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NAGACORP

金界控股有限公司

NAGACORP LTD.

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 2021**

Financial Highlights for 2021:

- **Gross Gaming Revenue (GGR)** of US\$223.5 million
- Earnings Before Interest, Tax, Depreciation and Amortization (**EBITDA**) of US\$15.6 million. **Adjusted EBITDA** of US\$22.4 million
- Mass Market Tables GGR of US\$66.5 million
- Mass Market Electronic Gaming Machines (**EGM**) GGR of US\$44.0 million
- Premium Mass Market GGR of US\$48.7 million
- Referral VIP Market GGR of US\$64.4 million
- Basic loss per share of US cents 3.39

Recovery of Business Operations since 15 September 2021

The financial results of NagaCorp Ltd. (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) for the financial year ended 31 December 2021 (the “**Year**”) reflected the impact from the voluntary temporary suspension of its business operation in response to the COVID-19 situation in Cambodia. This impact has been mitigated by the gradual and satisfactory recovery of its business volume and revenues in the Mass Market segment since the resumption of its business operations on 15 September 2021, and the implementation of rigorous operating cost control. Despite the Group having only less than 6 months of business operations during the Year, the Group maintained positive EBITDA with an Adjusted EBITDA (being EBITDA less non-recurring cost related to the employee mutual separation scheme) of US\$22.4 million during the Year.

Fourth Quarter of Business Operations 2021

During the fourth quarter of 2021 (after the resumption of business operation), the Group recorded 28.7%, 47.5% and 27.5% month-on-month sequential growth of business volume in the Premium Mass, EGM and Mass Table segments respectively. Despite a longer business closure period in 2021 (about 6.5 months) as compared to 2020 (about 3.5 months), the Company witnessed a quicker recovery of business volume post the second re-opening. The daily average of the Premium Mass Rolling in December 2021 of US\$10.3 million exceeded the pre-second closure period (i.e. January 2021 and February 2021) as well as the FY2020’s daily average of US\$8 million. Likewise, daily average of the EGM bills-in of US\$5.4 million in December 2021 also exceeded the pre-second closure period (i.e. January 2021 and February 2021) as well as the FY2020’s daily average of US\$5.3 million. Daily average of the Mass Table buy-ins of US\$2.7 million in December 2021 has recovered about 87.2% of February 2021’s number. This satisfactory recovery of the Mass Market and Premium Mass gaming business volume was largely contributed by a reasonably sized local captive expatriate community in Cambodia.

Continuation of Recovery and Improving Business in January 2022

The Group continues to see the growth trajectory carried through January 2022. In particular, the daily average of the Mass Table buy-ins further improved to US\$2.9 million which is almost back to the same level as February 2021. Despite a significant drop in the Referral VIP business due to the travel restrictions in the region, our Net Gaming Revenue (“**NGR**”) was not adversely impacted as a result of the stable demand from the Premium Mass and Mass Market segments. The daily average of the NGR in January 2022 of US\$1.0 million has recovered more than 96% of February 2021’s number. In addition, our Gross Profit Margin has improved materially from 49% in FY2020 to 64% in FY2021. All of these indicators reinforced the Group’s long-term focus on the Premium Mass and Mass Market segments.

Throughout the COVID-19 period (January 2020 to December 2021), the Group delivered the second highest absolute EBITDA among some peers. The Group generated cumulative EBITDA of US\$281 million where the expected average of our peers was only US\$19 million as per Bloomberg consensus on 25 January 2022. From the balance sheet perspective, our net debt to equity ratio of about 16% as of 30 June 2021 was much lower than the average of our peers of 114%. Both our superior cumulative EBITDA and gearing ratio, reflected the gradual recovery of our business in a low cost operating environment, strong execution in cost saving and strict financial discipline of maintaining reasonable debt levels.

COVID-19 Cases Remains Relatively Well Controlled

Regardless of the rising number of daily new COVID-19 cases (especially with Omicron) globally, the number of daily new COVID-19 cases in Cambodia is still relatively well-contained with a weekly average of 33 new cases and a weekly average of deaths of zero as of 27 January 2022 for the past three weeks (*Source: Worldometer's COVID-19*). The Company remains confident in our 2022 business prospects due to the following factors:

- 1) Cambodia has reopened all socio-economic activities since November 2021, buoyed by its high vaccination rates (*Source: Khmer Times, 15 January 2022*). Set out below is the number of people vaccinated in Cambodia since 10 February 2021 (*Source: Cambodian Ministry of Health ("MOH"), 27 January 2022*):
 - Adults aged 18 and above – 10,198,392 people has been vaccinated (or 102.0% of the target), of whom 9,846,765 have received their second dose
 - Adolescents aged 12 to 17 – 1,818,159 people has been vaccinated (or 99.5% of the target), of whom 1,740,023 have received their second dose
 - Children aged 6 to 11 – 2,009,370 people has been vaccinated (or 105.9% of the target), of whom 1,920,129 have received their second dose
 - Children aged 5 – 322,133 people has been vaccinated (or 105.9% of the target), of whom 244,761 have received their second dose
- 2) Continuous roll out of the COVID-19 vaccine booster campaign (third booster dose and fourth booster dose) in Cambodia. 5.5 million people in Cambodia have received their third booster dose (*Source: MOH*) and the MOH has authorized a fourth booster dose for certain target groups beginning on 14 January 2022 (*Source: Phnom Penh Post, 9 January 2022*)
- 3) The COVID-19 situation in Cambodia has improved significantly with far less daily infections and deaths and no more business suspension in Cambodia even if there is an outbreak of COVID-19 (*Source: Phnom Penh Post, 22 October 2021*)
- 4) Cambodia will stop requiring quarantine for vaccinated travellers to reopen the country and facilitate travel starting on 15 November 2021 (*Source: Reuters, 14 November 2021*)
- 5) Cambodia's gross domestic product ("**GDP**") is expected to grow by 5.5% in 2022 (*Source: Asian Development Bank, September 2021*)

