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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 2023**

Highlights for the Financial Year ended 31 December 2023 (the “Year” or “FY2023”)

- Gross Gaming Revenue (“GGR”) for the Year increased by 15.5% to US\$514.8 million compared to US\$445.9 million in the previous year
- Net Profit for the Year increased by 65.7% to US\$177.7 million compared to US\$107.3 million in the previous year
- Basic earnings per share for the Year of US cents 4.02 compared to US cents 2.42 (restated) in the previous year
- Mass Market and Premium VIP Market segments with a blended gross profit margin of 84% (net of gaming tax), accounted for 94% of total gross profit for the Year
- Premium VIP Market Rollings increased by 46.5% to US\$4.3 billion during the Year compared to the previous year, contributed by an increase in customer visitation and higher average rollings per visit
- Referral VIP Market GGR grew by 67.6% during the Year to US\$44.2 million compared to the previous year, contributed by a 52.3% increase in business volumes
- Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) increased by 20.3% to US\$295.3 million during the Year compared to US\$245.4 million in the previous year. Higher EBITDA margin of 55.4% was recorded for the Year

PART 1 - OPERATIONAL HIGHLIGHTS

1. Year-on-Year (“YoY”) Comparison for the Key Financials (in US\$ million)

Based on the audited consolidated financial statements of NagaCorp Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for FY2023, an analysis of the yearly financial performance is as follows:

	FY2023	Financial year ended 31 December 2022	YoY Growth
	US\$ million	(“FY2022”)	
		US\$ million	
GGR	514.80	445.88	15.5%
Non-Gaming Revenue	18.45	14.81	24.5%
Net Profit	177.73	107.25	65.7%
EBITDA	295.34	245.42	20.3%

The Company reported positive YoY growth for the key financial metrics in FY2023. **The Net Profit has increased YoY by 65.7%, on the back of higher revenues across all business segments, positive operating leverage and lower finance cost incurred.**

Despite higher business volumes and revenues across all business segments, total administrative and other operating expenses (before impairment loss, depreciation and amortization) has decreased by 2.4%, and resulted in a higher EBITDA margin of about 55.4% in the Year (FY2022: 53.3%).

2. YoY Comparison for the Key Business Segments Business Volumes

Average Daily Business Volume (US\$ million)	FY2023	FY2022	YoY Growth
Mass Market (Table Buy-ins and electronic gaming machines (“EGM”) Bills-in)	9.94	9.27	7.2%
Premium VIP Rollings	11.74	8.01	46.5%
Referral VIP Rollings	5.19	3.41	52.3%

3. Quarter-on-Quarter (“QoQ”) Comparison for the Key Business Segments Business Volumes

Average Daily Business Volume (US\$ million)	Fourth quarter of 2023 (“4Q2023”)	Third quarter of 2023 (“3Q2023”)	QoQ Growth
Mass Market (Table Buy-ins and EGM Bills-in)	10.05	9.79	2.7%
Premium VIP Rollings	13.48	10.86	24.2%
Referral VIP Rollings	6.24	4.15	50.5%

4. Mass Market Continues to Recover – Average Daily Business Volumes Recovered to 82.3% compared to Pre-pandemic Level

The average daily business volumes for the Mass Market segment has increased YoY by 7.2%, indicating that the recovery trend of the Mass Market segment remains intact. The higher business volumes was supported by an increase in visitation to the property. According to the tourism report for 2023 by the Ministry of Tourism of Cambodia (the “MOT”), international tourist arrivals have recovered to 82.5% in 2023 compared to 2019. The recovery of visitation from China still lags behind with a recovery rate of 23.2%. About 71.9% of the total Chinese visitor arrivals were business travellers. Management believes that there is room for the Mass Market segment to continue growing as the Chinese visitor arrivals to Cambodia continue to return with improved direct flight connectivity. China Southern Airlines, Shenzhen Airlines and Cambodia Airways reportedly would increase and launch new direct flights between Phnom Penh and major Chinese cities including Guangzhou, Shenzhen, Chongqing, Haikou, Jinan, Jieyang, Hainan and Sanya (*Source: Khmer Times, 22 November 2023, 11 January 2024 & 22 January 2024: Phnom Penh Post, 20 November 2023 & 12 December 2023*). Currently, direct weekly flights from Greater China region to Cambodia only recovered to around 26.0% of 2019 level (*Source: Cambodia airports, airlines websites, Company internal data*). Furthermore, 2024 has been declared as the “Year of People-to-People Exchanges” between the China and Cambodia in order to boost tourism, trade and investment cooperation more actively, during a meeting between the Cambodian Prime Minister, Hun Manet and the Chinese President, Xi Jinping (*Source: Khmer Times, 20 October 2023*).

Apart from increase in visitation to NagaWorld, the Company observed higher average spending from the premium mass customers. During FY2023, about 34.8% of total Mass Market Table GGR was contributed by premium mass customers at the high limit gaming zones. Such percentage of Mass Market Table GGR contribution is about 23.3% in 2019 pre-pandemic level.

In terms of win rate, a slightly lower win rate of 18.0% for the Mass Market Tables was recorded for FY2023 as compared to 19.1% in FY2022 mainly due to luck factor. The differential in win rate accounted for around US\$12.8 million drop in the Mass Market Table GGR. However, it is important to note that Mass Market Table win rate of 18.0% in FY2023 is lower than the normalized pre-pandemic win rate of about 19.4% in the financial year ended 31 December 2019 (“FY2019”). The win rate of EGM remains stable at about 7.5%.

5. Premium VIP Market – Average Daily Business Volumes Recovered to 97.7% compared to Pre-pandemic Level

The Company observed an acceleration of growth in the Premium VIP Market, as evidenced by a YoY revenue and business volumes growth of 46.2% and 46.5% respectively. The Premium VIP Market continued to be the best performing segment and the average daily rollings in the 4Q2023 exceeded the average business volumes recorded in FY2019. The continuing return of business-related travellers (with longer repeated stays and higher spending power) to Cambodia contributed to the growth of this segment as substantiated by the increase in average rollings per Premium VIP player of about 38.3% in FY2023 as compared to the previous year.

According to the tourism report for 2023 by the MOT, despite overall Chinese visitor arrivals to Cambodia in 2023 recovering to only 23.2% compared to 2019, Chinese business travellers accounted for 71.9% of these total Chinese visitor arrivals. This has underpinned the positive business volumes growth of the Premium VIP Market despite the lagging recovery in outbound travel from China.

