-political risks which in turn comprised the following variables:

- Domestic political risks
- Social instability risks
- Institutional quality, accountability and standards
- Human resource risks
- Physical factors such as infrastructure and environmental 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 index score for the investment risks in Cambodia is calculated by adding the products of the individual grades for the specific variables multiplied by their specific weights in percentage terms. We have treated each variable and sub-variables as having equal importance and weights.

The maximum possible risk rating is 10 while the minimum is zero, being the most favorable grade possible. The overall risk rating for Cambodia is 5.32, which is in our view moderate.

Independent Review of Investment Risks in Cambodia

THE POSITIVE DEVELOPMENTS

- Tourism is growing rapidly and shows every sign of continuing to do so, with some of the most rapid growth being from China, Korea and Vietnam.
- Cambodia's external relations are excellent, particularly with countries that will be the leading sources of NagaCorp's client base namely, Malaysia, Singapore, China and South Korea.
- Both the current and future governments of Cambodia will treat tourism as a pillar on which to build the economy's development. They will avoid actions that hurt the tourism industry and major foreign investors in this industry.
- Future exchange rate changes in China and Korea should increase the spending power of NagaCorp's main client base and stimulate growth.
- NagaCorp's profile, which was already high in Cambodia in view of its size compared with other foreign direct investments in a pillar industry like tourism, has been raised further by its listing in Hong Kong. The unique status and international visibility this gives the company is added leverage NagaCorp can use to call on the support of the highest levels of the government if needed to deal with the country's institutional shortcomings.
- The potential for political instability. Cambodia is unlikely to experience serious political instability during the next two years even though there will be local elections this year and national elections next year.
- The economy of Cambodia has been growing rapidly for well over a decade now. The real growth, in term of GDP, has averaged well over 6.8% p.a. between 2000 and 2005. The final figures for last year are not yet available, but all indications are that it was another good year economically with growth probably in excess of 6% (*Source: National Institute of Statistics, Cambodia*).

THE CHALLENGES

- Corruption and weak government institutions. Potential rivals might try to take advantage of these types of systemic deficiencies to gain an advantage.
- Labor issues, including training challenges and a difficulty in using the system to defend against unreasonable labor demands.
- The potential for fallout from adverse political developments in neighboring countries, most notably Thailand, from creating security concerns that hurt the flow of tourists to neighboring countries like Cambodia.
- The potential for social instability. Domestic social conditions are stable and are unlikely to deteriorate, but Cambodia is still hurt by its reputation incurred during the days when the Khmer Rouge were in charge.
- Health and personal security concerns. Media reports focusing on Cambodia's problems like AIDS, inferior sanitation conditions, and crime problems do not generally apply to the conditions that visitors to NagaCorp's facilities are exposed to from the time they get off their plane until they re-board after their visits.

Robert Broadfoot

Managing Director

PERC

Hong Kong, 23 March 2007

Independent Review of Investment Risks in Cambodia

Robert Broadfoot researched and wrote the report on the review on investment risks in Cambodia. Mr. Broadfoot is the founder and Managing Director of Political & Economic Risk Consultancy, Ltd. (PERC). Established in 1976, PERC is headquartered in Hong Kong and engaged principally in the monitoring and auditing country risks in Asia. From this base PERC manages a team of researchers and analysts in the ASEAN countries, the Greater China region and South Korea. Over 1,200 corporations and financial institutions worldwide currently use PERC's services to assess key trends and critical issues shaping the region, to identify growth opportunities, and to develop effective strategies for capitalizing on these opportunities.

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

Independent Review Report

Independent review report to the Board of Directors of NagaCorp Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying unaudited consolidated interim financial report of the Company and its subsidiaries (known as 'the Group') for the six months ended 30 June 2007 as set out on pages 20 to 35. The unaudited consolidated interim financial report is the responsibility of the Company's directors. Our responsibility is to issue a report on the unaudited consolidated interim financial report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400, "Engagement to Review Financial Statements". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the unaudited consolidated interim financial report is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

REVIEW CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited consolidated interim financial report are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Comparative figures for the preceding six months ended 30 June 2006 were not audited nor reviewed by us or other auditors and are presented in the unaudited consolidated interim financial report merely for comparative purposes.

