



NAGACORP

金界控股有限公司

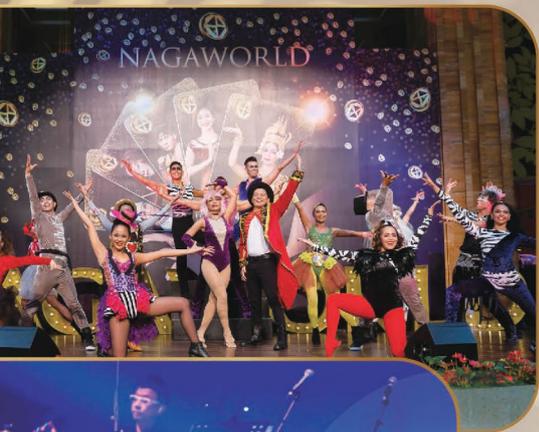
NAGACORP LTD.// 金界控股有限公司
(Incorporated in Cayman Islands with limited liability)
STOCK CODE: 3918



2020

INTERIM REPORT





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CORPORATE INFORMATION

NagaCorp Ltd. (“NagaCorp” or the “Company”, together with its subsidiaries, the “Group”) is the largest hotel, gaming and leisure operator in Cambodia. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (SEHK: 3918) since 2006. NagaCorp was the first company with operations in Cambodia to become a publicly listed entity and the first gaming-related company traded on the Stock Exchange. Our flagship, NagaWorld, is Phnom Penh’s only integrated hotel and entertainment complex and we enjoy a 70-year casino licence that will run until 2065, as well as an exclusive rights to operate casinos within a 200-km radius of Phnom Penh (except the Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) that expires in 2045.

Board of Directors

Executive Directors

Tan Sri Dr Chen Lip Keong (*Chief Executive Officer*)
Philip Lee Wai Tuck (*Executive Deputy Chairman*)
Chen Yiy Fon

Non-executive Director

Timothy Patrick McNally (*Chairman*)

Independent Non-executive Directors

Lim Mun Kee
Michael Lai Kai Jin
Leong Choong Wah

Audit Committee

Lim Mun Kee (*Chairman*)
Michael Lai Kai Jin
Leong Choong Wah

Remuneration Committee

Michael Lai Kai Jin (*Chairman*)
Tan Sri Dr Chen Lip Keong
Lim Mun Kee
Leong Choong Wah

Nomination Committee

Michael Lai Kai Jin (*Chairman*)
Tan Sri Dr Chen Lip Keong
Lim Mun Kee
Leong Choong Wah

AML Oversight Committee

Timothy Patrick McNally (*Chairman*)
Tan Sri Dr Chen Lip Keong
Chen Yiy Fon
Michael Lai Kai Jin

Company Secretary

Lam Yi Lin

Authorised Representatives

Philip Lee Wai Tuck
Lam Yi Lin

Independent Auditor

BDO Limited

Solicitors

Ashurst Hong Kong (*as to Hong Kong Laws*)

Principal Bankers

CIMB Bank PLC (*Phnom Penh Branch*)
United Overseas Bank Limited (*Hong Kong Branch*)

INVESTOR RELATIONS

We acknowledge the importance of maintaining communication with our shareholders and investors through channels like annual reports, interim reports, press releases and announcements. Our interim reports contain details of financial and other information about the Company's activities. We welcome enquiries about the Company's activities and will handle them in a timely fashion.

Listing

The Company's shares of US\$0.0125 each (the "Shares") have been listed on the Main Board of the Stock Exchange since 19 October 2006.

2020 Interim Report

This interim report, in both English and Chinese, is available in printed form and on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk and on the website of the Company at www.nagacorp.com.