6. Referral VIP Market Continued to Improve – Significant Growth in both Revenue and Business Volumes

The Referral VIP Market revenue reported a YoY growth of 67.6% in FY2023, supported by a 52.3% increase in Referral VIP rollings. The Company saw an increasing headcount of Referral VIP customers from broader diversified geographical locations, especially from neighbouring countries such as Thailand, Malaysia and Singapore. The Company will continue to pursue and work with reputable Referral VIP agents.

7. Financial Strength

The Group's total cash and bank balances have increased considerably from US\$175.2 million as of 31 December 2022 to US\$367.6 million as of 31 December 2023. The increase was mainly attributed to the continued recovery of business volumes and prudent cash spending strategy by the Company. Net debt of the Company as calculated as total debts less cash and bank balances was about US\$103.4 million as of FY2023. The net debt to equity ratio was 5.1% and the net debt to FY2023 EBITDA was 0.35 times.

PART 2 – FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023

	<i>Notes</i>	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Revenue	<i>2</i>	533,247	460,693
Gaming tax	<i>5</i>	(31,263)	(25,129)
Cost of sales		(80,348)	(59,598)
Gross profit		421,636	375,966
Other income		6,504	9,400
Administrative expenses		(44,407)	(52,182)
Other operating expenses		(185,057)	(201,462)
Profit from operations		198,676	131,722
Finance costs	<i>3</i>	(20,708)	(24,256)
Profit before taxation	<i>4</i>	177,968	107,466
Income tax	<i>5</i>	(236)	(212)
Profit attributable to owners of the Company		177,732	107,254
Earnings per share (US cents)			(Restated)
Basic	<i>7</i>	4.02	2.42
Diluted	<i>7</i>	4.02	2.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	US\$'000	US\$'000
Profit for the year	177,732	107,254
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss		
– exchange differences from translation of foreign operations	<u>(2,413)</u>	<u>(700)</u>
Total comprehensive income attributable to the owners of the Company for the year	<u>175,319</u>	<u>106,554</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Non-current assets			
Property, plant and equipment	9	2,016,155	2,070,090
Right-of-use assets		77,505	83,209
Intangible assets	10	59,763	62,480
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		182,326	143,913
Promissory notes	11	5,576	–
		<u>2,341,325</u>	<u>2,359,692</u>
Current assets			
Consumables		2,344	2,897
Trade and other receivables	12	39,589	41,724
Promissory notes	11	–	10,139
Restricted bank balance and fixed deposits		19,217	19,200
Cash and cash equivalents		348,381	156,004
		<u>409,531</u>	<u>229,964</u>
Current liabilities			
Trade and other payables	13	169,376	177,256
Senior notes	15	471,021	–
Contract liabilities		6,793	8,777
Lease liabilities		3,977	10,838
Current tax liability		2,031	1,795
		<u>653,198</u>	<u>198,666</u>
Net current (liabilities)/assets		<u>(243,667)</u>	<u>31,298</u>
Total assets less current liabilities		<u>2,097,658</u>	<u>2,390,990</u>
Non-current liabilities			
Other payables	13	15,641	5,829
Senior notes	15	–	468,827
Contract liabilities		7,000	13,000
Lease liabilities		50,371	54,007
		<u>73,012</u>	<u>541,663</u>
NET ASSETS		<u>2,024,646</u>	<u>1,849,327</u>
CAPITAL AND RESERVES			
Share capital	14	55,288	54,777
Reserves		1,969,358	1,794,550
TOTAL EQUITY		<u>2,024,646</u>	<u>1,849,327</u>

Notes:

1. Basis of preparation and adoption of new or revised IFRS Accounting Standards

The consolidated financial statements for the Year have been prepared in accordance with all applicable IFRS Accounting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as “**IFRS Accounting Standards**”) 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 “**Stock Exchange**” and the “**Listing Rules**”, respectively) and the Hong Kong Companies Ordinance.

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

Except as 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 2022.

(a) Adoption of new or amended IFRS Accounting Standards effective on or after 1 January 2023:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
IFRS 7	Insurance Contract

None of the new or amended standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods except as discussed below. The Group has not early applied any new or amended IFRS Accounting Standards or interpretations that are not yet effective for the current accounting period.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

(b) New Guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”)

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) to offset severance payment (“**SP**”) and long service payments (“**LSP**”) (the “**Abolition**”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the “**Transition Date**”). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer's MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' (the "Guidance") to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of Hong Kong Accounting Standard 19.93(a) (equivalent to IAS 19.93(a))

Approach 2: Account for the employer's MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the Approach 1 above retrospectively since the effective date of the Amendment Ordinance (i.e. June 2022). The application of the accounting policy does not have material impact on the Group's financial statements for the current and prior years.

2. Revenue

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Casino operations— gaming tables	387,520	321,566
Casino operations— EGM	127,280	124,315
Hotel room income, sales of food and beverage and others	18,447	14,812
	<u>533,247</u>	<u>460,693</u>

3. Finance costs

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Interest expenses and transaction costs relating to senior notes (<i>Note 15</i>)	39,730	43,684
Interest on lease liabilities	5,797	6,790
Other interest expenses	524	481
	<u>46,051</u>	<u>50,955</u>
Less: Interest expenses capitalised into capital work in progress	<u>(25,343)</u>	<u>(26,699)</u>
	<u>20,708</u>	<u>24,256</u>

4. Profit before taxation

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

	2023 US\$'000	2022 US\$'000
Interest income	(2,428)	(1,063)
Auditor's remuneration:		
– current year	877	804
– under provision in prior year	23	40
Amortisation of casino licence premium [#]	2,717	2,717
Depreciation [#]		
– Own assets	88,241	105,330
– Right-of-use assets	5,704	5,647
Exchange (gain)/loss [#]	(15)	367
(Reversal of impairment loss)/impairment loss on trade receivables	(1,500)	2,400
Write-off of property, plant and equipment	–	36
(Gain)/loss on disposal of property, plant and equipment	(260)	18
Short term lease expenses	3,008	3,065
Staff costs (including directors' remuneration) [#]		
– Salaries, wages and other benefits	87,902	87,231
– Contributions to defined contribution retirement scheme	508	170

[#] 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\$31,263,000 for the Year (2022: US\$25,129,000) was levied on gross gaming revenue in accordance with the Law on the Management of the Commercial Gambling (the “Casino Law”) effective from 1 January 2021.

	2023 US\$'000	2022 US\$'000
Gaming tax expenses		
– Current year	31,263	29,288
– Over provision in prior years	–	(4,159)
	<u>31,263</u>	<u>25,129</u>

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

	2023 US\$'000	2022 US\$'000
Current tax expenses		
– Current year	<u>236</u>	<u>212</u>

Income tax for the Year represents income tax on NagaWorld Limited Hotel and Entertainment Branch, the Group's branch registered in Cambodia.