The board of directors of the Company (the "**Board**") hereby announces the consolidated financial results of the Group for the Year. The financial information for the Year contained in this announcement was prepared based on the audited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Revenue	2	225,857	878,681
Gaming tax	5	(12,234)	–
Cost of sales		<u>(70,097)</u>	<u>(451,676)</u>
Gross profit		143,526	427,005
Other income		5,633	4,694
Administrative expenses		(64,258)	(61,063)
Other operating expenses		<u>(188,507)</u>	<u>(205,275)</u>
(Loss)/profit from operations		(103,606)	165,361
Finance costs	3	<u>(37,142)</u>	<u>(33,226)</u>
(Loss)/profit before taxation	4	(140,748)	132,135
Income tax	5	<u>(6,274)</u>	<u>(29,832)</u>
(Loss)/profit attributable to owners of the Company		<u><u>(147,022)</u></u>	<u><u>102,303</u></u>
(Loss)/earnings per share (US cents)			
Basic	7	<u><u>(3.39)</u></u>	<u><u>2.36</u></u>
Diluted	7	<u><u>(3.39)</u></u>	<u><u>2.36</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
(Loss)/profit for the year	(147,022)	102,303
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	<u>(1,054)</u>	<u>(894)</u>
Total comprehensive income attributable to the owners of the Company for the year	<u><u>(148,076)</u></u>	<u><u>101,409</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Non-current assets			
Property, plant and equipment	9	1,931,729	1,673,717
Right-of-use assets		88,837	90,194
Intangible assets	10	65,197	67,914
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		138,156	134,511
Promissory notes	11	9,583	9,196
		<u>2,233,502</u>	<u>1,975,532</u>
Current assets			
Consumables		1,793	1,984
Trade and other receivables	12	66,774	119,810
Restricted bank balance and fixed deposits		22,350	14,263
Cash and cash equivalents		102,724	437,741
		<u>193,641</u>	<u>573,798</u>
Current liabilities			
Trade and other payables	13	124,417	148,431
Senior notes	15	–	298,547
Contract liabilities		8,626	8,581
Lease liabilities		13,499	7,809
Current tax liability		4,831	3,413
		<u>151,373</u>	<u>466,781</u>
Net current assets		<u>42,268</u>	<u>107,017</u>
Total assets less current liabilities		<u>2,275,770</u>	<u>2,082,549</u>
Non-current liabilities			
Other payables	13	5,348	4,907
Senior notes	15	542,952	337,102
Contract liabilities		20,500	28,000
Lease liabilities		57,447	56,074
		<u>626,247</u>	<u>426,083</u>
NET ASSETS		<u>1,649,523</u>	<u>1,656,466</u>
CAPITAL AND RESERVES			
Share capital	14	54,263	54,263
Reserves		1,595,260	1,602,203
TOTAL EQUITY		<u>1,649,523</u>	<u>1,656,466</u>

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 (“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 “Listing Rules”) and the Hong Kong Companies Ordinance.

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

Except as describe 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 2020.

Adoption of new or revised IFRSs relevant to the Group and effective on 1 January 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions

Except for amendments to IFRS 16, none of the new or revised standards and interpretations have a material effect on the reported results or financial position of the Group for both current and prior reporting period. The Group has not early applied any new standards or interpretations that is not yet effective for the current accounting period. The impact of the adoption of amendments to IFRS 16 is summarised below:

Amendments to IFRS 16

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

2. Revenue

Revenue represents net house takings arising from casino operations and income from other operations and is recognised from contracts with customers.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Casino operations – gaming tables	179,513	787,268
Casino operations – electronic gaming machines (“EGM”)	43,986	82,360
Hotel room income, sales of food and beverage and others	2,358	9,053
	<u>225,857</u>	<u>878,681</u>

3. Finance costs

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Interest expenses and transaction costs relating to senior notes (<i>Note 15</i>)	52,066	47,171
Interest on lease liabilities	6,584	6,165
Other interest expenses	441	405
	<u>59,091</u>	<u>53,741</u>
Less: Interest expenses capitalised into capital work in progress	<u>(21,949)</u>	<u>(20,515)</u>
	<u>37,142</u>	<u>33,226</u>

4. (Loss)/profit before taxation

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Interest income	(518)	(928)
Auditor’s remuneration:		
– current year	797	784
– under provision in prior year	48	114
Amortisation of casino licence premium [#]	2,717	2,717
Depreciation and amortisation [#]		
– Own assets	110,766	91,509
– Right-of-use assets	5,689	5,642
Exchange (gain)/loss [#]	(132)	132
Impairment loss on trade receivables	2,000	2,314
Write-off of property, plant and equipment	–	2
Loss/(gain) on disposal of property, plant and equipment	2,155	(3)
Short term lease expenses	2,879	2,838
Staff costs (including directors’ remuneration) [#]		
– Salaries, wages and other benefits	69,400	105,228
– Contributions to defined contribution retirement scheme	67	47

[#] included in other operating expenses in the consolidated statement of income

5. Gaming tax and income tax

(a) Gaming tax

The gaming tax of US\$12,234,000 for the Year was levied on gross gaming revenue in accordance with the Law on the Management of Commercial Gambling effective from 1 January 2021 (2020: Nil).

(b) Income tax in the profit or loss represents:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Current tax expenses		
– Current year	<u>6,274</u>	<u>29,832</u>

Income tax for the Year represents (1) income tax on NagaWorld Limited Hotel and Entertainment Branch, the Group's branch registered in Cambodia and (2) income tax arising from other jurisdictions.

For the year ended 31 December 2020, current tax expense represented monthly gaming obligation payment of US\$658,323 and monthly non-gaming obligation payment of US\$214,338 for the year, except for the period from April and June 2020 when the hotel and casino were temporarily closed because of COVID-19.

During the year ended 31 December 2020, the Group recognised an additional obligation payment to the Ministry of Economy and Finance of Cambodia (“**MOEF**”) of US\$21,978,000.

6. Dividends payable to owners of the Company attributable to the year

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Interim dividend declared during the year:		
2021: US cents Nil per share	–	–
2020: US cents 0.29 per share	–	12,376
Final dividend proposed after the end of reporting year:		
2021: US cents Nil per share	–	–
2020: US cents 1.88 per share	–	81,677
	<u>–</u>	<u>94,053</u>

The final dividend of US\$81,677,000 for the year ended 31 December 2020 was declared in March 2021 and paid in July 2021.

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to owners of the Company of US\$147,022,000 (2020: profit of US\$102,303,000) and the weighted average number of shares of 4,341,008,041 (2020: 4,341,008,041) in issue during the Year.

There were no dilutive potential shares in issue during the Year (2020: Nil).

8. 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 senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at both Naga 1 and Naga 2 (the "combined NagaWorld Complex"), Naga 3 and in Russia.
- 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, unredeemed casino chips and other liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation and amortisation of assets attributed to those segments.

