



September 22, 2016

Iao Kun Group Holding Company Limited Announces Second Quarter and Six Months 2016 Financial Results

HONG KONG--(BUSINESS WIRE)-- Iao Kun Group Holding Company Limited ("IKGH" or the "Company") (NASDAQ:IKGH), which operates through its subsidiaries and related promotion entities that act as VIP room gaming promoters and a collaborator, today announced unaudited financial results for the three and six months ended June 30, 2016. All currency amounts are stated in United States dollars. Please refer to the Form 6-K that will be filed with the Securities and Exchange Commission for the full unaudited financial statements and related disclosures for the three and six months ended June 30, 2016.

Second Quarter 2016 Highlights

- 1 Rolling Chip Turnover (a metric used by casinos to measure the aggregate amount of players' bets and overall volume of VIP gaming room business transacted, which is further defined below) for the three months ended June 30, 2016 was \$0.9 billion, a decrease of 51%, compared to \$1.7 billion for the three months ended June 30, 2015.
- 1 Net loss for the second quarter of 2016 was \$104.4 million, or \$1.65 net loss per share (basic and diluted), compared to net loss of \$23.8 million, or \$0.38 net loss per share (basic and diluted), for the same period of 2015. During the second quarter of 2016, IKGH incurred a one-time \$97.3 million impairment of intangible assets, while during the second quarter of 2015, IKGH incurred a one-time \$17.8 million impairment of goodwill.
- 1 Non-GAAP loss, which is operating loss before amortization of intangible assets, impairment of goodwill and intangible assets and the change in fair value of contingent consideration related to the acquisitions of King's Gaming, Bao Li Gaming and Oriental VIP Room, was \$3.0 million, or \$0.05 net loss per share (basic and diluted), for the three months ended June 30, 2016, as compared to non-GAAP loss of \$2.2 million, or \$0.03 net loss per share (basic and diluted), for the three months ended June 30, 2015.

Update on Pending Acquisition of Jeju Sun Hotel & Casino

On June 23, 2016, IKGH announced its indirect wholly-owned subsidiary, Iao Kun Jeju Hotel Company Limited, had entered into a share purchase agreement with Golden & Luxury Company, Ltd., Solaire Korea Co., Ltd. and Bloomberry Resorts Corporation, to acquire the Jeju Sun Hotel & Casino in Jeju, Korea for KRW117.5 billion in cash (approximately US\$101.8 million). The Company remains in negotiations regarding funding arrangements and will provide additional updates with respect to financing when available. In the interim, the Company and the seller have agreed to extend the required closing date for the acquisition.

Second Quarter 2016 Results

For the three months ended June 30, 2016, IKGH recorded revenue of \$10.6 million, a 52% decrease from the same period in 2015, primarily due to lower Rolling Chip Turnover during the quarter, as well as (i) a reduction of players for VIP baccarat, consistent with the overall decline of VIP baccarat gaming revenue in Macau; (ii) the economic downturn and ongoing anti-corruption campaign in mainland China, where the majority of IKGH's VIP gaming patrons reside; and (iii) the continued tightening of government policies in mainland China, including restrictions on credit card usage.

The increase in net loss for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 was primarily a result of recognizing a one-time \$97.3 million impairment of intangible assets in the second quarter of 2016. Apart from the one-time impairment of intangible assets, the net loss was primarily due to a significant decrease in revenues as a result of lower Rolling Chip Turnover and lower win rate, partially offset by lower commissions to junket agents for the three months ended June 30, 2016 as a result of the lower Rolling Chip Turnover compared to the prior-year period. Selling, general and administrative expenses also declined for the three months ended June 30, 2016 compared to the prior-year period, primarily due to no longer paying a monthly table rental to the L'Arc Casino since September 2015, lower overall VIP Gaming Room operating expenses and no year-end bonuses paid to cage employees, all partially offset by an increase in legal and professional fees for the pending Jeju acquisition.

"As we expect that the VIP market in Macau will continue to be challenging for the foreseeable future, we commenced a strategic review of our operations to reduce expenses and continue to preserve our capital. As a result of the review, we recently closed three of our VIP gaming rooms in Macau," said Mr. Lam Man Pou, Chairman of IKGH. "While we streamline our operations in Macau, we are looking forward to completing the acquisition of the Jeju Sun Hotel & Casino as well as a non-expiring transferrable gaming license, which will allow us to further diversify our revenue streams while providing a significant opportunity to rapidly grow VIP operations on Jeju Island."