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Interim dividend declared during the year:		
2023: US cents Nil per share	–	–
2022: US cents 0.73 per share	–	31,619
Final dividend proposed after the end of reporting year:		
2023: US cents Nil per share	–	–
2022: US cents 0.75 per share	–	32,733
	<u>–</u>	<u>64,352</u>
	<u>–</u>	<u>64,352</u>

On 21 April 2023, the shareholders of the Company (the “Shareholders”) approved the payment of the final dividend of US cents 0.75 (or equivalent to HK cents 5.81) per share for the year ended 31 December 2022 to be satisfied wholly by way of scrip shares without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment. As a result, 40,853,806 ordinary shares of the Company were allotted to the Shareholders.

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US\$177,732,000 (2022: US\$107,254,000) and the weighted average number of shares of 4,422,990,160 (2022: 4,422,990,160 (Restated)) in issue during the Year.

The earnings per share for the year ended 31 December 2022 is restated to reflect the effect of scrip shares issued during the Year (Notes 6 and 14).

There were no dilutive potential shares during the Year (2022: 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, 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 2022			
Timing of revenue recognition			
– At point in time	389,846	7,555	397,401
– Transferred over time	56,035	7,257	63,292
Revenue from external customers	445,881	14,812	460,693
Inter-segment revenue	(892)	6,530	5,638
Reportable segment revenue	<u>444,989</u>	<u>21,342</u>	<u>446,331</u>
Year ended 31 December 2023			
Timing of revenue recognition			
– At point in time	454,102	9,090	463,192
– Transferred over time	60,698	9,357	70,055
Revenue from external customers	514,800	18,447	533,247
Inter-segment revenue	(284)	5,376	5,092
Reportable segment revenue	<u>514,516</u>	<u>23,823</u>	<u>538,339</u>

	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			
2022	273,850	(10,345)	263,505
2023	326,622	(7,465)	319,157
<i>Segment assets:</i>			
As at 31 December			
2022	2,308,202	678,015	2,986,217
2023	2,522,151	626,188	3,148,339
<i>Segment liabilities:</i>			
As at 31 December			
2022	(168,500)	(499,583)	(668,083)
2023	(152,743)	(513,278)	(666,021)
<i>Net assets:</i>			
As at 31 December			
2022	2,139,702	178,432	2,318,134
2023	2,369,408	112,910	2,482,318
<i>Other segment information:</i>			
Capital expenditure:			
Year ended 31 December			
2022	242,891	816	243,707
2023	39,019	910	39,929
(Reversal of impairment loss)/impairment loss on trade receivables:			
Year ended 31 December			
2022	2,400	–	2,400
2023	(1,500)	–	(1,500)

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:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Revenue		
Reportable segment revenue	538,339	466,331
Elimination of inter-segment revenue	<u>(5,092)</u>	<u>(5,638)</u>
Consolidated revenue	<u>533,247</u>	<u>460,693</u>
Profit		
Reportable segment profit	319,157	263,505
Other revenue	22	4,092
Depreciation and amortisation	(96,662)	(113,694)
Unallocated head office and corporate expenses	(23,841)	(22,181)
Finance costs	<u>(20,708)</u>	<u>(24,256)</u>
Consolidated profit before taxation	<u>177,968</u>	<u>107,466</u>
Assets		
Reportable segment assets	3,148,339	2,986,217
Elimination of inter-segment assets	<u>(444,741)</u>	<u>(424,414)</u>
	2,703,598	2,561,803
Unallocated cash and bank balances and restricted bank balance	43,336	23,307
Unallocated corporate assets	<u>3,922</u>	<u>4,546</u>
Consolidated total assets	<u>2,750,856</u>	<u>2,589,656</u>
Liabilities		
Reportable segment liabilities	(666,021)	(668,083)
Elimination of inter-segment payables	<u>444,741</u>	<u>424,414</u>
	(221,280)	(243,669)
Senior notes	(471,021)	(468,827)
Unallocated corporate liabilities	<u>(33,909)</u>	<u>(27,833)</u>
Consolidated total liabilities	<u>(726,210)</u>	<u>(740,329)</u>

(b) Geographical information

The Group's operations and activities are mainly located in Cambodia. As at 31 December 2023, the Group had non-current assets other than financial instruments and deferred tax assets located in Cambodia and Russia of US\$2,054,167,000 (31 December 2022: US\$2,077,064,000) and US\$281,582,000 (31 December 2022: US\$282,628,000), 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.

9. Property, plant and equipment

During the Year, the Group acquired property, plant and equipment totalling US\$39,933,000 (2022: US\$243,797,000).

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\$63,239,000 (31 December 2022: US\$60,522,000).

11. Promissory notes

On 6 September 2013, the Company entered into an investment agreement (the "**Investment Agreement**") with certain Russian governmental authorities pursuant to which the Company agreed to invest at least 11.6 billion Russian Rubles ("**RUB**") (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 Russian subsidiary, Primorsky Entertainment Resorts City LLC ("**PERC**") deposited US\$8.9 million in a Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, PERC purchased these promissory notes in 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\$10,139,000 at 31 December 2022) 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. On 31 January 2023, the Promissory Notes in the amount of RUB715,767,000 (approximately US\$10,285,000) including interest matured. New promissory notes in total of RUB400,000,000 (approximately US\$5,576,000) bear an interest of 6.8% per annum and the maturity date of which is 895 days until 30 July 2025 were issued by another Russian bank for a new bank guarantee on 15 February 2023.

12. Trade and other receivables

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Trade receivables	17,413	14,212
Less: Allowance for impairment loss	<u>(3,609)</u>	<u>(5,109)</u>
	13,804	9,103
Prepayments	5,727	10,135
Deposits and other receivables	<u>20,058</u>	<u>22,486</u>
	<u>39,589</u>	<u>41,724</u>

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Within 1 month	4,165	4,052
1 to 3 months	744	842
3 to 6 months	1,238	2,356
6 to 12 months	6,613	1,853
More than 1 year	<u>1,044</u>	<u>–</u>
	<u>13,804</u>	<u>9,103</u>

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
At beginning of year	5,109	8,489
(Reversal of impairment loss)/impairment loss recognised	(1,500)	2,400
Bad debts written off	<u>–</u>	<u>(5,780)</u>
At end of year	<u>3,609</u>	<u>5,109</u>

The credit policy for gaming receivables is five to thirty days (2022: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (2022: thirty days from end of month).