	Casino operations <i>US\$'000</i>	Hotel and entertainment operations <i>US\$'000</i>	Total <i>US\$'000</i>
<i>Segment revenue:</i>			
Year ended 31 December 2020			
Timing of revenue recognition			
– At point in time	817,730	4,391	822,121
– Transferred over time	51,898	4,662	56,560
	<hr/>	<hr/>	<hr/>
Revenue from external customers	869,628	9,053	878,681
Inter-segment revenue	(963)	5,740	4,777
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	868,665	14,793	883,458
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Year ended 31 December 2021			
Timing of revenue recognition			
– At point in time	204,071	1,268	205,339
– Transferred over time	19,428	1,090	20,518
	<hr/>	<hr/>	<hr/>
Revenue from external customers	223,499	2,358	225,857
Inter-segment revenue	(278)	2,676	2,398
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	223,221	5,034	228,255
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Casino operations <i>US\$'000</i>	Hotel and entertainment operations <i>US\$'000</i>	Total <i>US\$'000</i>
<i>Segment profit/(loss):</i>			
Year ended 31 December			
2020	316,663	(12,848)	303,815
2021	47,725	(15,285)	32,440
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
<i>Segment assets:</i>			
As at 31 December			
2020	1,874,396	795,668	2,670,064
2021	2,075,078	729,053	2,804,131
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
<i>Segment liabilities:</i>			
As at 31 December			
2020	(166,702)	(448,895)	(615,597)
2021	(141,412)	(475,149)	(616,561)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
<i>Net assets:</i>			
As at 31 December			
2020	1,707,694	346,773	2,054,467
2021	1,933,666	253,904	2,187,570
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
<i>Other segment information:</i>			
<i>Capital expenditure:</i>			
Year ended 31 December			
2020	133,124	40,690	173,814
2021	380,903	3,030	383,933
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
<i>Impairment loss on trade receivables:</i>			
Year ended 31 December			
2020	–	2,314	2,314
2021	2,000	–	2,000
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Revenue		
Reportable segment revenue	228,255	883,458
Elimination of inter-segment revenue	<u>(2,398)</u>	<u>(4,777)</u>
Consolidated revenue	<u>225,857</u>	<u>878,681</u>
Profit		
Reportable segment profit	32,440	303,815
Other revenue	49	366
Depreciation and amortisation	(119,172)	(99,868)
Unallocated head office and corporate expenses	(16,923)	(38,952)
Finance costs	<u>(37,142)</u>	<u>(33,226)</u>
Consolidated (loss)/profit before taxation	<u>(140,748)</u>	<u>132,135</u>
Assets		
Reportable segment assets	2,804,131	2,670,064
Elimination of inter-segment assets	<u>(408,100)</u>	<u>(378,571)</u>
	2,396,031	2,291,493
Unallocated cash and bank balances and restricted bank balance	24,337	254,021
Unallocated corporate assets	<u>6,775</u>	<u>3,816</u>
Consolidated total assets	<u>2,427,143</u>	<u>2,549,330</u>
Liabilities		
Reportable segment liabilities	(616,561)	(615,597)
Elimination of inter-segment payables	<u>408,100</u>	<u>378,571</u>
	(208,461)	(237,026)
Senior notes	(542,952)	(635,649)
Unallocated corporate liabilities	<u>(26,207)</u>	<u>(20,189)</u>
Consolidated total liabilities	<u>(777,620)</u>	<u>(892,864)</u>

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2021, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of US\$1,954,221,000 (31 December 2020: US\$1,713,038,000) and US\$269,698,000 (31 December 2020: US\$253,298,000), respectively.

(c) **Information about major customers**

During the current and prior years, there was no individual customer contributing 10% or more of the Group's revenue.

The aggregate revenue from external customers brought in through junkets contributing 10% or more of the Group's total revenue are as follows:

	2021 US\$'000	2020 US\$'000
Casino operations		
Junket A	55,341	419,412
Junket B	N/A*	88,208

* Contributed less than 10% of the Group revenue for the Year.

9. Property, plant and equipment

During the Year, the Group acquired property, plant and equipment totalling US\$383,933,000 (2020: US\$173,920,000).

Pursuant to the subscription agreement dated 14 April 2019 entered into between the Company and ChenLipKeong Fund Limited (the "**Subscriber**"), a company wholly-owned by Tan Sri Dr Chen Lip Keong ("**Dr Chen**"), for the purpose of funding the development cost of the Naga 3 Project under the Guaranteed Maximum Sum Design and Build Agreement, progress billings (which reflect the construction progress of the Naga 3 project) with aggregate amount of US\$222,810,000 were borne by the Subscriber during the Year and the corresponding amount was credited to other reserve. Details of the subscription agreement are set out in the Company's circular dated 22 July 2019.

10. 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 2045 with cost of US\$123,002,000, less accumulated amortisation of US\$57,805,000 (31 December 2020: US\$55,088,000).

11. Promissory notes

On 6 September 2013, the Company entered into an investment agreement (the "**Investment Agreement**") with Russian governmental authorities pursuant to which the Company agreed to invest at least RUB11.6 billion (approximately US\$350.0 million based on then current exchange rates), in a gaming and resort development project in Vladivostok, Russia.

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately US\$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("**PERC**"). This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, PERC purchased these promissory notes in Russian Rubles ("**RUB**") to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The promissory notes (the "**Promissory Notes**") in total amount of RUB469,100,000 (approximately US\$9,583,000) (31 December 2020: US\$9,196,000) 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.

12. Trade and other receivables

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade receivables	48,132	79,363
Less: Allowance for impairment loss	(8,489)	(6,489)
	39,643	72,874
Prepayments	5,944	8,856
Deposits and other receivables	21,187	38,080
	66,774	119,810

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 1 month	36,072	26,572
1 to 3 months	779	24,572
3 to 6 months	–	13,304
6 to 12 months	1,784	7,064
More than 1 year	1,008	1,362
	39,643	72,874

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
At beginning of year	6,489	4,175
Impairment loss recognised	2,000	2,314
At end of year	8,489	6,489

The credit policy for gaming receivables is five to thirty days (2020: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2020: thirty days from end of month).

13. Trade and other payables

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade payables (<i>Note</i>)	25,043	20,035
Unredeemed casino chips	6,777	4,968
Deposits	7,267	47,373
Construction creditors	1,991	9,421
Interest payable	21,211	16,651
Accruals and other creditors	55,242	54,890
Gaming tax payables	12,234	–
	<u>129,765</u>	<u>153,338</u>
Less: current portion	<u>(124,417)</u>	<u>(148,431)</u>
Non-current portion	<u>5,348</u>	<u>4,907</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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Due within 1 month or on demand	5,908	4,699
Due after 1 month but within 3 months	6,120	15,336
Due after 3 months but within 6 months	–	–
Due after 6 months but within 1 year	13,015	–
Due after 1 year	–	–
	<u>–</u>	<u>–</u>
Total	<u>25,043</u>	<u>20,035</u>

14. Share Capital

(i) *Authorised:*

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
8,000,000,000 ordinary shares of US\$0.0125 each	<u>100,000</u>	<u>100,000</u>

(ii) **Issued and fully paid:**

	2021		2020	
	Number of Shares	US\$'000	Number of Shares	US\$'000
Issued and fully paid:				
Ordinary shares of US\$0.0125 each:				
As at 1 January and 31 December	<u>4,341,008,041</u>	<u>54,263</u>	<u>4,341,008,041</u>	<u>54,263</u>

The shareholders 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.