Six Month 2016 Highlights

- 1 Rolling Chip Turnover for the six months ended June 30, 2016 was \$2.1 billion, a decrease of 48% compared to \$3.9 billion for the six months ended June 30, 2015.
- 1 Net loss for the six months ended June 30, 2016 was \$107.9 million, or \$1.71 net loss per share (basic and diluted), compared to net loss of \$6.7 million, or \$0.11 net loss per share (basic and diluted), for the same period of 2015. During the six months ended June 30, 2016, IKGH incurred a one-time \$97.3 million impairment of intangible assets, while during the six months ended June 30, 2015, IKGH incurred a one-time \$17.8 million impairment of goodwill and the gain from change in fair value of contingent consideration of \$13.3 million related to the Bao Li Gaming and Oriental VIP Room acquisitions.
- 1 Non-GAAP loss, which is operating loss before amortization of intangible assets, impairment of goodwill and intangible assets and the change in fair value of contingent consideration related to the acquisitions of King's Gaming, Bao Li Gaming and Oriental VIP Room, was \$2.4 million, or \$0.04 loss per share (basic and diluted), for the six months ended June 30, 2016 compared to income of \$5.9 million, or \$0.10 earnings per share (basic and diluted), for the six months ended June 30, 2015.

Outlook for 2016

For the first eight months of 2016, IKGH's Rolling Chip Turnover was US\$2.41 billion (an average of \$0.30 billion per month), down 50% year-over-year, compared to US\$4.80 billion (an average of \$0.60 billion per month) for the first eight months of 2015.

Given the recent closure of three of its VIP rooms, the Company is now projecting 2016 Rolling Chip Turnover guidance in Macau of between US\$2.5 billion and US\$3.0 billion.

Conference Call and Replay Information

IKGH will conduct a conference call to discuss the financial results today at 8:30AM EDT/8:30PM Macau. To participate, please dial one of the following numbers at least 10 minutes prior to the scheduled start of the call:

1-877-419-6594 (United States/Canada)
10-800-714-1511 (North China)
10-800-140-1377 (South China)
800-968-835 (Hong Kong)
800-101-2323 (Singapore)
0808-101-7162 (United Kingdom)
1-719-325-4767 (Other International)

Interested parties may also access the live call on the Internet at www.ikghcl.com (select Events and Presentations). Following its completion, a replay of the call can be accessed on the Internet at the above link or through October 6, 2016 by calling either 1-877-870-5176 (U.S. callers) or 1-858-384-5517 (International callers) and providing conference ID 5611323.

Definition of Rolling Chip Turnover

Rolling Chip Turnover is used by casinos to measure the volume of VIP business transacted and represents the aggregate amount of non-negotiable chips players purchased. Bets are wagered with "non-negotiable chips" and winning bets are paid out by casinos in so-called "cash" chips. "Non-negotiable chips" are specifically designed for VIP players to allow casinos to calculate the commission payable to VIP room gaming promoters and collaborator. Commissions are paid based on the total amount of "non-negotiable chips" purchased by each player. VIP room gaming promoters therefore require the players to "roll," from time to time, their "cash chips" into "non-negotiable" chips for further betting (hence the term "Rolling Chip Turnover"). Through the promoters, "non-negotiable chips" can be converted back into cash at any time. Betting using rolling chips, as opposed to using cash chips, is also used by the Gaming Inspection and Coordination Bureau to distinguish between VIP table revenue and mass market table revenue.

IKGH's Macau VIP rooms are on a revenue sharing remuneration model. On a win/loss split basis, the VIP room gaming promoter and collaborator receive an agreed percentage of the "win" in the VIP gaming room (plus certain incentive allowances), and is required to also bear the same percentage of losses that might be incurred. Revenue from VIP operation in Australia is based upon a mutually-agreed percentage of the Rolling Chip Turnover.

About Iao Kun Group Holding Company Limited

IKGH is a holding company which operates through its subsidiaries and related promotion entities that act as VIP room gaming promoters and a collaborator, and is entitled to receive all of the profits of the VIP gaming promoters and a collaborator from VIP gaming rooms. IKGH's VIP room gaming promoters and collaborator currently participate in the promotion of major luxury VIP gaming facilities in Macau, China, the largest gaming market in the world. VIP gaming rooms are located at the City of Dreams Macau in Cotai and Le Royal Arc Casino, located in NAPE, Downtown Macau. IKGH, through its subsidiaries, also acts as junket operator for Australian casinos (Crown Perth Casino in Perth, Australia and the Crown Melbourne Casino in Melbourne, Australia) as it seeks to expand to additional overseas markets.