KPMG

Chartered Accountants

Kuala Lumpur, Malaysia

17 September 2007

Unaudited Consolidated Interim Income Statement

for the six months ended 30 June 2007 (unaudited)

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000
Revenue	3	64,748	41,935
Cost of sales		(31,021)	(15,094)
Gross profit		33,727	26,841
Other operating income		18	18
Administrative expenses		(6,583)	(3,063)
Amortisation of casino licence premium	10	(1,773)	(1,773)
Depreciation		(291)	(181)
Other operating expenses		(5,646)	(3,565)
Profit from operations		19,452	18,277
Interest income		1,489	—
Profit before taxation	4	20,941	18,277
Income tax	5	(856)	(760)
Profit attributable to equity shareholders of the Company		20,085	17,517
Dividends payable to equity shareholders of the Company attributable to the period:			
Interim dividend declared	6(a)	—	18,000
Special dividend proposed after balance sheet date	6(b)	—	10,000
Interim dividend declared after balance sheet date	6(c)	14,000	—
		14,000	28,000
Earnings per share (US cents)	7	0.97	1.29

The notes on pages 24 to 35 form part of this unaudited consolidated interim financial report.

Unaudited Consolidated Interim Balance Sheet

at 30 June 2007 (unaudited)

(Expressed in United States dollars)

	<i>Note</i>	30 June 2007 \$'000	31 December 2006 \$'000
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		75,336	46,868
– Interest in leasehold land held for own use under operating lease		669	674
Intangible assets	10	99,898	101,671
		175,903	149,213
Current assets			
Consumables	11	30	17
Trade and other receivables	12	16,350	12,132
Deposit payments for purchase of raw materials	13	4,157	8,312
Cash at bank and in hand		63,900	78,301
		84,437	98,762
Current liabilities			
Trade and other payables	14	12,241	9,973
Current tax liabilities		5	11
Obligations under finance leases		2	2
Provisions	15	2,096	2,096
		14,344	12,082
Net current assets		70,093	86,680
Total assets less current liabilities		245,996	235,893
Non-current liability			
Obligations under finance leases		10	11
NET ASSETS		245,986	235,882
CAPITAL AND RESERVES			
Share capital	16	25,938	25,938
Reserves		220,048	209,944
TOTAL EQUITY		245,986	235,882

Approved and authorised for issue by the board of directors on 17 September 2007.

Timothy Patrick McNally
Chairman

Tan Sri Dr Chen Lip Keong
Chief Executive Officer

The notes on pages 24 to 35 form part of this unaudited consolidated interim financial report.

Unaudited Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June 2007 (unaudited)

(Expressed in United States dollars)

	<i>Note</i>	Share capital \$'000	Share premium \$'000	Merger deficit \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
At 1 January 2006		15,500	—	(12,812)	568	—	18,040	21,296
Issue of shares		2,529	47,471	—	—	—	—	50,000
Profit for the period		—	—	—	—	—	17,517	17,517
Dividend declared	6(a)	—	—	—	—	—	(18,000)	(18,000)
At 30 June 2006		18,029	47,471	(12,812)	568	—	17,557	70,813
At 1 January 2007		25,938	134,477	(12,812)	55,568	53	32,658	235,882
Profit for the period		—	—	—	—	—	20,085	20,085
Dividend declared	6(b)	—	—	—	—	—	(10,000)	(10,000)
Exchange adjustments		—	—	—	—	19	—	19
At 30 June 2007		25,938	134,477	(12,812)	55,568	72	42,743	245,986

The notes on pages 24 to 35 form part of this unaudited consolidated interim financial report.

Unaudited Consolidated Interim Cash Flow Statement

for the six months ended 30 June 2007 (unaudited)

(Expressed in United States dollars)

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Cash generated from operations	23,730	21,143
Tax paid	(861)	(281)
Net cash generated from operating activities	22,869	20,862
Net cash used in investing activities	(27,270)	(3,159)
Net cash used in financing activities	(10,000)	(17,359)
Net (decrease)/increase in cash and cash equivalents	(14,401)	344
Cash and cash equivalents at 1 January	78,301	670
Cash and cash equivalents at 30 June	63,900	1,014

The notes on pages 24 to 35 form part of this unaudited consolidated interim financial report.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

1. CORPORATE INFORMATION

NagaCorp Ltd. (the "Company") is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld Building, South of Samdech, Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

The unaudited consolidated interim financial report at and for the six months ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "Group").