15. Senior notes

On 6 July 2020, the Company issued senior notes of an aggregate principal amount of US\$350 million with maturity on 6 July 2024 (the "**2024 Senior Notes**"). On 15 June 2021, the Company issued an additional US\$200 million 2024 Senior Notes (the "**Additional 2024 Senior Notes**") which were consolidated and formed the same series as the 2024 Senior Notes. The 2024 Senior Notes and the Additional 2024 Senior Notes bear interest at a rate of 7.95% per annum, payable semi-annually in arrears on 6 January and 6 July of each year, commencing on 6 January 2021. These 2024 Senior Notes and the Additional 2024 Senior Notes are listed on the Singapore Exchange Securities Trading Limited and cannot be converted into shares of the Company.

Please refer to the announcements of the Company dated 22 June 2020, 24 June 2020, 6 July 2020, 7 June 2021 and 15 June 2021 for details about the 2024 Senior Notes and the Additional 2024 Senior Notes.

The obligations under the 2024 Senior Notes and the Additional 2024 Senior Notes are secured by guarantees given by certain subsidiaries of the Company.

On 21 May 2021, the Company made full repayment of the US\$300 million aggregate principal amount of 9.375% senior notes due 2021 (the "**2021 Senior Notes**") issued by the Company on 21 May 2018.

In connection with the issue of the 2024 Senior Notes, ChenLipKeong Capital Limited, a related company wholly-owned by Dr Chen, has subscribed the 2024 Senior Notes with principal amount of US\$45,000,000. The interest expenses payable to the related company for the Year amounted to US\$3,578,000 (2020: US\$1,740,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

According to the Asian Development Bank (“**ADB**”), despite a reduction to 1.9% growth forecast for 2021 amid the prolonged COVID-19 outbreak, Cambodia’s economic outlook is expected to experience a rebound to 5.5% in 2022, in view of a successful vaccination campaign which put the economy on track for stronger growth (*Source: Asian Development Outlook Update, September 2021*). Similarly, the International Monetary Fund (“**IMF**”) projected Cambodia’s real GDP growth at 1.9% in 2021 and 5.7% in 2022, with an inflation rate of 2.5% and 3.2%, respectively, in light of the extensive support by the Royal Government of Cambodia (the “**RGC**”) and a recovery in external demand (*Source: IMF – World Economic Outlook Database, October 2021*). The World Bank forecast analysis indicated that Cambodia’s economic growth was projected to grow at 2.2% in 2021, and gradually recover to 4.5% in 2022 and 5.5% in 2023, led by the recovery in manufacturing exports and expansion of agricultural commodity exports underpinning the economic recovery (*Source: Cambodia Economic Update, World Bank, December 2021*).

Despite the voluntary temporary suspension of business operations and having approximately only six months of operations during the Year, the Group maintained a positive EBITDA with an Adjusted EBITDA of US\$22.4 million during the Year. The Group continued its recovery of gaming business volume since the reopening of the hotel, Mass Market, EGM and Referral VIP businesses at NagaWorld on 15 September 2021 through 31 December 2021, in compliance with the guidelines set out by MOH. The commendable result was generally attributable to the following:

Business Migration and Sustainability of Business

The US-China trade tension has caused business migration to the Mekong region as it encouraged Chinese factories to relocate to lower cost countries such as Cambodia. The local expatriate community is building up as a result of business migration and caused an increase in foreign visitation to Cambodia for investment purposes, which has created more job opportunities in the country. The Group serves a wide and geographically diverse premium mass and mass-market customer base, mainly from South East Asia, East Asia and a captive local affluent expatriate community living in Cambodia, which patronizes NagaWorld in search of its luxurious offerings and entertainment. Hence, the Company is able to capitalize on and benefit from the wave of business migration in the face of a challenging COVID-19 endemic period.

Despite COVID-19, the bilateral friendship between China and Cambodia maintained great momentum which resulted in a growing presence of the number of Chinese travelers to Cambodia for business and investment purposes, alongside the influx of business migrants to Cambodia.

International Arrivals and Direct Flights into Cambodia during the Pandemic Period

Cambodia’s borders remained open to international visitors during the Year. In mid-October 2021, Cambodia started to ease its quarantine requirement and gradually adopted quarantine free travel for all fully vaccinated inbound travelers (*Source: Khmer Times, 16 October 2021 & 15 November 2021*). For the Year, the country recorded total international arrivals of 196,495. Among the top 10 markets, Thailand was the highest (41.7%), followed by China (23.3%), Vietnam (11.3%), Indonesia (4.3%), U.S.A (3.3%), Korea (3.1%), Taiwan (2.0%), France (1.9%), Malaysia (1.5%) and Japan (1.0%). These top 10 markets accounted for 93.3% of total arrivals. International business-related travel to Cambodia was 91,138 visitors in 2021, with 49.3% of this travel originating from China (*Source: Ministry of Tourism (“**MOT**”)*).

As of 27 January 2022, weekly international direct flights to Phnom Penh, Cambodia stood at 58, including 15 from Thailand, 11 from Vietnam, 10 from Singapore, 9 from Seoul, 7 direct flights from Greater China cities such as Shanghai, Guangzhou, Chengdu, and Taipei, as well as 5 from Malaysia, and 1 from the Philippines (*Source: Cambodia Airports, airlines websites*). Monthly international business-related arrivals for the month of November 2021 was 8,386 visitors, representing an increase of 202% from the lowest point of 2,776 visitors recorded in April 2020 (*Source: MOT*).

In mid-October 2021, the Ministry of Foreign Affairs and International Cooperation decided to resume its tourist visa and visa exemption programme based on the improving COVID-19 situation in Cambodia (*Source: Khmer Times, 20 October 2021*). The RGC lifted its ban of direct flights from Indonesia, Malaysia and the Philippines as part of reopening the economy to a “new normal” effective 23 October 2021 (*Source: Khmer Times, 24 October 2021*). Since the relaxation of travel requirements for fully vaccinated visitors, the MOT has seen a gradual increase in the number of tourists entering Cambodia. According to Fitch Ratings, the prospects for operators of Asian airports are improving given the acceleration of COVID-19 immunisation campaigns and the relaxation of travel restrictions. Air traffic into the country is expected to continue its recovery in 2022 (*Source: Khmer Times, 25 November 2021*).

Rapid containment of COVID-19 in Cambodia is expected to continue facilitating resumption of the tourism sector. The relaxation of travel restrictions in October 2021 has underpinned a gradual recovery of the travel and tourism industry. Also, the lifting of quarantine requirements since 15 November 2021 for fully vaccinated travelers and visitors will help attract foreign investors and tourists to Cambodia (*Source: Phnom Penh Post, 15 November 2021*). The positive impact of international arrivals remains in sight as the economy continues its recovery amid easing of COVID-19 related restrictions.