Stock Code

3918

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Cambodia

NagaWorld
Samdech Techo, Hun Sen Park
Phnom Penh, 120101
P.O. Box 1099 Phnom Penh
Kingdom of Cambodia
Tel: +855 23 228822 Fax: +855 23 225888

Principal Place of Business in Hong Kong

Suite 2806, 28/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel: +852 2877 3918 Fax: +852 2523 5475

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Chief Executive Officer

Tan Sri Dr Chen Lip Keong

Chief Financial Officer

Tan Sean Czoon

Head of Investor Relations

Gerard Chai, *Managing Director*

Investor Relations (North America)

Kevin Nyland, *Vice President*

Investor Relations (Europe)

Lili Huang, *Vice President*

Company Website

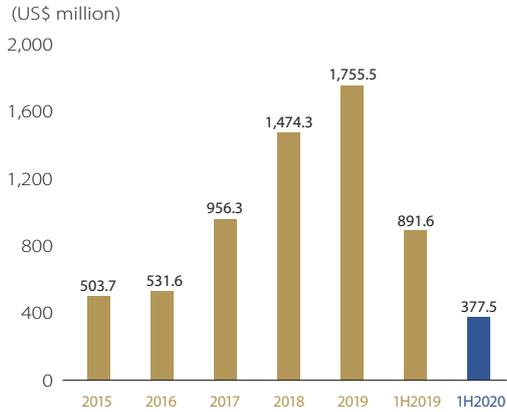
www.nagacorp.com

Share Information

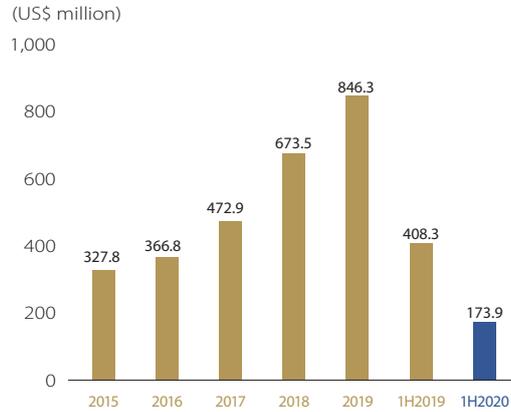
Board lot: 2,000 Shares
Issued Shares as at 30 June 2020:
4,341,008,041 Shares