13. Trade and other payables

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Trade payables (<i>Note</i>)	14,337	34,259
Unredeemed casino chips	9,572	10,376
Deposits	17,131	14,756
Construction creditors	1,528	3,388
Interest payable	18,220	18,220
Accruals and other creditors	75,828	72,798
Gaming tax payables	48,401	29,288
	<u>185,017</u>	<u>183,085</u>
Less: current portion	<u>(169,376)</u>	<u>(177,256)</u>
Non-current portion	<u>15,641</u>	<u>5,829</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:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Due within 1 month or on demand	5,415	1,461
Due after 1 month but within 3 months	7,256	9,803
Due after 3 months but within 6 months	1,639	15,586
Due after 6 months but within 1 year	27	7,393
Due after 1 year	–	16
	<u>14,337</u>	<u>34,259</u>

14. Share Capital

(i) Authorised:

	2023 <i>US\$'000</i>	2022 <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:

	2023		2022	
	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	4,382,136,354	54,777	4,341,008,041	54,263
Issue and allotment of scrip shares	40,853,806	511	41,128,313	514
	<u>4,422,990,160</u>	<u>55,288</u>	<u>4,382,136,354</u>	<u>54,777</u>
As at 31 December	<u>4,422,990,160</u>	<u>55,288</u>	<u>4,382,136,354</u>	<u>54,777</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.

Issue and allotment of shares during the Year

On 16 May 2023 (2022: 29 September 2022), the Company issued 40,853,806 (2022: 41,128,313) ordinary shares of the Company under the scrip dividend scheme for 100% of the payment of the 2022 final dividend (2022: 2022 interim dividend). The market value for calculating the number of scrip shares allotted to the Shareholders pursuant to the scrip dividend scheme was US cents 80.4 per share (or HK cents 623.2 per share) (2022: US cents 77.1 per share (or HK cents 597.4 per share), which was the average of the closing prices per share of the Company on the Stock Exchange for the 5 consecutive trading days up to and including 28 April 2023 (2022: 16 September 2022). The allotment of the scrip shares during the Year resulted in transfer of US\$511,000 (2022: US\$514,000) from retained profits to share capital which represents the aggregate par value of these scrip shares.

15. Senior notes

On 6 July 2020 and 15 June 2021, the Company issued senior notes of an aggregate principal amount of US\$350 million and US\$200 million, respectively, with maturity on 6 July 2024 (the "2024 Senior Notes"). The 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. The 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.

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

During the year ended 31 December 2022, the Company repurchased the 2024 Senior Notes of an aggregate principal amount of US\$77,845,000 with purchase price ranging from 91.83% to 92.10% in total amount of US\$73,003,000. Please refer to the announcements of the Company dated 12 August 2022, 31 August 2022, 9 September 2022, 23 September 2022, 30 September 2022, 7 October 2022, 14 October 2022, 4 November 2022, 14 November 2022 and 17 November 2022 for details. Following the cancellation of the repurchased 2024 Senior Notes, the 2024 Senior Notes of an aggregate principal amount of US\$472,155,000 remains outstanding.

In connection with the issue of the 2024 Senior Notes, ChenLipKeong Capital Limited has subscribed for the 2024 Senior Notes with principal amount of US\$45,000,000. ChenLipKeong Capital Limited is an investment holding company and is directly and wholly-owned by SAKAI PRIVATE TRUST COMPANY PTE. LTD. ("The Sakai Trustee", in its capacity as the trustee of The Sakai Trust), a discretionary family trust which was established by the late Tan Sri Dr Chen Lip Keong ("Dr Chen") as settlor for the purposes of succession planning and The Sakai Trustee is entrusted with legal title to the trust assets for the benefit of Dr Chen and his family. The interest expenses payable to the related company for the Year amounted to US\$3,578,000 (2022: US\$3,578,000).

PART 3 - MANAGEMENT DISCUSSION AND ANALYSIS

3.1 MARKET OVERVIEW

According to the International Monetary Fund (“IMF”), the global economy continues its post-pandemic recovery with remarkable resilience. Many emerging market economies have been part of this resilience and provided surprising upside performance. Global inflation is on a downward path and expected to decline from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024 (*Source: IMF – World Economic Outlook, October 2023*). IMF expects Cambodia to be the fastest growing economy in the Association of Southeast Asian Nations’ (“ASEAN”) in the category of emerging and developing Asia for two consecutive years, supported by key recovering sectors, which include domestic demand and tourism. The country’s real Gross Domestic Product (“GDP”) growth is expected to be 5.6% for 2023 and 6.1% for 2024 (*Source: IMF – World Economic Outlook, October 2023*).

During the Year, the Group continued its business recovery and steady growth, with a net profit increase of 65.7% to US\$177.7 million and an EBITDA increase of 20.3% to US\$295.3 million. The relatively stable business volumes recovery and financial results were attributed to the following:

(a) Continued Business Recovery and Growth Trajectory

During the Year, the Group reported consistent YoY growth across key financial metrics and saw a positive continuation of business recovery. The relatively stable performance reflected the gradual recovery of both leisure and business-related visitation to NagaWorld, along with the stable captive domestic market that has proven to be a self-sustaining business. The Group continued to record an impressive EBITDA margin of 55.4% during the Year.

Notable growth in business volumes was recorded across all segments. The average daily business volumes for the Mass Market continued to grow by 7.2% YoY from US\$9.3 million to US\$9.9 million, representing a recovery of 82.3% compared to FY2019 (peak pre-pandemic year). This is in spite of international arrivals to Cambodia by air (via Phnom Penh International Airport) in 2023 recovering to 65.9% compared to 2019. This explains the resilience of the captive domestic market with a growing expatriate community’s population.

For the Premium VIP Market, average daily rollings of US\$11.7 million during the Year saw a 46.5% YoY growth and a recovery of 97.7% compared to FY2019 (peak pre-pandemic year). This was largely driven by the growing expatriate community and recovery of business-related travels to Cambodia that has seen a 73.7% recovery in 2023. Business-related travels from China accounted for about 71.9% of total Chinese visitor arrivals to Cambodia in 2023. The Group observed that business-related travellers typically have greater spending power and frequent stays.

Collectively, the Mass Market and Premium VIP Market segments contributed about 91.4% and 93.9% of the Company’s total GGR and gross profit during the Year respectively.

Average daily rollings for the Referral VIP Market grew by 52.3% YoY to US\$5.2 million during the Year. This was mainly attributed to the gradual return of both leisure and business-related visitation from the region. The Group will continue to pursue and work with reputable referral VIP agents.