The unaudited consolidated interim financial report is expressed in United States dollars and rounded to the nearest thousand.

2. BASIS OF PREPARATION

The unaudited consolidated interim financial report at and for the six months ended 30 June 2007 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited the "Listing Rules", including compliance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, promulgated by the International Accounting Standards Board ("IASB"). The unaudited consolidated interim financial report was authorised for issuance on 17 September 2007.

The unaudited consolidated interim financial report has been prepared in accordance with the same accounting policies adopted by the Group in its audited consolidated financial statements at and for the year ended 31 December 2006.

The preparation of unaudited consolidated interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting 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 for making judgements about the 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 ongoing 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 unaudited consolidated interim financial report contains the unaudited consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The unaudited consolidated interim financial report does not include all of the information required for a full set of annual financial statements prepared in accordance with all applicable International Financial Reporting Standards adopted by IASB, and should be read in conjunction with the audited consolidated financial statements of the Group at and for the year ended 31 December 2006.

The consolidated interim financial report is unaudited, but has been reviewed by the audit committee of the Company and by KPMG in accordance with International Standards on Review Engagements 2400 "*Engagement to Review Financial Statements*". KPMG's independent review report to the Board of Directors is included in page 19.

The financial information relating to the financial year ended 31 December 2006 that is included in the audited consolidated interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements at and for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2007.

Comparative figures for the preceding six months ended 30 June 2006 were not audited or reviewed by KPMG or other auditors, and are presented in the unaudited consolidated interim financial report merely for comparative purposes.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

3. REVENUE

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

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Casino operations	63,126	40,289
Income from operating lease for the provision and maintenance of gaming machine stations	1,535	1,548
Sale of foods and beverages	87	98
	64,748	41,935

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Amortisation of casino licence premium	1,773	1,773
Depreciation of property, plant and equipment	291	181
Exchange (gain)/loss	(120)	10
Fuel expenses	653	448
Operating lease charges for properties	175	101
Operating lease charges for hire of equipment	83	43
Other taxes (<i>Note a</i>)	25	52
Staff costs (<i>Note b</i>)		
– Salaries, wages and other benefits	5,765	3,419
– Contributions to defined retirement scheme	1	4

Notes:

- (a) Other taxes relate to salary taxes, fringe benefit taxes and withholding taxes.
- (b) Included in staff costs are the following:

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Directors' remuneration		
– Basic salary and allowances	436	383
– Contributions to defined retirement scheme	2	2
– Discretionary bonus	857	—
Senior management remuneration		
– Basic salary, allowances and benefits-in-kind	544	232
– Discretionary bonus	45	—

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

5. INCOME TAX

Income tax in the income statement represents:

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Current tax expense		
– Hong Kong	—	—
– Kingdom of Cambodia	856	760
– Malaysia	—	—
	856	760

Taxation represents obligation payment of \$142,383 (six month ended 30 June 2006: \$126,563) per month payable to The Ministry of Economy and Finance of Cambodia. There are no Malaysian or Hong Kong income taxes applicable to the Group.

6. DIVIDENDS DECLARED

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Interim dividend declared:		
2007: Nil	—	—
2006: US1.25 cents per ordinary share	—	18,000
	—	18,000

(b) Special dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Special dividend in respect of the financial year ended 31 December:		
2006: US0.48 cents per ordinary share	10,000	—

No special dividend was proposed in respect of the financial year ended 31 December 2005.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

6. DIVIDENDS DECLARED (continued)

(c) Dividends attributable to the interim period declared after balance sheet date

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Interim dividend declared after balance sheet date:		
2007: US0.67 cents per ordinary share	14,000	—
2006: Nil	—	—
	14,000	—

Subsequent to balance sheet date, the Board has resolved to declare payment of an interim dividend of US0.67 cents per ordinary share for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company. This interim dividend declared after balance sheet date is not been accounted for in the unaudited consolidated interim financial report.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of \$20,085,000 (six months ended 30 June 2006: \$17,517,000) and the weighted average number of 2,075,000,000 (2006: 1,354,678,379) ordinary shares in issue during the interim period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2007 and 2006.