Cambodia Ranked Top in Asia for Vaccinations

According to Our World in Data, Cambodia is one of the best performing countries for COVID-19 vaccination with 85.9% of Cambodians having received at least two doses as of 27 January 2022. A total of 10,198,392 people aged 18 and above (102.0% of the targeted 10 million population) in Cambodia had received at least one vaccine dose. Out of these individuals, 9,846,765 people (98.5% of the targeted 10 million population) had been fully vaccinated or already received a second vaccine dose (*Source: MOH*). In order to combat the COVID-19 pandemic effectively, the RGC began vaccinating children and youth. A total of 1,818,159 children and youth aged 12 to 17 (99.5% of the targeted 1,827,348 population) have received their first dose of COVID-19 vaccine since 1 August 2021 (*Source: MOH*).

Moreover, Cambodia successfully rolled out vaccination campaigns for children aged 6 to 11 on 17 September 2021 and children aged 5 on 1 November 2021 with 2,009,370 children (105.9% of the targeted 1,897,382 population) and 322,133 children (105.9% of the targeted 304,317 population) respectively receiving their first dose (*Source: MOH*). Plans are underway to vaccinate children aged 3 to 4 in the near future to achieve the RGC’s plan of fully vaccinating 91% of the population (*Source: Khmer Times, 17 September 2021*). Despite the limited global supply of COVID-19 vaccines, the RGC has been able to secure through bilateral procurement, a COVAX Facility and other vaccine related donations in order to meet its vaccination target. To date, Cambodia has received about 43.8 million doses of COVID-19 vaccines and the RGC continues to secure sufficient doses for the ongoing third and fourth booster dose campaign (*Source: Khmer Times, 31 January 2022*).

The national COVID-19 vaccination campaign is the key to unlocking a speedy economic recovery with the proper allocation and effective use of resources by the RGC in controlling the spread of COVID-19. As a result of the RGC's efforts in implementing administrative and health measures effectively to combat the COVID-19 pandemic, Cambodia is ready for a full-scale and sustainable reopening of socio-economic activities. In order to facilitate the reopening and resumption of the economy, the RGC launched the "Strategy for Rehabilitation and Promotion of Economic Growth for Living with COVID-19 under the New Normal" at the end of 2021, to rehabilitate national development with a focus on resilience, sustainability and inclusiveness (*Source: Phnom Penh Post, 19 October 2021*).

On 8 August 2021, the RGC started its third booster dose vaccination campaign for frontline workers located at the Cambodia-Thailand border, and on 11 October 2021 began the same vaccination campaign in Phnom Penh to strengthen the vaccine's effect against the new COVID-19 variants (*Source: Khmer Times, 10 August & 31 October 2021*). Furthermore, the third booster dose vaccination campaign for children and adolescents commenced on 3 January 2022 (*Source: Khmer Times, 27 December 2021*). So far, a total of 5,514,876 people (34.5% of the total 16 million population) have received their third booster dose (*Source: MOH*). The Phnom Penh Capital Administration has extended its third booster dose vaccination campaign indefinitely in order to reach as much of the population as possible (*Source: Khmer Times, 15 November 2021*). Also, the RGC began administering the fourth booster dose on 14 January 2022 to priority groups in the capital city of Phnom Penh in its fight against new variants of COVID-19 (*Source: Jian Hua Daily, 15 January 2022*). Meanwhile, a total of 413,089 people have received their fourth booster dose (*Source: MOH*).

The continued arrival of COVID-19 vaccines through purchases and donations will further accelerate the RGC's initiative to fully vaccinate all Cambodians (at least two doses), as well as the ongoing booster doses.

Cambodia Economic Outlook Post-COVID-19

Although the outbreak of COVID-19 has reduced global economic activities, the ASEAN+3 Macroeconomic Research Office ("AMRO") is of the opinion that Cambodia's economic growth is gradually recovering and gained momentum in 2021, which is projected to grow at 2.9%, after a successful vaccination campaign allowed the manufacturing industry to reopen and improvements in the supply chain helped increase exports (*Source: AMRO Regional Economic Outlook, January 2022*). Moody's Investors Service ("Moody's") maintained a B2 stable outlook rating on Cambodia, backed by ongoing export diversification supporting economic recovery, and risks to growth and financial stability being mitigated by a modest debt burden and strong debt affordability (*Source: Moody's Report, 20 August 2021*). According to Fitch Ratings, Cambodia's economic growth is gradually recovering and is projected to grow at 2.5% in 2021 and 4.7% in 2022, supported by a gradual recovery in domestic demand and the entry of the Cambodia-China Free Trade Agreement ("CCFTA") into the Regional Comprehensive Economic Partnership ("RCEP") in early 2022 which will improve external demand for Cambodian goods (*Source: Khmer Times, 22 November 2021*).

Foreign Direct Investment (“**FDI**”) remained resilient in the first half of 2021. According to data released by the National Bank of Cambodia, the country attracted US\$39.0 billion in FDI in the first half of 2021. China was Cambodia’s largest source of the total FDI, with an investment of US\$17.3 billion, accounting for 44.2% of total FDI (*Source: Jian Hua Daily, 27 November 2021*). The CCFTA is crucial to maintaining trade accessibility and encouraging foreign investment in the country, and is also essential in getting the economy back on track by attracting new growth opportunities for Cambodia’s key sectors. According to the DHL Global Connectedness Index 2020, which measures the development of trade, capital, information, and people flows, Cambodia ranked the 46th most globally connected country, a relatively high ranking for a lower-middle income country (*Source: Khmer Times, 29 November 2021*).

Cambodia’s total trade volume rose by 28% during 2021 and was valued at US\$37.3 billion in the first 10 months of the year, compared with the same period last year. This was contributed by the increased demand in garments and non-garment products such as travel goods, bicycles, rice, machinery and electrical equipment, and agricultural products from international markets, particularly large economies and regions such as the US, the EU, China, Japan, South Korea, Thailand and Vietnam (*Source: MOEF*).

The RCEP is the world’s largest agreement comprising 15 Asia Pacific countries with a combined GDP of US\$26.2 trillion or 30% of global GDP. The agreement is a driving force for regional and global economic growth, which is crucial to post-COVID-19 recovery, as well as a strategic accomplishment for the ASEAN Economic Community (*Source: Khmer Times, 3 & 4 January 2022*). The RCEP agreement is an unprecedented, modern, comprehensive, high-quality and reciprocal mega-regional trading arrangement that eventually will stimulate new private investments and provide greater market access to Cambodian products such as agricultural goods, processed agricultural products and industrial goods. RCEP will become the core foundation for trade and investment in Cambodia, further expanding the value chain and creating more employment and market opportunities for people and businesses in the country (*Source: Khmer Times, 8 November 2021*). Since the RCEP took effect on 1 January 2022, more than 90% of goods traded between member countries enjoyed zero tariff immediately or will see their tariffs gradually reduced to zero over the next 20 years (*Source: Khmer Times, 3 & 4 January 2022*).