(b) Continued Recovery of International Arrivals and Direct Flight Connecting to Cambodia

The revival of the tourism sector played a significant role in Cambodia's economic resurgence, with the continued return of international tourist arrivals bolstering economic recovery and spurring growth. The Cambodian government has been actively working to improve the flight capacity recovery, reviving the tourism sector and transforming Cambodia into a global tourist destination that is competitive, sustainable and inclusive. In 2023, total international tourist arrivals to Cambodia was 5.5 million. This was a result of the gradual return of leisure and business-related visitors, marking an encouraging recovery rate of 82.5% compared to 2019 (*Source: MOT*). Phnom Penh is being ranked ninth place among top 25 most popular tourist destinations in the world for 2024, based on survey conducted by TripAdvisor (*Source: Khmer Times, 15 January 2024*).

In response to the increasing travel demand, a majority of airlines have resumed direct flights to Cambodia. As of 15 February 2024, weekly international direct flights to Cambodia stood at 507, including 399 from Southeast Asia (including Korea and Japan) and 108 from Greater China cities such as Guangzhou, Shenzhen, Shanghai, Kunming, Xiamen, Beijing, Nanning, Chengdu, Changsha, Chongqing, Zhengzhou, Haikou, Jinan, Jieyang, Sanya, Macau, Taipei and Hong Kong (*Source: Cambodia airports, airlines websites, Company internal data*). In this regard, total direct weekly flights to Cambodia from Southeast Asia (including Korea and Japan) and Greater China have recovered to about 83.3% and 26.0% respectively, compared to pre-pandemic in 2019. The resumption of flights is a promising sign for the country's economy and tourism sector as Cambodia expects to attract 7 million international arrivals by 2025, surpassing the pre-pandemic level of 6.6 million arrivals in 2019 (*Source: Khmer Times, 22 January 2024*).

(c) Foreign Direct Investments (“FDI”) as a Key Driver of Continued Economic Recovery and Growth for Cambodia’s Economy

Cambodia continues to stand out as a highly favoured emerging investment destination for foreign investors and businesses, drawing considerable FDI as the catalyst for Cambodia’s economic development over the years. According to the Council for Development of Cambodia, Cambodia garnered investment projects totalling US\$4.9 billion in 2023, up 22% YoY, with China remaining the largest trading partner in Cambodia, accounting for two-thirds of the total investments into the country (*Source: Khmer Times, 10 January 2024*). In the ASEAN region, Thailand is becoming a significant FDI contributor in Cambodia, following China’s lead. This trend indicates a strong interest from Thai businesses in expanding their operations in Cambodia (*Source: Khmer Times, 13 December 2023*). The increase of FDI from Thailand was in line with a significant rise in tourists and business-related travellers from Thailand. FDI inflows into Cambodia grew rapidly over the past decade and remained relatively resilient even through the pandemic period. Cambodia is expected to carry the strongest investment momentum in 2024, ranking first for possessing the right parameters to attract FDI among six other Asian countries on the global list (*Source: Khmer Times, 14 December 2023*). Cambodia’s appeal as a top FDI choice in the Asia-Pacific region can be attributed to its strategic geographic position, a skilled and continuously improving workforce, and a liberal investment climate.

The implementation of the Regional Comprehensive Economic Partnership (“RCEP”), free trade agreements and new investment law have created greater market access and generated new trade and FDI for Cambodia. The trade agreements have eased trading barriers, reduced tariffs, eased travel restrictions, and increased business and leisure travel. In addition, these trade agreements also enhance and strengthen diplomatic relations among member countries, leading to a more integrated and interconnected region. As Cambodia continues to capitalize on the benefits of trade agreements, it is expected to further expand and diversify market reach. This will eventually contribute to continued sustainable economic growth by attracting new FDI and businesses looking to expand their presence in the region.

The Cambodian government participated in the Mekong Summit on 25 December 2023 and is working closely with China in actively pushing for more security operations along the Mekong region, including Cambodia. This initiative aims to combat cyber scam syndicates and illegal gambling operations, reflecting both countries’ ongoing efforts to curb cross-border criminal activities, ultimately ensuring a safer environment for tourists to visit Cambodia (*Source: South China Morning Post, 26 December 2023*). Apart from this, the Cambodian Prime Minister has been working closely with the authorities to prioritise the security and safety of visitors (*Source: Phnom Penh Post, 4 December 2023*). On 25 February 2023, Cambodia was removed from the “Money Laundering Grey List” of the Financial Action Task Force, providing a positive sign for attracting investors and foreign capital inflows (*Source: Khmer Times, 8 March 2023*). The move reflects the Cambodian government’s efforts in combating money laundering crimes, terrorist financing and the proliferation of illegal financing in Cambodia. Cambodia’s removal from the grey list has made it more attractive to foreign investors, attracting more FDI and facilitating the trade of local and international investors in all business sectors.

(d) Continued Political Stability of Operating Environment

The conclusion of the Cambodian general election held on 23 July 2023 resulted in the ruling party, the Cambodian People's Party winning 120 of 125 seats in the National Assembly, on the back of winning 82.3% of all votes. This was followed by the official and smooth formation of the new Royal Government of Cambodia on 22 August 2023. Given the continued political and social stability, Cambodia is expected to continue its upward trajectory of recovery with an influx of tourist arrivals, business visitation and expected surge in FDI into the country, leading to a growing domestic expatriate population. The Group believes that NagaWorld, being the only integrated resort in Phnom Penh will benefit from this ongoing recovery and growing wave of tourism with increasing customer footfall.

(e) Sufficient Liquidity and Low Debt Equity Ratio

As of 31 December 2023, the Group's cash and deposits were US\$367.6 million. This increase was mainly attributed to the continued recovery of business volumes and prudent cash management during the Year. The accumulated cash and cash equivalents demonstrate the continued ability of the Company to retain a stable cash position sufficient to fund cash expenditures during the Year. To further support its liquidity position, on 17 October 2023, the Company entered into a loan agreement with ChenLipKeong Capital Limited (which is directly and wholly-owned by The Sakai Trustee (in its capacity as the trustee of The Sakai Trust) which is in turn a controlling shareholder of the Company), to provide a loan of up to US\$80 million at an interest rate of 8% per annum to the Company for the purpose of refinancing and/or discharging part of the outstanding 2024 Senior Notes of about US\$472.2 million upon maturity in July 2024. The Company is of the view that such financial assistance, together with the cash resources of the Company, will be sufficient to discharge all of its financial obligations when the outstanding 2024 Senior Notes mature in July 2024.

The Group's gearing ratio, which is calculated as total debt less cash and bank balances, restricted bank balance and fixed deposits divided by equity, continued to improve and reached 5.1% (31 December 2022: 15.9%).