The weighted average number of ordinary shares is as follows:

	2007	2006
At 1 January	2,075,000,000	1,240,000,080
Capitalisation issue (<i>Note 16</i>)	—	57,667,509
Effect of shares issued to Tan Sri Dr Chen Lip Keong pursuant to an agreement with Ariston Sdn. Bhd. and Ariston Holdings Sdn. Bhd. (<i>Note 16</i>)	—	57,010,790
At 30 June	2,075,000,000	1,354,678,379

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

	Casino operations \$'000	Corporate and Hotel and entertainment operations \$'000	Inter-segment elimination \$'000	Total \$'000
Revenue from external customers:				
Six months ended:				
30 June 2007	64,661	510	(423)	64,748
30 June 2006	41,837	195	(97)	41,935
Segment profit/(loss) from operations:				
Six months ended:				
30 June 2007	25,516	(6,339)	—	19,177
30 June 2006	21,191	(2,914)	—	18,277
Segment assets:				
30 June 2007	129,137	131,203	—	260,340
31 December 2006	116,915	131,060	—	247,975
Segment liabilities:				
30 June 2007	(11,629)	(2,725)	—	(14,354)
31 December 2006	(8,507)	(3,586)	—	(12,093)
Net assets:				
30 June 2007	117,508	128,478	—	245,986
31 December 2006	108,408	127,474	—	235,882

Revenue and profit from the "Corporate and hotel and entertainment operations" comprise income from the operation of a food and beverage outlet and restaurant. In addition to assets employed for the operation of the food and beverage outlet and restaurant, the assets of "Corporate and hotel and entertainment operations" also include leasehold land and capital work-in-progress for the NagaWorld project in Phnom Penh.

All activities and net assets relate to continuing operations.

(b) Geographical segments

The Group's operations and activities are located entirely in Cambodia.

(c) Discontinued operations

There are no discontinued operations during the current and prior interim period and there are no net assets relating to discontinued operations as at 30 June 2007 and 2006.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

9. FIXED ASSETS

During the six months ended 30 June 2007, the Group acquired property, plant and equipment, totalling \$2,928,000, and incurred \$25,832,000 in respect of capital work-in-progress in relation to the construction of the hotel and casino complex at Kingdom of Cambodia.

Property, plant and equipment with a net book value of \$3,913 were disposed off by the Group during the six months ended 30 June 2007.

10. INTANGIBLE ASSETS

	30 June 2007 \$'000	31 December 2006 \$'000
Casino licence premium and extended exclusivity premium, at cost At beginning/end of period/year	108,000	108,000
Accumulated amortisation At beginning of period/year	6,329	2,782
Charge for the period/year	1,773	3,547
At end of period/year	8,102	6,329
Carrying amount At end of period/year	99,898	101,671

11. CONSUMABLES

Consumables comprise food and beverage, diesel and sundry store items.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

12. TRADE AND OTHER RECEIVABLES

	30 June 2007 \$'000	31 December 2006 \$'000
Trade receivables	13,191	8,351
Other receivables, deposits and prepayments	3,318	3,940
	16,509	12,291
Less: Allowance for doubtful debts	(159)	(159)
	16,350	12,132

Trade receivable (net of allowance for doubtful debts) expected to be recovered within twelve months from the balance sheet date are debtors with the following ageing analysis:

	30 June 2007 \$'000	31 December 2006 \$'000
Current	9,465	5,635
1 to 3 months overdue	1,150	1,156
3 to 6 months overdue	1,148	961
6 to 12 months overdue	1,233	—
More than 12 months overdue	36	440
	13,032	8,192

The Group's credit policy is set out in Note 21(b).

13. DEPOSIT PAYMENTS FOR PURCHASE OF RAW MATERIALS

	30 June 2007 \$'000	31 December 2006 \$'000
Deposit payments for purchase of raw materials	4,157	8,312

As at 30 June 2007, deposit payments for the purchase of raw materials by the Group relates to deposits made for purchases of raw materials necessary for the construction of the hotel and casino complex. It is anticipated that the materials will be used within the twelve (12) months.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

14. TRADE AND OTHER PAYABLES

	30 June 2007 \$'000	31 December 2006 \$'000
Unredeemed casino chips	6,929	3,641
Construction creditors	1,343	1,365
Tax penalties and late payment interest	946	939
Other taxes (a)	685	804
Trade creditors	630	1,397
Deposits	561	60
Other creditors and accruals	1,147	1,767
	12,241	9,973

Notes:

(a) Other taxes relate to salary taxes, fringe benefit taxes and withholding taxes.