FINANCIAL HIGHLIGHTS

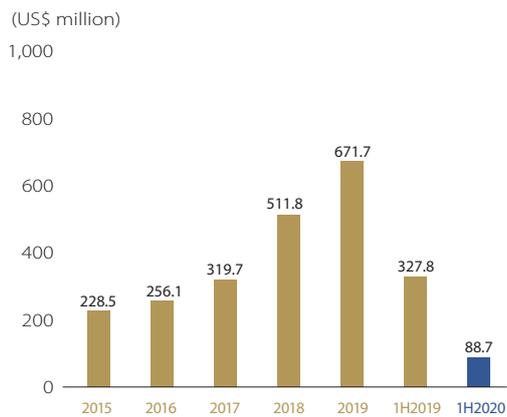
Revenue



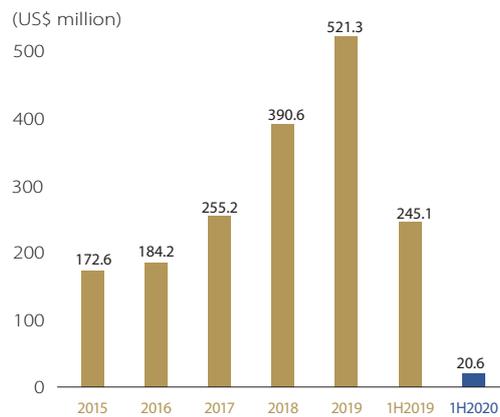
Gross Profit



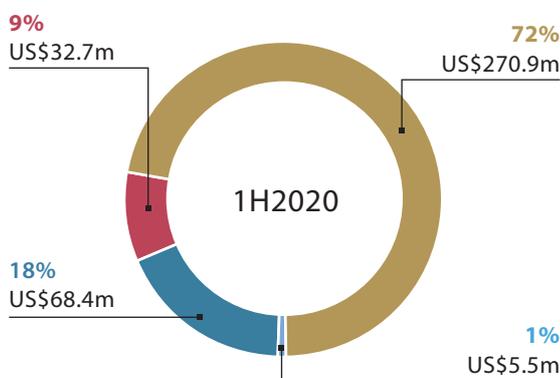
EBITDA



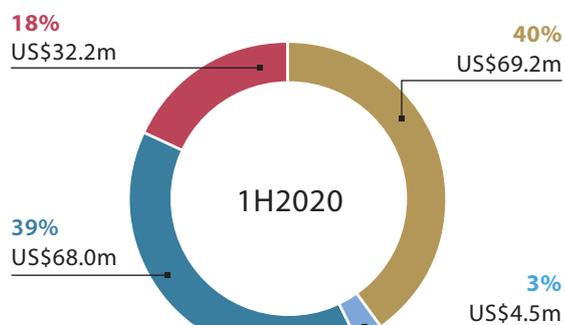
Net Profit



Revenue (US\$377.5m)

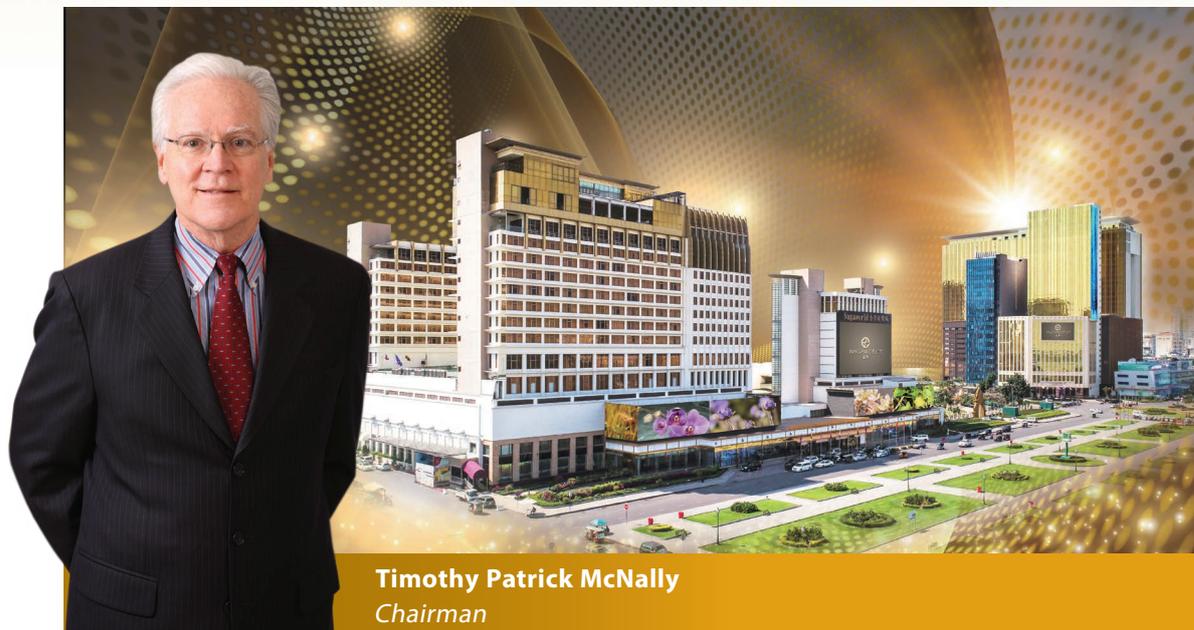


Gross Profit (US\$173.9m)



● Mass Market: Public Floor Tables
 ● Mass Market: Electronic Gaming Machines
 ● VIP Market
 ● Non-Gaming

CHAIRMAN'S STATEMENT



Dear Shareholders,

We are pleased to report that NagaCorp generated positive operational and financial results for shareholders of the Company (the "Shareholders") during the six months ended 30 June 2020 (the "Period") with net profit of US\$20.6 million. Gross Gaming Revenue ("GGR") for the first half of 2020 ("1H2020") was US\$372 million. We achieved this despite only three months of gaming business operations during the Period, due to the COVID-19 pandemic causing significant disruptions to the global economy.