(f) Expansion of Stock Connect to Improve Stock Liquidity

On 3 March 2023, Hong Kong Exchanges and Clearing Limited announced the expansion of eligible stocks under the Stock Connect programme effective 13 March 2023, enabling eligible shares of international companies that are primary-listed in Hong Kong to be included in Southbound trading. The Company is delighted to be included in the Stock Connect programme and the inclusion allows Chinese Mainland investors to trade the Company’s stock on both the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Being the only foreign gaming operator eligible for the Southbound trading, the Company believes its stock liquidity will further improve by gaining access to the enormous pool of domestic investors on the Mainland and grow its international presence.

Since being added to Southbound Trading on 13 March 2023, there has been a notable upward trend in trading of the Company’s shares through both Shanghai Connect and Shenzhen Connect. As of 15 February 2024, total shareholdings held through the Stock Connect programme was 25.7 million shares. The upward trend is expected to continue as Mainland China investors enjoy easy access and trading under the Stock Connect programme, potentially leading to greater liquidity and more diversified shareholders base for the Company’s shares.

(g) Sustainability and Environmental, Social and Governance (“ESG”) Performance

NagaWorld’s commitment to making a positive impact in the community is unwavering. 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. Since 2014, NagaWorld has organized more than 660 activities to date, with the invaluable participation of about 6,700 of dedicated employees focusing on education enhancement, community engagement, sports development and care of the environment.

NagaWorld recognises that responsibility extends beyond its immediate communities, and is actively working towards achieving the United Nations’ Sustainable Development Goals in Cambodia. Through robust ESG initiatives, the Company has aligned its efforts with the government’s vision for sustainable development. NagaWorld remains steadfast in its commitment to creating a better future for all, and looks forward to continued progress towards this important goal.

The Company believes that investing in education is investing in the future of a nation. NagaWorld Kind Hearts is committed to creating sustainable change in its communities through various CSR initiatives. NagaWorld Kind Hearts has initiated the stationery set distribution project at the Leadership and Character Development Institute and also organized the “Trash or Treasure” station to create awareness among children about proper waste segregation. Also, the Company’s Fire Safety Awareness initiative has attracted more than 11,000 participants from various communities and contributed about 28 fire extinguishers to bolster their safety measures.

NagaWorld maintains its longstanding commitment as a dedicated corporate supporter of Cambodian athletes. NagaWorld was the first company to forge a sponsorship agreement with the National Olympic Committee of Cambodia to provide unwavering backing to the Cambodian contingent since 2011. This agreement encompasses a wide range of major sporting events, including the Southeast Asian Games (“**SEA Games**”), Asia Games and the Olympics. In conjunction with Cambodia hosting its first ever SEA Games and Para Games in 2023, NagaWorld was one of the National Partners and the Official Hotel Resort, as well as an apparel sponsor for athletes and coaches. NagaWorld was also the venue sponsor for Esports, in a show of solidarity with the nation’s aspiration for sporting excellence. Spreading the spirit of the SEA Games and Para Games, NagaWorld Kind Hearts continued its unwavering commitment to community engagement by hosting children from seven non-governmental organisations (“**NGOs**”) for a memorable and educational visit to the vibrantly decorated Samdech Techo Hun Sen Park. NagaWorld Kind Hearts hosted more than 270 teens and children (including children with physical disabilities) from respected NGOs.

To support the greening of its communities, NagaWorld Kind Hearts collaborated with the Khmer Association for Development to plant approximately 1,300 trees in Kampung Speu as one of the Company’s collective efforts to inspire positive behavioural changes aimed at protecting natural resources. NagaWorld has promoted awareness of environmental conservation as part of its continuing effort to create a tourist-friendly destination and to raise awareness about environmental issues. NagaWorld joined Earth Hour, the world’s largest grassroots movement, to draw public attention to the most important issues facing the planet. Since 2017, NagaWorld supported the “Soap for Hope” project to recycle used hotel soap by diverting the product from landfills, and in tandem, providing alternative livelihoods to marginalised communities and raising hygiene standards. To date, over 1,600 kg of soap has been recycled and given to nearly 460 families, promoting waste reduction, sustainability, and personal hygiene awareness. Furthermore, NagaWorld also collaborated with EcoBatt Energy Cambodia, an electronic waste recycling company, to recycle the Company’s used batteries. This initiative educates employees on the negative impacts of improper battery waste management and encourages responsible disposal practices. In 2023, more than 130kg of battery waste has been recycled.

This year, NagaWorld Kind Hearts took great pride in distinguished success, having earned multiple international awards. NagaWorld was honoured to be the sole recipient in Cambodia to win a second Gold Stevie® Award at the prestigious International Business Awards - The Stevie® Awards (under the “Corporate Social Responsibility Programme of the Year - in Asia, Australia, and New Zealand” category) which is considered the Oscars of the business world. Additionally, the “Children@Risk” program won a Bronze Stevie® Award in the same category. This recognition is a testament to the Company’s continuous efforts in fostering development in Cambodia through comprehensive and impactful CSR initiatives covering Education Enhancement, Community Engagement, Sports Development, and Environmental Care. Furthermore, NagaWorld was named by Global CSR & ESG as Platinum Award winner for Best Country Award for Overall CSR Excellence for 3 consecutive years. These outstanding accomplishments not only underline the Company’s unwavering dedication but also underscore NagaWorld’s commitment to fostering the economic and social development of Cambodia throughout the Year. They serve as a powerful testament to the ongoing pursuit of excellence in the global business landscape. The Company’s dedication to sports and youth initiatives in Cambodia have also been acknowledged with Honorable Mentions in the “Campaign of the Year - Sports” category at the PRNEWS Platinum Awards for three consecutive years. This award acknowledges the Company’s excellence in public relations, marketing, and communications, especially in corporate social responsibility, social media, and fostering top workplace environments. In addition, NagaWorld received the esteemed ESG Icon Recognition Award from the Malaysian Business Chamber of Cambodia, which underscored NagaWorld’s dedication to sustainable business practices and the promotion of responsible corporate citizenship.

At the corporate level, the Company was recognised as a Most Honored Company in the Small & Mid-Cap category and Honored Company in the Asia (ex-Japan) and Asia (ex-Mainland China) categories by the renowned financial publication *Institutional Investor* for outstanding leadership and investor relations, including “Best CEO”, “Best CFO”, “Best IR Professional”, “Best IR Team”, “Best IR Program”, “Best ESG” and “Best Board of Directors” in the Gaming & Lodging sector. This recognition is part of *Institutional Investor’s* 2023 Asia (ex-Japan) Executive Team rankings which are regarded globally as the financial industry’s benchmark for excellence.