Forward-Looking Statements

This press release includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Forward-looking statements are statements that are not historical facts. Such forward-looking statements, based upon the current beliefs and expectations of IKGH's management, are subject to risks and uncertainties, which could cause actual results to differ from the forward-looking statements. The gaming industry is characterized by an element of chance. Theoretical win rates for IKGH's promotion entities' VIP gaming room operations depend on a variety of factors, some beyond their control. In addition to the element of chance, theoretical win rates are also affected by other factors, including gaming patrons' skill and experience, the mix of games played, the financial resources of gaming patrons, the spread of table limits, the volume of bets placed by IKGH's promotion entities' gaming patrons and the amount of time gaming patrons spend on gambling — thus VIP gaming rooms' actual win rates may differ greatly over short time periods, such as from quarter to quarter, and could cause their quarterly results to be volatile. These factors, alone or in combination, have the potential to negatively impact the VIP gaming rooms' win rates. Investors and potential investors should consult all of the information set forth herein and should also refer to the risk factors set forth in IKGH's Annual Report on Form 20-F filed in March 2016, and other reports filed or to be filed from time-to-time with the Securities and Exchange Commission.

IAO KUN GROUP HOLDING COMPANY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Revenue from VIP Gaming Operations	\$ 10,578,785	\$ 21,869,783	\$ 28,500,970	\$ 63,571,015
Total Revenues	<u>10,578,785</u>	<u>21,869,783</u>	<u>28,500,970</u>	<u>63,571,015</u>
Expenses				
- Commission to Junket Agents	9,035,121	19,253,556	22,760,102	47,251,688
- Selling, General and Administrative Expenses	4,472,369	4,644,627	7,973,559	10,036,683
- Special Rolling Tax	86,007	173,698	205,836	393,263
- Impairment of Goodwill	-	17,754,136	-	17,754,136
- Amortization of Intangible Assets	4,064,631	4,092,683	8,136,369	8,183,361
- Impairment of Intangible Assets	97,279,517	-	97,279,517	-
Total Expenses	<u>114,937,645</u>	<u>45,918,700</u>	<u>136,355,383</u>	<u>83,619,131</u>
Operating loss attributable to ordinary shareholders before change in fair value				

of contingent consideration	(104,358,860)	(24,048,917)	(107,854,413)	(20,048,116)
Change in Fair Value of Contingent Consideration for the Acquisitions of King's Gaming, Bao Li Gaming and Oriental VIP Room	-	244,129	-	13,325,814
Net Loss Attributable to Ordinary Shareholders	<u>(104,358,860)</u>	<u>(23,804,788)</u>	<u>(107,854,413)</u>	<u>(6,722,302)</u>
Other Comprehensive Income (loss)				
Foreign Currency - Translation Adjustment	(189,762)	35,828	(374,176)	52,991
Total Comprehensive Loss	<u>\$ (104,548,622)</u>	<u>\$ (23,768,960)</u>	<u>\$ (108,228,589)</u>	<u>\$ (6,669,311)</u>
Net Loss Per Share				
Basic	<u>\$ (1.65)</u>	<u>\$ (0.38)</u>	<u>\$ (1.71)</u>	<u>\$ (0.11)</u>
Diluted	<u>\$ (1.65)</u>	<u>\$ (0.38)</u>	<u>\$ (1.71)</u>	<u>\$ (0.11)</u>
Weighted Average Shares Outstanding				
Basic	<u>63,103,781</u>	<u>62,150,102</u>	<u>63,103,781</u>	<u>61,871,123</u>
Diluted	<u>63,103,781</u>	<u>62,150,102</u>	<u>63,103,781</u>	<u>61,871,123</u>

**IAO KUN GROUP HOLDING COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,658,773	\$ 3,052,694
Accounts Receivable, Net	906,590	1,460,251
Markers Receivable	159,291,191	170,892,037
Prepaid Expenses and Other Assets	1,520,251	1,448,155
Total Current Assets	<u>167,376,805</u>	<u>176,853,137</u>
Intangible Assets, net	-	105,645,737
Property and Equipment (net of accumulated depreciation of \$191,897 and \$169,798 at June 30, 2016 and December 31, 2015, respectively)	187,890	241,927
TOTAL ASSETS	<u>\$167,564,695</u>	<u>\$ 282,740,801</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Lines of Credit Payable	\$ 35,955,925	\$ 41,908,984
Accrued Expenses	3,654,553	6,030,996
Dividend payable	499,630	-
Bao Li Gaming Acquisition-Purchase Price Obligation	14,228,500	14,228,500
Loan Payable, Shareholders, current	4,009,569	2,827,584
Total Current Liabilities	<u>58,348,177</u>	<u>64,996,064</u>
Total Liabilities	<u>58,348,177</u>	<u>64,996,064</u>