While our first quarter financial results were relatively stable and we fully anticipated a successful second quarter, COVID-19 caused us to cease all gaming operations on 1 April 2020, until the Cambodian government authorized us to re-open gaming operations on 8 July 2020.

Today we continue to operate the largest integrated leisure and gaming entertainment destination in the Mekong Region.

Steady Recovery

The International Monetary Fund is projecting Cambodia's real gross domestic product ("GDP") growth to recover to 6.1% in 2021, with a moderate inflation rate of 2.9% after the effects of the COVID-19 global pandemic subside (*Source: International Monetary Fund – World Economic Outlook Database April 2020*). Also, Moody's Investors Service, Inc. is projecting Cambodia's GDP to rebound by about 6% in 2021, as a result of strong fiscal buffers to counter disruptions to trade and growth arising from the COVID-19 pandemic. In addition, Cambodia's latest credit profile reflected the country's solid growth prospects and highly affordable debt burden (*Source: Moody's Investors Service, Inc., 22 May 2020*).

In 2019, international business-related travel into Cambodia increased by 100% to 1,371,363 visitors. Also, an impressive number of Chinese companies in the manufacturing sector have been relocating to lower cost countries such as Cambodia. This has in turn driven the influx of foreign capital and expatriates into Cambodia,

CHAIRMAN'S STATEMENT

especially Phnom Penh (Source: CICC, 19 July 2019). Given the close geopolitical relationship between China and Cambodia, China's Belt and Road Initiative has driven more regional business travelers to Cambodia who have continued to stay in Cambodia during COVID-19 because of already-established businesses.

The mutual cooperation established between Cambodia and China in the fight against COVID-19 has deepened bilateral trust. Before the COVID-19 outbreak, committed investment into Cambodia increased by 45% to US\$9.4 billion in 2019, of which China accounted for 40% of the total committed investment (Source: Council for the Development of Cambodia). That figure almost reached the US\$10 billion target the two countries have set out to reach by 2023 (Source: Jian Hua Daily, 29 April 2020; Xinhua News Agency, 16 May 2020).

Driven by this growing foreign investment, sectors such as manufacturing, restaurants, logistics and tourism have flourished. In the city of Phnom Penh and its surrounding areas, property development projects have created a construction boom in recent years. The value of approved construction projects, mostly housing development in Cambodia increased by 47% year-on-year to US\$2 billion in the first two months of 2020 (Source: Cambodian Ministry of Economy and Finance, April 2020).

As the circumstances surrounding COVID-19 continue to improve, we remain optimistic that tourism and the larger business environment within Cambodia will stabilize and continue to improve.

Sound Strategy, Positioned for Growth

During the first half of 2020, Mass Market business volume and GGR declined, mainly due to the temporary closure of casino operations in second quarter due to the COVID-19 global pandemic. However, this was partially mitigated by our monopoly position in the city of Phnom Penh where there is a visible increase in wealth and a sizable expatriate community – primarily Chinese. Despite softer tourist arrivals during the first half of 2020 due to the global COVID-19 outbreak, visitation to NagaWorld was still relatively good before the temporary closure of casino operations.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profile, creating targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend. Hosting both international and local entertainment and events in the first quarter 2020 also helped to increase our exposure to the international market as well as attracting more footfall to the combined NagaWorld complex of Naga 1 and Naga 2.



Our VIP Market comprised players brought in by junket operators, who were either under a commission or incentive program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continued to enable the Company to balance the increase in table limits while managing volatility and credit risk.