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

3.2 BUSINESS REVIEW

Table 1: Performance Highlights

For the Year and comparative prior year:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>	Increase %
Mass Market: Public Floor Tables			
– Buy-ins	1,167,149	1,066,820	9
– Win rate	18.0%	19.1%	
– Revenue	209,713	203,809	3
Mass Market: EGM			
– Bills-in	2,459,930	2,317,740	6
– Win rate	7.5%	7.5%	
– Revenue	127,280	124,315	2
Premium VIP Market			
– Rollings	4,286,168	2,925,041	47
– Win rate	3.8%	3.8%	
– Revenue	133,636	91,406	46
Referral VIP Market			
– Rollings	1,893,855	1,243,822	52
– Win rate	2.3%	2.1%	
– Revenue	44,171	26,351	68
Gross Gaming Revenue	514,800	445,881	15
Net Gaming Revenue	443,450	393,041	13

Mass Market (Public Floor Tables and EGM)

During the Year, the Company observed a continuing increase in the Mass Market business volumes for Public Floor Tables and EGM by 9.4% and 6.1% YoY respectively. The increase in business volumes was attributed to the reasonably sized expatriate community, visitors from ASEAN and to some extent the recovery of Chinese visitors patronising NagaWorld in search of entertainment. With the business environment starting to normalise, the footfall on the Mass Market areas continue to see a gradual increase and recovery.

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

Premium VIP Market

During the Year, Premium VIP Market saw a 46.5% YoY increase in rollings to US\$4.3 billion with a win rate of 3.8%. This translated into a 46.2% YoY increase in Premium VIP Market revenue to US\$133.6 million during the Year. The robust increase is in line with the successful conversion of some previous referral VIP players into direct Premium VIP players and the continuing return of business-related travellers to Cambodia since China reopening earlier in the year.

Referral VIP Market

During the Year, Referral VIP Market segment saw a 52.3% YoY increase in rollings to US\$1.9 billion with a win rate of 2.3%. This translated into a 67.6% YoY increase in Referral VIP Market revenue to US\$44.2 million during the Year with increasing headcount from neighbouring SEA countries.

Non-Gaming - Hotel, F&B and Entertainment

During the Year, non-gaming revenue increased by 24.5% YoY, which was mainly attributable to the China reopening and other regional countries.

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2023					
Mass Market	337.0	63	299.4	71	89
Premium VIP Market	133.6	25	96.4	23	72
Referral VIP Market	44.2	8	10.4	2	24
Non-Gaming	18.4	4	15.4	4	84
Total	533.2	100	421.6	100	79

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
2022					
Mass Market	328.1	71	293.7	78	90
Premium VIP Market	91.4	20	63.8	17	70
Referral VIP Market	26.4	6	6.2	2	23
Non-Gaming	14.8	3	12.3	3	83
Total	460.7	100	376.0	100	82

The Group recorded a gross profit of US\$421.6 million for the Year. The overall gross profit margin was 79% (2022: 82%) as a result of higher contribution from Premium VIP Market. All business segments have maintained relatively stable gross profit margin. Mass Market continued to maintain a high gross profit margin of 89% (2022: 90%).

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation were US\$134.3 million during the Year (2022: US\$137.6 million), representing a decrease of US\$3.2 million or 2.4% YoY, with improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low despite higher business volumes.

Finance Costs

During the Year, the Group incurred finance costs, after interest capitalisation, of US\$20.7 million (2022: US\$24.3 million) for the interest expenses and transaction costs relating to the 2024 Senior Notes (detailed in Note 15).

Net Profit

Net profit attributable to the Shareholders, or net profit, was US\$177.7 million (2022: US\$107.3 million) for the Year. Net profit margin for the Year was 33.3% (2022: 23.3%).

Basic earnings per share was US cents 4.02 (HK cents 31.16) for the Year and US cents 2.42 (HK cents 18.76) (Restated) for the year 2022.

3.3 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 were pledged against the Promissory Notes, which were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

The Promissory Notes were realised and withdrawn fully upon its maturity date on 30 January 2023. Subsequently, new promissory notes amounted to RUB400,000,000 (approximately US\$5,576,000) were issued by another bank to provide collateral for the issuance of a bank guarantee required under the Investment Agreement.

Contingent Liabilities

Prior to the promulgation of the Casino Law, NAGAWORLD LIMITED paid monthly gaming and non-gaming obligation payments to the Ministry of Economy and Finance of Cambodia ("MOEF"). Additional obligation payments (if any), other than those paid during prior years, are subject to the future development in this matter and instructions from the MOEF. Other than the additional obligation payments, there were no other contingent liabilities as at 31 December 2023.

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

On 16 May 2023, the Company issued 40,853,806 ordinary shares under the scrip dividend scheme for 100% of the payment of the 2022 final dividend. The market value for calculating the number of scrip shares allotted to the Shareholders pursuant to the scrip dividend scheme was US cents 80.4 per share (or HK cents 623.2 per share), which was the average of the closing prices per share of the Company on the Stock Exchange for the 5 consecutive trading days up to and including 28 April 2023.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 31 December 2023, unless stated otherwise.

The Group had total cash and bank balances (including restricted bank balance and fixed deposits) of US\$367.6 million (31 December 2022: US\$175.2 million). The cash and bank balances were mainly denominated in US\$.

The Group had net current liabilities of US\$243.7 million (31 December 2022: net current assets of US\$31.3 million). The Group had net assets of US\$2.0 billion (31 December 2022: US\$1.8 billion).

The Group had outstanding 2024 Senior Notes with carrying amount of US\$471.0 million (31 December 2022: US\$468.8 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 5.1% (31 December 2022: 15.9%).

Capital and Reserves

As at 31 December 2023, the capital and reserves attributable to owners of the Company was US\$2.0 billion (31 December 2022: US\$1.8 billion).

Employees

As at 31 December 2023, the Group employed a total work force of 6,038 (31 December 2022: 6,398), stationed in Cambodia, China, Hong Kong, Malaysia, Singapore, Thailand, the United States and Russia. The remuneration and staff costs for the Year were US\$88.4 million (2022: US\$87.4 million).

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and cost to the Group of non-monetary benefits are accrued in the Year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect of such would be material, these amounts are stated at their present value. 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 increased from US\$9.1 million to US\$13.8 million during the Year.

During the Year, the Group did not make any provision of impairment loss (2022: US\$2.4 million) and reversed provision of impairment loss previously recognised of US\$1.5 million (2022: Nil).

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.