Included in trade and other payables are trade creditors with the following aging analysis as of balance sheet date:

	30 June 2007 \$'000	31 December 2006 \$'000
Due within 1 month or on demand	160	118
Due after 1 month but within 3 months	45	477
Due after 3 months but within 6 months	—	1
Due after 6 months but within 12 months	418	—
More than 12 months	7	801
	630	1,397

15. PROVISIONS

	30 June 2007 \$'000	31 December 2006 \$'000
At beginning of period/year	2,096	2,096
Provisions made during the period/year	—	—
At end of period/year	2,096	2,096

The provision for litigation relates to the winnings of a Specialised Tour Group ("ST Group"), who had allegedly resorted to cheating. Refer to Note 19 for further details.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

16. SHARE CAPITAL

	30 June 2007		31 December 2006	
	No of shares	\$'000	No of shares	\$'000
At beginning of period/year	2,075,000,000	25,938	1,240,000,080	15,500
Shares issued during the period/year	—	—	777,332,411	9,717
Capitalisation issue	—	—	57,667,509	721
At end of period/year	2,075,000,000	25,938	2,075,000,000	25,938

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.

(a) Shares issued during the year

On 11 May 2006, the Company issued 202,332,411 new ordinary shares of \$0.0125 each to Tan Sri Dr Chen Lip Keong pursuant to an agreement with, amongst others, Ariston Sdn. Bhd. and Ariston Holdings Sdn. Bhd.

On 19 October 2006 and 2 November 2006, as part of the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 575,000,000 new ordinary shares of \$0.0125 each.

(b) Capitalisation issue

On 4 October 2006, an amount of \$720,844 of the share premium account was applied in paying up in full 57,667,509 new ordinary shares of \$0.0125 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one new ordinary share for every 25 existing ordinary shares then held.

17. LEASE COMMITMENTS

At 30 June 2007, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2007 \$'000	31 December 2006 \$'000
Within 1 year	530	472
1 to 5 years	1,257	1,428
After 5 years	13,413	13,507
	15,200	15,407
<i>Land in Phnom Penh for hotel and entertainment complex</i>		
Within 1 year	170	170
1 to 5 years	680	703
After 5 years	13,445	13,507
	14,295	14,380

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 hotel and casino complex with integrated casino facilities currently under construction. The lease agreement is for a period of seventy years and does not include any provision for renewal upon expiry or contingent rentals. Provisions for periodic adjustments to reflect market rentals are included in the lease agreement and in the commitments shown above.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

18. CAPITAL COMMITMENTS

The Group had the following capital commitments as at each balance sheet date:

	30 June 2007 \$'000	31 December 2006 \$'000
Hotel and casino complex, Phnom Penh		
– contracted but not incurred	26,504	8,890
– authorised but not contracted	8	33,035
	26,512	41,925

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. LITIGATION

ST group cheating case

A Specialised Tour Group (“ST group”) comprising 20 members won approximately \$2 million during the period from 23 April 2003 to 25 April 2003. Based on the information provided and review of internal security records, the Group believes the ST group may have resorted to cheating in gambling. Therefore, Naga Resorts & Casino Limited (“NRCL”), one of its subsidiaries incorporated in Hong Kong, withheld the money and lodged a report to the Cambodia local court.

NRCL has lodged a report to the Cambodia Ministry of Interior’s Police Headquarters and an order was issued by the police in Cambodia to NRCL to withhold payment of monies to the ST group until their investigations were completed. On 11 June 2003, a charge warrant was issued by the Prosecutor of the Phnom Penh Municipal Court against certain ST group members. On 12 June 2003, the Phnom Penh Municipal Court issued an order temporarily restraining the company from making the \$2 million payment to the ST group until completion of the Phnom Penh Municipal Court’s investigations.