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Preferred Shares, \$0.0001 par value Authorized 1,150,000 shares; none issued	-	-
Ordinary Shares, \$0.0001 par value, Authorized 500,000,000 shares; 62,453,774 and 62,307,794 issued and outstanding at June 30, 2016 and December 31, 2015, respectively.	6,245	6,230
Additional Paid-in Capital	133,436,640	133,236,655
Retained Earnings	(24,492,796)	83,861,247
Accumulated Other Comprehensive Income	266,429	640,605
Total Shareholders' Equity	<u>109,216,518</u>	<u>217,744,737</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$167,564,695</u>	<u>\$ 282,740,801</u>

Cash flow information (in thousands) (unaudited)

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Net cash provided by operating activities	\$ 1,421	\$ 17,402
Net cash from (used in) investing activities	2	(3)
Net cash from (used in) financing activities	1,184	(17,556)
Net increase(decrease) in cash and cash equivalents	<u>\$ 2,607</u>	<u>\$ (157)</u>

Non-GAAP Financial Measures

The Company's calculation of Non-GAAP income (operating income before amortization of intangible assets, impairment of goodwill and change in fair value of contingent consideration) and Non-GAAP EPS differs from EPS based on net income because it does not include amortization of intangible assets, impairment of goodwill and change in fair value of contingent consideration. The Company uses this information internally in evaluating its operations and believes this information is important to investors because it provides users of the Company's financial information with additional useful information in evaluating operating performance for the periods and is more consistently comparable to the prior periods. Notwithstanding the foregoing, Non-GAAP income and EPS should not be considered an alternative to, or more meaningful than, net income and EPS as determined in accordance with GAAP. The following is a reconciliation of the Company's net income to Non-GAAP income and GAAP EPS to its Non-GAAP EPS:

	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Net loss attributable to ordinary shareholders	\$(104,358,860)	\$(23,804,788)	\$(107,854,413)	\$ (6,722,302)
Amortization of intangible assets	4,064,631	4,092,683	8,136,369	8,183,361
Impairment of intangible assets	97,279,517	-	97,279,517	-
Impairment of goodwill	-	17,754,136	-	17,754,136
Change in fair value of contingent consideration	-	(244,129)	-	(13,325,814)
Non-GAAP (loss) income (before amortization of intangible assets, impairment of goodwill and intangible assets, and change in fair value of contingent consideration)	<u>\$ (3,014,712)</u>	<u>\$ (2,202,098)</u>	<u>\$ (2,438,527)</u>	<u>\$ 5,889,381</u>

Weighted Average Shares Outstanding

Basic	<u>63,103,781</u>	<u>62,150,102</u>	<u>63,103,781</u>	<u>61,871,123</u>
Diluted	<u>63,103,781</u>	<u>62,150,102</u>	<u>63,103,781</u>	<u>61,950,405</u>

For the Three Months Ended June 30, 2016 **For the Three Months Ended June 30, 2015**

	<u>Basic</u>	<u>Fully Diluted</u>	<u>Basic</u>	<u>Fully Diluted</u>
Loss per share attributable to ordinary shareholders	\$ (1.65)	\$ (1.65)	\$ (0.38)	\$ (0.38)
Amortization of intangible assets	0.06	0.06	0.07	0.07
Impairment of intangible assets	1.54	1.54	-	-
Impairment of goodwill	-	-	0.28	0.28
Change in fair value of contingent consideration	-	-	-	-
Non-GAAP Loss per share (before amortization of intangible assets, impairment of goodwill and intangible assets, and change in fair value of contingent consideration)	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>

For the Six Months Ended June 30, 2016 **For the Six Months Ended June 30, 2015**

	<u>Basic</u>	<u>Fully Diluted</u>	<u>Basic</u>	<u>Fully Diluted</u>
Loss per share attributable to ordinary shareholders	\$ (1.71)	\$ (1.71)	\$ (0.11)	\$ (0.11)
Amortization of intangible assets	0.13	0.13	0.13	0.13
Impairment of intangible assets	1.54	1.54	-	-
Impairment of goodwill	-	-	0.29	0.29
Change in fair value of contingent consideration	-	-	(0.21)	(0.21)
Non-GAAP (Loss) Earnings per share (before amortization of intangible assets, impairment of goodwill and intangible assets, and change in fair value of contingent consideration)	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>

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