Non-IFRS Accounting Standards Measures

To supplement our consolidated financial statements, which are presented in accordance with the IFRS Accounting Standards, the Company also assesses the operating performance based on a measure of EBITDA as an additional financial measure. We believe that such non-IFRS Accounting Standards measure facilitates comparisons of operating performance from time to time by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. EBITDA does not have a standardised meaning prescribed by IFRS Accounting Standards and therefore may not be comparable to similar financial information presented by other issuers. The use of such non-IFRS Accounting Standards measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of our results of operations or financial conditions as reported under IFRS Accounting Standards.

The table below presents a reconciliation of profit attribute to owners of the Company to EBITDA.

	2023	2022
	US\$'000	US\$'000
Profit attributable to owners of the Company	177,732	107,254
Income tax	236	212
Finance costs	20,708	24,256
Depreciation		
– Own assets	88,241	105,330
– Right-of-use assets	5,704	5,647
Amortisation of casino licence premium	2,717	2,717
EBITDA	295,338	245,416

Events after Reporting Year

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

3.4 PROJECT UPDATES AND PROSPECTS

Update on Naga 3

The foundation and basement floors of the Naga 3 project is expected to be fully completed by the first quarter of 2024.

Update on the Investment Project in Vladivostok

As disclosed in the announcement of the Company dated 3 March 2022, the Company has suspended its performance under the investment agreement in respect of the Group’s gaming and resort project in Vladivostok (the “**Project**”) due to force majeure event. Hence, the development of the Project has been suspended indefinitely until the circumstance is clearer.

Prospects

Cambodia’s economy is steadily recovering on the back of a strong rebound in the service sectors, despite facing various external challenges arising from heightened geopolitical tensions and inflationary pressures. What is relevant to Cambodia is how well the economy adapts as the world recovers from the effects of the COVID-19 pandemic. According to the World Bank, Cambodia’s economic growth will continue to accelerate in the medium to long-term driven by stronger exports and FDI inflows on anticipated increases in infrastructure investment and benefits from regional trade agreements (*Source: World Bank – Cambodia Economic Update, November 2023*).

Amidst a rapid economic transformation in Cambodia, the tourism sector is viewed as one of the major factors that will add further growth to the GDP. Cambodia, with its growing middle class and youth demographics, along with increasing urbanisation, is positioned for sustainable growth in the future. Ongoing recovery of tourism in Asia Pacific and revival of Chinese outbound tourism are key catalysts to boost tourism and economic growth. Some airline operators plan to increase weekly direct flights and launch new routes between Cambodia and China in near term such as Guangzhou, Shenzhen, Chongqing, Haikou, Jinan, Jieyang, Hainan and Sanya (*Source: Khmer Times, 22 November 2023, 11 January 2024 & 22 January 2024; Phnom Penh Post, 20 November 2023 & 12 December 2023*). The new inauguration of the Siem Reap Angkor International Airport, and the under-construction Phnom Penh Techo Takhmao International Airport, expected to be fully operational by 2025, will contribute to an increase in arrivals. These new airports will play significant roles in attracting international arrivals and benefitting the future of tourism in Cambodia as well as the catalyst for Cambodia’s economic growth with new routes and destinations (*Source: Khmer Times, 4 September 2023*).

Cambodia has been following the World Tourism Organization’s guidance and developed action plans and implemented several strategies to attract tourists from China. This includes the “China Ready” strategy, which consists of developing and setting up a China Ready Centre, providing language and culture training for officials and staff, preparing Chinese-speaking tour guides, and making available better infrastructure support and improved tourism services. Moreover, in order to make travel to Cambodia easier and attractive for Chinese travellers, Cambodia will allow the use of the Chinese Renminbi at all hotels and restaurants, as well as for all tourism services, which are among a number of measures to welcome Chinese tourists. In addition, the launch of the “Year of People-to-People Exchanges” in 2024 between China and Cambodia aims to promote tourism and connectivity between the two countries, which will ultimately attract more Chinese tourists and investors to Cambodia (*Source: Khmer Times, 16 January 2024*). Furthermore, in the ASEAN region, Cambodia and Thailand are committed to enhance the trade and tourism sectors with a target of achieving bilateral trade of US\$15 billion by 2025 (*Source: Khmer Times, 6 February 2024*). The strong partnership between Cambodia and Thailand will encourage more businesses to expand in Cambodia, leading to an increase in the number of business visits. The Group believes that NagaWorld will benefit from this with increasing footfall from customers patronising the property.

The Group believes that the tourism sector will maintain its recovery momentum and is expected to see a surge in demand driven by the return of international travel. Moreover, increasing flight frequency and new routes boost access for foreign customers, which is beneficial for NagaWorld’s property footfall. As Cambodia’s economy expands and global travel rebounds, the Group is well-positioned as the sole integrated resort offering both gaming and non-gaming lifestyle facilities to capitalise on the influx of leisure and business-related travellers returning to Cambodia. Furthermore, the development of Naga 3 as a leading tourism asset for Cambodia, indicates the Company’s alignment with the Cambodian government’s vision and commitment to bolstering the Cambodian tourism sector. This initiative positions Naga 3 as a key contributor in the regional tourism landscape, showcasing a shared dedication to elevating Cambodian tourism.

The ongoing economic recovery and political stability of Cambodia have led to an increase in business migration as well as expanding business and investment opportunities. This will have a positive effect towards the continued building up of the captive domestic expatriate population living in Cambodia. The Group will continue to benefit from the resilience and growth of this captive domestic expatriate market.

Looking ahead, the Group is optimistic about the long-term prospects and believes that the outlook remains stable and promising. NagaWorld, being the only integrated resort in Phnom Penh, will continue to benefit from the overall growth of Cambodia by attracting more visitors who are looking for entertainment and luxurious lifestyle offerings at a competitive price and value.

PART 4 - 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 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Listing Rules for the Year.

PART 5 - 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 (which has been renumbered to Appendix C3 with effect from 31 December 2023) 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.

PART 6 - 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.

PART 7 - FINAL DIVIDEND

The Board does not recommend the payment of final dividend (the “**Final Dividend**”) for the shareholders for the Year (2022 Final dividend: US cents 0.75 per share (equivalent to HK cents 5.81 per Share)).

PART 8 - PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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 during the Year.

PART 9 - 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 by post or by electronic means and published on the above websites in due course.

By Order of the Board
NagaCorp Ltd.
Lam Yi Lin
Company Secretary

Hong Kong, 19 February 2024

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

Executive Directors

Chen Yiy Fon and Philip Lee Wai Tuck

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 HK\$ and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (as at 31 December 2022: HK\$7.75) and US\$1.0 to RUB89.69 (as at 31 December 2022: RUB70.34).