During the first half of 2020, VIP business volume and GGR declined, mainly due to the temporary closure of casino operations in second quarter. However, prior to the temporary closure of casino operations, VIP GGR and VIP rollings increased by 25% and 18% respectively, mainly generated from players from North Asia and some from South East Asia. The increase was contributed partly by junket operators with fixed based operations in Naga 2 bringing in VIP players (primarily from China), especially during periods when casinos were closed in Macau, Philippines and Malaysia at various points due to COVID-19. NagaWorld was one of the few gaming destinations in the Asia Pacific region for Chinese visitors because Cambodia did not impose stricter travel restrictions until 30 March 2020.

We anticipate that as travel restrictions are lifted across the Asia Pacific region, our VIP business will continue to improve, particularly with junket operators.

During the first half of 2020, non-gaming revenue declined primarily due to the temporary closure of casino operations in second quarter, and the tightening of travel policies in Cambodia and other regional countries in response to the COVID-19 pandemic, which led to lower occupancy rates and footfall.

The first phase of upgrading 250 hotel rooms in Naga 1 was completed within budget and reopened at the end of 2019, with no visible disruption to our business volume growth. These newly upgraded hotel rooms have been well-received by customers, as we observed an increase in the average hotel room rate and yield from these upgraded hotel rooms. Upgrading of the remaining 250 hotel rooms was completed 30 June of this year. We believe that this upgrading of Naga 1 rooms will contribute positively towards the quality, standard and comfort of the overall NagaWorld experience.

The Group operates the largest integrated resort in the Kingdom of Cambodia and in the Mekong Region. In order to capture the fast-growing tourism and economic growth in Cambodia and capitalise further on our favourable competitive position and the supportive regulatory environment, the Company announced the proposed development and construction of a multi-entertainment, comprehensive and integrated resort complex called Naga 3. It is expected that Naga 3 will complement the existing facilities of Naga 1 and Naga 2, with a quality standard set to rival that of the integrated resorts located in Macau.

CHAIRMAN'S STATEMENT

With the expected completion of Naga 3 by 2025, the additional property will increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 electronic gaming machines ("EGM") and many other non-gaming attractions, and is expected to be one of the largest integrated entertainment complexes in the world. The Company believes that the launch of Naga 3 is not only timely, but also the answer to meet future demand and a surer way to continue the Group's journey of earnings growth, especially after the recent successful ramping up of Naga 2.

Based on the current state of development, our gaming and resort development project in Vladivostok, Russia remains broadly on track to begin operations by 2022. Site clearing commenced in 2016 and we have now established an office at the city center of Vladivostok, and certain key personnel have been appointed to monitor various aspects of the progress of the project. We believe our strategy to diversify our business geographically and expand into new casino markets will drive revenue growth in the long term.

Interim Dividend

The board of directors of the Company (the "Board") has resolved to declare payment of an interim dividend for Shareholders of US cents 0.29 per Share (or equivalent to HK cents 2.25 per Share) for the Period. This represents a payout ratio of 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 11 September 2020.

Social Responsibility

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. 1H2020 was no different. We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.

Corporate Governance

NagaCorp has engaged an independent professional party to review the internal controls of the Group with a focus on anti-money laundering ("AML") on a semi-annual basis. The independent professional party will issue its findings in its reports, details of which will be enclosed in our annual report for the year ending 31 December 2020. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are set out in this interim report.

Our Appreciation

The Board would like to express their appreciation to our employees for their hard work and dedication, and to our Shareholders, customers and suppliers for their continued support.