With the success of the COVID-19 vaccination campaign, the pandemic in Cambodia has been brought under control, and the country fully reopened all of its economic sectors on 1 November 2021 based on four factors: (i) full vaccination of a large swath of the population; (ii) the availability of effective COVID-19 treatments and medicines; (iii) increased experience in dealing with and preventing the spread of COVID-19; and (iv) increased public understanding of COVID-19 and how to prevent infections (*Source: Phnom Penh Post, 1 November 2021*). According to the latest Cambodia Economic Update of the World Bank, Cambodia is now managing COVID-19 with a majority of the population having been vaccinated and the country reopened for business, while continuing to enforce protective health measures. World Bank is of the opinion that Cambodia’s growth outlook is expected to continue to recover as COVID-19 related restrictions are lifted.

Environmental, Social and Governance (ESG) During a Pandemic

NagaWorld Kind Hearts (the Company's corporate social responsibility "CSR" arm) is a grassroots initiative with long term contribution towards the betterment of communities in Cambodia. This ESG arm of NagaWorld has conducted more than 550 programmes to date focusing on Education Enhancement, Community Engagement, Sports Development and Environment Care.

NagaWorld received two prestigious honours at the Social Caring Pledge Awards in 2021 in recognition of its extensive range of environmental, social, and governance initiatives benefitting marginalized communities in Cambodia. NagaWorld collected accolades in both the Outstanding Social Caring Organisation Award and the Social Caring Award for Green Excellence categories. The Outstanding Social Caring Organisation Award is given to companies that showcase consistent business results and social impact, while remaining aligned to the six social caring pledge principles of Environmental Protection, Anti-discrimination, No Forced Labour, Community, Anti-corruption, and Safety and Quality. The Social Caring Award for Green Excellence credits the integration of environmental performance into a sustainable development strategy and delivering proven business benefits.

NagaWorld Kind Hearts' comprehensive suite of ESG initiatives marked another achievement after being recognised in the Stevie® Awards for the third consecutive year. The 2021 awards given were a Gold Stevie® Award for Continuous Efforts in Fostering the Development in Cambodia; three Silver Stevie® Awards for Making the World a Better Place: It's a Lifelong Learning Journey, NagaWorld Kind Hearts' Sports Initiatives Spur a Nation's Development, and Taking a Stand: NagaWorld Against COVID-19; and a Bronze Stevie® Award for Moving Generations to Go Green. These awards are an endorsement of the Group's continuous efforts towards improving the social, environmental and economic aspects of Cambodia as well as the lives of its people.

During the Year, the Group has contributed US\$20 million to support the RGC's effort to contain the surge of COVID-19 cases in the community. In addition, NagaWorld Kind Hearts donated US\$100,000 in food supplies to Phnom Penh City Hall for communities struggling with the impact brought upon by the increasing number of COVID-19 cases when the capital went into lockdown on 15 April 2021. The total amount donated was sufficient to assist 3,500 families in the most affected areas.

By partnering with Naga Farm, which was established in recent years in the Ang Snuol district, with local community members as employees, NagaWorld Kind Hearts has continued its support of local communities most affected by COVID-19 by jointly donating food packages worth US\$23,000 to 1,000 needy families in Ang Snuol district, Kandal province. Working with the local authorities, Naga Farm and NagaWorld Kind Hearts have donated crucial food supplies where it was most needed.

During the pandemic, NagaWorld Kind Hearts has been making regular donations to public institutions to help keep Cambodian communities safe and combat the spread of COVID-19. This includes contributions of world-class medical equipment and testing kits as well as preventive supplies such as surgical masks, hand sanitizers and temperature checkers to the MOH, the Ministry of Education, Youth and Sport, the Ministry of Land Management, Urban Planning and Construction, the General Commissariat of National Police and Phnom Penh City Hall.

The Group has made annual contribution of US\$1 million to the Cambodian Red Cross, and contributed to the Water Wells Foundation of Cambodia to create new and hygiene water sources as part of sustainable rural development of Cambodia. These form part of the Group's contribution to public interests and charitable purposes in Cambodia.

At the corporate level, the Company has been recognized as an Honoured Company in the Small & Mid-Cap category by the renowned financial publication *Institutional Investor* for outstanding leadership, including "Best CEO" and "Best CFO" in the Gaming & Lodging sector. This recognition is part of *Institutional Investor*'s 2021 All-Asia Executive Team annual rankings which are regarded globally as the financial industry's benchmark for excellence.

The Company is dedicated to enhancing long term value for all stakeholders and continuously strives for excellence by ensuring the sustainable growth of business.

Improved Liquidity and Cost Efficiency

As of 31 December 2021, the Group's cash and deposits were US\$125.1 million. The Group had sufficient liquidity and cash reserves to fund cash expenditures during the Year. On 15 June 2021, the Company completed the issuance of the Additional 2024 Senior Notes priced at a yield of 6.625%, to strengthen the Group's working capital. The Company fully repaid the outstanding principal amount of US\$300 million together with the interest accrued to the maturity date of the 2021 Senior Notes due on 21 May 2021, with cash on hand. Following this full repayment of the 2021 Senior Notes, the Company now will not have any debt repayment obligation until July 2024.

The accumulated cash and deposits demonstrate the Group's continued ability to retain a stable cash position and raise external funding despite the unprecedented challenging period of the COVID-19 pandemic. Furthermore, given the COVID-19 impact in Cambodia, the Company launched a rationalization program to improve cost efficiency and undertook a series of actions to minimize run-rate operating costs and cash expenditures, all of which formed part of the Company's COVID-19 strategy to help stabilize the Group's financial position over the long term.

BUSINESS REVIEW

Table 1: Performance Highlights

For the Year and comparative prior year:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Mass Market: Public Floor Tables		
– Buy-ins	431,494	973,514
– Win rate	15.4%	17.9%
– Revenue	66,463	174,281
Mass Market: EGM		
– Bills-in	722,665	1,433,344
– Win rate	8.4%	8.6%
– Revenue	43,986	82,360
Premium Mass Market		
– Rollings	1,210,302	2,152,763
– Win rate	4.0%	3.7%
– Revenue	48,684	78,749
Referral VIP Market		
– Rollings	2,511,293	20,436,240
– Win rate	2.6%	2.6%
– Revenue	64,366	534,238
Gross Gaming Revenue	223,499	869,628

Mass Market (Public Floor Tables and EGM)

During the Year, Mass Market business volume and GGR declined mainly due to the voluntary temporary suspension of business operations since 2 March 2021 and the COVID-19 global pandemic. Nevertheless, this was partially mitigated by the reasonably sized expatriate community and to some extent, visitors from East Asia (mainly from China, South Korea and Taiwan) patronising NagaWorld in search of entertainment. Despite softer tourists' arrivals due to the COVID-19 outbreak globally, the footfall of the Mass Market floor was still relatively stable, in particular, the high limit gaming area. The Company observed a gradual sequential growth trend in Mass Market business volume in 4Q2021, since reopening business operations on 15 September 2021.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its customers' profile, creating targeted marketing promotions and rollout customer development initiatives to increase the frequency of visitation and gaming spend.