In July 2003, the ST group members obtained a discharge warrant from the Phnom Penh Municipal Court discharging them from the criminal charges, and obtained a further warrant from the Phnom Penh Municipal Court cancelling their earlier order that restrained NRCL from making payment to the ST group. NRCL has filed an appeal in the Cambodia Appeal Court against both warrants.

NRCL has also commenced a civil action in the Phnom Penh Municipal Court against the ST group members in respect of the disputed amount. On 29 August 2003, the Court of Appeal issued a warrant temporarily suspending the requirements of NRCL from paying the \$2 million to the ST group members, pending the judgement of the Cambodia Appeal Court. NRCL has since, on 4 August 2003, received a further demand for the outstanding sum and has been threatened with possible legal action and publicity of the incident.

At this juncture, NRCL has no obligation to pay the withheld money and compensate the ST group for legal costs. However, a provision has been made for the ST group’s winnings as set out in Note 15.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

20. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted upon listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 19 October 2006 whereby the directors of the Company 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 interim period and there are no outstanding share options at 30 June 2007.

21. RISK MANAGEMENT

Financial risk management objectives and policies

Exposures to political and economic risks, credit, interest rate and currency risk arise in the normal course of the Group's business and the risk are summarised below:

(a) Political and economic risks

The Group's activities are carried out in the Kingdom of Cambodia, a country which, until recently, has had a history of political instability. While the political climate has been more stable in recent years, its political and legal frameworks are still evolving and the economic and legal environments may change significantly in the event of a change of government. Although the Royal Government of Cambodia ("Government") has been pursuing reform policies in recent years, no assurance can be given that the Government will continue to pursue such policies or that such policies may not be significantly altered. There is also no guarantee that the 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. In this connection, the Group has purchased an insurance policy as a precautionary measure to hedge against these risks.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requesting credit facility. The Group does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentrations of credit risk except that approximately 42% of the outstanding trade receivables is due from four (4) trade customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(c) Interest rate risk

In respect of income from monetary assets, the effective interest and term are as follows:

	30 June 2007		31 December 2006	
	Effective interest rate %	One year or less \$'000	Effective interest rate %	One year or less \$'000
Fixed term deposits of 7 days or less	5%	50,925	5%	73,461

The Group places deposits with established financial institutions on a short term basis and is only exposed to interest rate fluctuations of the US dollars.

Notes to the Unaudited Consolidated Interim Financial Statements (unaudited)

(Expressed in United States dollars)

21. RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

(d) Foreign currency risk

The Group's income is principally earned in United States dollars ("US dollars"). The Group's expenditure is principally paid in US 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 outweigh the potential cost of exchange rate fluctuation.

All financial instruments are carried at amounts not materially different from their fair values at the balance sheet date because of their short term maturities.

22. RELATED PARTY TRANSACTIONS

Significant transactions entered into between the Group, its related companies and controlling shareholder are as follows:

Expenses

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Travel expenses (<i>note</i>)	60	88

Note: The Group has used a related party for the provision of travel and tour services and hotel accommodation.

23. ULTIMATE CONTROLLING SHAREHOLDER

At 30 June 2007, Tan Sri Dr Chen Lip Keong is interested in 1,391,967,104 ordinary shares of the 2,075,000,000 issued ordinary shares of the Company of which 1,230,769,876 ordinary shares are registered in his name and the remaining 161,197,228 ordinary shares are registered in the name of and beneficially owned by the Cambodian Development Corporation ("CDC"), a company incorporated in the British Virgin Islands. The entire issued share capital of CDC is beneficially owned by Tan Sri Dr Chen Lip Keong.

Investor Relations

We acknowledge the importance of maintaining a communication with our shareholders and investors through channels like Annual Report and Accounts, Interim Report and Accounts, press release and announcements. Our Interim Report contains details of financial and other relevant information about the Company's activities. We welcome enquiries about the Company's activities and will handle them on a timely fashion.

FINANCIAL CALENDAR

Closure of Register of Members 24 October 2007 to 26 October 2007

Interim Dividend Payment Date on or around 2 November 2007

LISTINGS

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

INTERIM REPORT 2007

This Interim Report 2007, in both English and Chinese, is available in printed form and on the Company's website – www.nagacorp.com

STOCK CODE

3918

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Monica Lam Yi Lin, ACS ACIS

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