Timothy Patrick McNally

Chairman

Hong Kong, 27 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The International Monetary Fund is projecting Cambodia real GDP growth to recover to 6.1% in 2021 after COVID-19 global pandemic in 2020, with a moderate inflation rate of 2.9% in 2021 (*Source: International Monetary Fund – World Economic Outlook Database April 2020*). Similarly, Moody's Investors Service, Inc. is projecting Cambodia GDP to rebound by about 6% in 2021, as a result of strong fiscal buffers to counter disruptions to trade and growth arising from the COVID-19 pandemic. In addition, Cambodia's latest credit profile reflected the country's solid growth prospects and highly affordable debt burden (*Source: Moody's Investors Service, Inc., 22 May 2020*).

Following the notice issued by the Cambodian Ministry of Economy and Finance on 30 March 2020, all casinos in Cambodia were required to temporarily suspend their business activities from 1 April 2020 onwards in order to prevent the spread of COVID-19. After the signing of a Memorandum of Understanding dated 30 June 2020 between the Company and the Cambodian Ministry of Health (the "MOH") and a physical site inspection of the casino premises of NagaWorld conducted by the technical team of the MOH on 4 July 2020, a Certificate of Clearance was issued in favor of the Company on 5 July 2020 and consent was given to the Company to reopen the VIP and Slot Gaming Machines businesses on 8 July 2020. Subsequently, on 17 July 2020, the Company received a letter issued by the Cambodian Ministry of Economy and Finance whereby the Royal Government of Cambodia shall permit all casinos in Cambodia to reopen for businesses subject to the owners of casinos signing an agreement or a memorandum of understanding with the MOH on the implementation of the health rules as set out by the MOH. Since the Group has already received a Certificate of Clearance on

5 July 2020, the MOH has no objection to the Group to reopen all of its casino businesses consisting of the Mass Market, VIP and Slot Gaming Machines businesses in Phnom Penh, Cambodia.

Despite only three months of gaming business operations during the Period, the Group managed to generate positive EBITDA and net profit of US\$88.7 million and US\$20.6 million respectively for the Period. The Group's 1Q2020 financial results were relatively stable, delivering an increase of 15% in GGR. The Group was able to operate without interruption of business in 1Q2020 despite the COVID-19 outbreak in the large part of Asia. The relatively stable financial results were attributed to the following:

1. COVID-19 Incidence Relatively Well Managed:

China's response to the COVID-19 pneumonia has set an example for the world to cope with the contagion and offered experiences to the world in advancing public health governance. There is growing positive momentum in epidemic control nationwide in China because of comprehensively thorough and rigorous measures that China has taken to control COVID-19. Chinese President has said on several occasions that China's effort to curb the contagion not only to protect the safety and health of the Chinese people but to contribute to global public health (*Source: China Daily, 10 March 2020*). Given the close geopolitical relationship between China and Cambodia, Chinese expertise and experience together with the World Health Organization (the "WHO") and other experts are here to support the efforts of Cambodia in combating this public health problem.

MANAGEMENT DISCUSSION AND ANALYSIS

The Chinese government has sent seven medical experts together with a team of medical officers to Cambodia. The Chinese embassy in Cambodia has said that the medical experts were the first team of its kind to be sent to an ASEAN country to aid the COVID-19 fight. The number of COVID-19 cases in Cambodia is relatively well contained and has won praise and accolades in the world. The total number of confirmed COVID-19 cases is 273 as of 26 August 2020, of which 249 cases (91%) are imported. 264 cases are cured (97% recovery rate) and zero death (*Source: the MOH*). The WHO has, via a letter dated 11 May 2020, commended the efforts of the Royal Government of Cambodia for successful prevention of the spread of COVID-19 pandemic.

2. Still Relatively Good Mix of Customer Base:

Although the Company has witnessed less visitation, 1Q2020 has still seen a good number of clientele visiting NagaWorld. Many of the Chinese customers who have businesses in Cambodia continued to stay in Cambodia because of the COVID-19 situation in China. Hence, our customer mix benefits from this sizable group of expatriate community (mainly Chinese) in Phnom Penh. Many of our loyal South East Asian visitors have also visited NagaWorld before the closure of their countries' borders, especially within the first two months of 1Q2020.