Premium Mass Market

During the Year, Premium Mass business volume and GGR declined mainly due to the voluntary temporary suspension of business operations since 2 March 2021 and the COVID-19 global pandemic. The Company observed a gradual sequential growth trend in Premium Mass business volume and revenue in 4Q2021, since reopening business operations on 15 September 2021.

Referral VIP Market

During the Year, Referral VIP business volume and GGR declined mainly due to the voluntary temporary suspension of business operations since 2 March 2021 and the restrictive cross-border travel policies in the Asian region. However, prior to the 20 February 2021 COVID-19 community outbreak and the voluntary temporary suspension of business operations, the Referral VIP business recorded stable volume in 1Q2021, mainly generated from a reasonably sized number of expatriates currently residing and conducting business in Cambodia.

Non-Gaming-Hotel, F&B and Entertainment

During the Year, non-gaming revenue declined mainly due to the voluntary temporary suspension of business operations since 2 March 2021 and the tightening of travel policies in Cambodia and other regional countries in response to the pandemic, which led to lower occupancy rate and footfall during the Year.

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2021					
Mass Market	110.4	49	100.8	70	91
Premium Mass Market	48.7	22	29.6	21	61
Referral VIP Market	64.4	28	11.2	8	17
Non-Gaming	2.4	1	1.9	1	79
Total	225.9	100	143.5	100	64

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2020					
Mass Market	256.6	29	253.0	59	99
Premium Mass Market	78.8	9	48.4	11	61
Referral VIP Market	534.2	61	118.1	28	22
Non-Gaming	9.1	1	7.5	2	82
Total	878.7	100	427.0	100	49

The Group recorded a gross profit of US\$143.5 million for the Year. The overall gross profit margin was 64% (2020: 49%) as a result of higher percentage contribution from the Mass Market and Premium Mass Market segments. Mass Market continued to maintain a high gross profit margin of 91% (2020: 99%).

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation were US\$131.6 million during the Year, representing a decrease of US\$32.6 million or 19.8% year on year. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. In addition, the Company has implemented a series of cost saving measures in response to the voluntary temporary suspension of business operations since 2 March 2021.

Finance Costs

During the Year, the Group incurred finance costs, after interest capitalisation, of US\$37.1 million (2020: US\$33.2 million) for the interest expenses and transaction costs relating to the senior notes issued (detailed in Note 15).

Net Loss

Net loss attributable to the Shareholders of the Company (the “**Shareholders**”), or net loss, was US\$147.0 million for the Year. Net loss margin for the Year was 65.1% (2020: net profit margin 11.6%) as a result of the voluntary temporary suspension of business operations because of COVID-19 concerns since 2 March 2021.

Basic loss per share was US cents 3.39 (HK cents 26.27) for the Year and basic earnings per share was US cents 2.36 (HK cents 18.29) for the year 2020.

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the Investment Agreement in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US\$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits, which are pledged against which the Promissory Notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

Contingent Liabilities

As described in note 5(b), the additional obligation payment (if any), other than those paid during prior years, are subject to the future development in this matter.

Exchange Rate Risk

The Group's income is earned principally in US\$. The Group's expenditure is paid principally in US\$ and to a lesser extent in Cambodian Riel and RUB. 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

No shares were issued by the Company during the Year.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 31 December 2021, unless stated otherwise.

The Group had total cash and bank balances, restricted bank balance and fixed deposits of US\$125.1 million (31 December 2020: US\$452.0 million). The cash and bank balances, restricted bank balance and fixed deposits were mainly denominated in US\$.

The Group had net current assets of US\$42.3 million (31 December 2020: US\$107.0 million). The Group had net assets of US\$1.6 billion (31 December 2020: US\$1.7 billion).

The Group had outstanding senior notes with carrying amount of US\$543.0 million (31 December 2020: US\$635.6 million).

The Group's gearing ratio calculated as total debts less cash and bank balances, restricted bank balance and fixed deposits divided by equity was 25.3% (31 December 2020: 11.1%).

Capital and Reserves

As at 31 December 2021, the capital and reserves attributable to owners of the Company was US\$1.6 billion (31 December 2020: US\$1.7 billion).

Employees

As at 31 December 2021, the Group employed a total work force of 6,181 (31 December 2020: 8,371), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United States and Russia. The remuneration and staff costs for the Year were US\$69.5 million (2020: US\$105.3 million).

Given the COVID-19 impact in Cambodia, the Company has taken proactive measures to manage the situation. The Company launched an employee rationalization program to improve cost and operational efficiency. The Company believes that these changes will help with the quick return to business normality and help deliver continued financial stability over the long term. It is important for the Group to maintain operational and financial flexibility to ensure that it remains focused and efficient during this period. To reduce the impact of these necessary changes on our employees, the Company has provided a mutual separation option to affected employees with enhanced termination compensation over and above payments required by the applicable Cambodian Laws to assist their transition into other career or business interests.

By and large the employee rationalisation exercise has been completed as at the date of this announcement.

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. The Company has adopted a share option scheme and a share award scheme as incentive to its directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

Trade Receivables and Credit Policy

The Group continues to monitor changes in trade receivables. Net trade receivables decreased from US\$72.9 million to US\$39.6 million during the Year.

During the Year, the Group prudently made provision for impairment loss of US\$2.0 million (2020: US\$2.3 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

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Events after Reporting Year

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

PROJECT UPDATES AND PROSPECTS

Update on Naga 3

Chicago-based Skidmore, Owings and Merrill has fully completed the Naga 3 conceptual design work. The subsequent design development work will be handled by a team of experienced consultants consisting of Steelman Partners (a global leader in gaming and entertainment design), Jacobs Engineering Services Sdn. Bhd. (Civil and structural consultant, one of the world's largest engineering firms), DRTAN LM Architect (Architect-of-Record), KWA Consult Sdn. Bhd. (Mechanical and electrical consultant), ELP Quantity Surveyors Sdn. Bhd. (Quality surveyor consultant).

The following are brief progress updates:

- a) **Soil Improvement Work** – Soil improvement work of 4m wide by 292m long along the western boundary has been fully completed by way of more than 1,000 deep soil mixing columns and almost 4,000 tons of cement being injected into the ground to strengthen the existing soil; the main objective of the soil improvement work is to minimize settlement risk to the row of existing shops during the diaphragm wall and bored pile construction. Both large deep soil machines and the associated cement silos have been fully demobbed from the construction site, freeing up space for the operation of 2 diaphragm wall machines and the steel cage fabrication yard.
- b) **Diaphragm Walls** – The diaphragm walls have been fully completed at end-January 2022 as planned, diaphragm wall machinery and associated support facilities shall be demobbed from construction site, freeing up space for bored piling operation and basement construction.
- c) **Bored Piles** – Overall bored piling work is approximately 50% completion, two of the most critical areas within Tower 1 and Tower 3 nearing completion, allowing basement construction work to commence in December 2021. Three numbers of bi-directional load test have been completed with satisfactory results. Presently there are eight boring rigs constructing the bored piles on site and 2 teams constructing the basement works.
- d) **Wind Tunnel Study** – The wind tunnel testing for the wind induced structural study has been completed with satisfactory results. The second part of wind tunnel testing for the façade cladding, human comfort and pedestrian wind comfort study will be carried out in 1Q2022.
- e) **Pandemic and Vaccination** – Construction progress was slightly impacted by the sudden Phnom Penh lockdown, curfew and inter provincial/district travel restrictions. With the disruption of cement/concrete/steel supply and shipping logistics delays, additional measures have been added to catch-up on lost time. The construction site is enforcing very strict measures to prevent COVID-19 infection. All construction workers and management staff have been fully vaccinated, included booster vaccine; only fully vaccinated construction workers, sub-contractors, suppliers, etc. are allowed to work and enter the construction site.

- f) **Design Development Work** – Design development work is ongoing and the contract documentation for main building work package is on schedule to be completed by 1Q2022. The target commencement of main building work package shall be first half of 2023, after the foundation, basements and ground floor have been completed and progressively handed over to main building work contractor.

Update on the Investment Project in Vladivostok

The construction development of the Group's integrated resort project in Vladivostok remains in progress. The construction of Hotel Tower Block structure was completed. The contractor is constructing the roof slab of the Casino Podium, while the construction of the Ballroom has reached Level 1. The Group expects to carry on with the development of façade, mechanical, electrical & plumbing and architectural works this year.

The Group believes that the investment project in Vladivostok will drive revenue and earnings growth in the long term.

Prospects

The RGC has taken steps to mitigate the economic and social impact of the pandemic. A high vaccination rate and loosening of restrictions will boost spending and investor confidence, while increased FDI should offer further support to the recovery of the Cambodian economy. In November 2021, China's premier leader reaffirmed the bilateral bond between Cambodia and China by continuing to provide COVID-19 vaccines and medical assistance for an indefinite period of time, and to assist Cambodia with building a vaccine manufacturing factory (*Source: Khmer Times, 6 December 2021*). Despite the COVID-19 pandemic, Cambodia-China relations remain committed to strengthening comprehensive cooperation in development strategies (*Source: Phnom Penh Post, 16 November 2021*).

The bilateral trade volume between China and Cambodia saw a significant rise despite the global outbreak of COVID-19, reaching US\$11.1 billion in 2021, an increase of approximately 37.3% year-on-year, hitting the target of US\$10 billion (*Source: Khmer Times, 31 January 2022*). The two countries had previously committed to raising bilateral trade to US\$10 billion threshold by 2023 from US\$8.1 billion in 2020 (*Source: Khmer Times, 6 December 2021*). The CCFTA and the RCEP, which aim to increase trade goods by reducing and eliminating tariffs and non-tariff barriers, and will eventually open more markets for Cambodia's products, mainly agricultural products, to China. Also, the newly introduced Law on Investment and Cambodia-Republic of Korea Free Trade Agreement is expected to help attract FDI inflows to the country in the coming years (*Source: Phnom Penh Post, 16 November 2021*).

The implementation of RCEP will become a solid building block in advancing further trade liberalization, with the potential of attracting intraregional investment, FDI and global value chain activities, which could enhance investment opportunities in the long term. According to the Cambodian Ministry of Commerce, the CCFTA is a new milestone in the development of bilateral economic and trade relations of both countries, which is expected to become a driving force for Cambodia's economic recovery.

The National Bank of Cambodia has forecast that the Cambodian economy will continue to grow at a rate of 5.0% in 2022 (*Source: Khmer Times, 3 January 2022*). In addition, the IMF has projected that Cambodia will be the second-fastest growing economy in Southeast-Asia in five years with an expanded GDP of 6.6% (*Source: IMF – World Economic Outlook Database October 2021*). Also, the Chinese-invested Phnom Penh-Sihanoukville Expressway is 80% complete as of January 2022, despite the COVID-19 pandemic, according to the Cambodia Ministry of Public Works and Transport. The expressway is one of the Cambodia-China cooperation projects under the framework of the Belt and Road Initiative and is the most important strategic route in Cambodia, which is projected to lead to substantial economic growth (*Source: Khmer Times, 2 February 2022*).

The Group continues to focus on the execution of its existing development projects. The development of Naga 3 is in progress. It is expected that the combined complex of NagaWorld (Naga 1, Naga 2 and Naga 3) will have approximately 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGM and many other non-gaming attractions. About 93% of Naga 3's gross floor area will feature non-gaming offerings, which is in line with the Group's long-term strategy of offering comprehensive lifestyle products and services. Naga 3's long term strategy is the continuation of Naga 2's success. The Company is committed to developing and completing the Naga 3 Project to stimulate and enhance Cambodia's tourism industry. Given the uniqueness of a casino monopoly in the heart of a capital city, the combined complex of NagaWorld is expected to position the Group as one of the most sizable riverine integrated resorts and entertainment centres in the Asia Pacific region.

Global economic conditions are expected to continue recovering with the progressive rollout of vaccination programs and booster shots. With the reopening of the Cambodian economy, domestic economic activity, including retail and wholesale, transportation, and domestic tourism is expected to increase steadily, while the international tourism, hotel and restaurant sector may recover more gradually. According to Fitch Ratings, the tourism sector is expected to rebound faster than business travel in the Asia Pacific region in 2022 in view of the improvement on the business operating environment. The ramping up of vaccines and availability of booster shots are likely paving the way of a return to normalcy in most Asian countries (*Source: Khmer Times, 25 November 2021*).

Looking forward, 2022 will remain challenging amid the fluidity of the COVID-19 situation and economic uncertainties. Nevertheless, with the easing of restrictions and the global economic recovery in sight, NagaWorld is expected to continue drawing tourists from South East Asia and East Asia, especially with incoming business migration inflows to Cambodia. The Company expects to continue its current growth recovery in a COVID-19 endemic world, and believes that the long-term business prospects and outlook of the Group will remain stable.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The directors of the Company (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 Board, 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Shareholders for the Year (2020: US cents 1.88 per share).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The 2021 Senior Notes issued by the Company in 2018 matured on 21 May 2021. The Company fully repaid the 2021 Senior Notes at their outstanding principal amount together with the interest accrued to the maturity date upon maturity of the 2021 Senior Notes on 21 May 2021.

Save as disclosed above, the Company did not redeem any of its listed securities 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 and the website of Hong Kong Exchanges and Clearing Limited at 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.
Lam Yi Lin
Company Secretary

Hong Kong, 7 February 2022

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

Executive Directors

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

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

Lim Mun Kee, Michael Lai Kai Jin and Leong Choong Wah

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars (“**HK\$**”) and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2020: HK\$7.75) and US\$1.0 to RUB74.29 (as at 31 December 2020: RUB73.88).