3. Business Visitation to Cambodia:

In 2019, international business-related travel into Cambodia increased by 100% to 1,371,363 visitors. The US-China trade war has driven some Chinese companies in the manufacturing sector relocating

to lower cost countries such as Cambodia. This has, in turn, driven the influx of foreign capital and expatriates into Cambodia, especially its capital city Phnom Penh (*Source: CICC, 19 July 2019*).

4. Cambodia's Open Door Policy and China's Belt-and-Road Initiative ("BRI"):

Amid the ongoing COVID-19 outbreak, countries such as Malaysia, Philippines, Singapore and Vietnam etc. have temporarily imposed travel restrictions to China. However, till 30 March 2020, Cambodia continued to open up to China to promote local businesses and tourism while at the same time vigilant on the control of the COVID-19 from spreading.

Given the close geopolitical relationship between China and Cambodia, the BRI has driven relatively good number of business travellers to Cambodia who have continued to stay in Cambodia because of their established businesses in the country and fear of COVID-19 back home in China.

Before the COVID-19 outbreak, committed investment in Cambodia increased by 45% to US\$9.4 billion in 2019, of which China accounted for 40% of the total committed investment (*Source: Council for the Development of Cambodia*). Driven by the growing foreign investment, sectors such as manufacturing, restaurants, logistics and tourism have flourished. In the city of Phnom Penh and its surrounding areas, property development projects have created a construction boom in recent years. The value of approved construction projects, mostly housing

development, in Cambodia increased by 47% year-on-year to US\$2 billion in the first two months of 2020 (Source: *Cambodian Ministry of Economy and Finance, April 2020*). Large multi-year infrastructure projects financed by foreign investment, such as the US\$1.5 billion new Phnom Penh International Airport, have also added scale.

5. The Company's Casino Precautionary Measures Against COVID-19:

The safety of our employees and guests is paramount to us. Since January 2020, the Company has implemented a series of precautionary measures following the guidance of the MOH and the WHO. Respective hygiene and cleaning protocols are adhered and enhanced. All employees and visitors entering the NagaWorld Complex are required to have their body temperatures checked and to wear a mask.

In addition, at the entrance of the casinos, the Company has installed infrared body temperature sensors machines similar to the one installed at international airports. Sanitisers are available at every corner of the casinos and every gaming table for dealers and guests. Scheduled disinfection is carried out for all public areas within the property.

Social distancing is also practised to ensure reasonable distancing for employees and visitors. Tables in restaurants are placed at reasonable distance; such arrangement includes staff dining areas. Buffets are replaced with a la carte orders.

6. Mass Market Business:

The Mass Market, which has been a key focus of the Company's strategy has continued to benefit from its monopoly position in the city of Phnom Penh where there is a visible increase in wealth and a sizable number of expatriate community (mainly Chinese). Despite softer tourists' arrivals due to the COVID-19 outbreak globally, visitation to NagaWorld was still relatively good before the temporary closure of casino operations. EGM GGR in 1Q2020 was affected somehow by COVID-19 pandemic, as hotel occupancy rates were lower due to lower international leisure tourist arrivals and conducted tours.

7. VIP Business:

During 1Q2020 (prior to our temporary closure of casino operations), VIP GGR and VIP rollings increased by 25% and 18% respectively, generated mainly from players coming from North Asia and some from South East Asia. The increase was contributed partly by junket operators who have fixed based operations in Naga 2 and who brought in VIP players (mainly from China) especially during the times when casinos were closed in Macau, Philippines and Malaysia at various points of time. NagaWorld was one of the few gaming destinations in the Asia Pacific region available to Chinese visitors because Cambodia had not imposed travel restrictions on travellers from China until 30 March 2020. Moreover, with the relatively low incidence of the COVID-19 cases, especially during the first

MANAGEMENT DISCUSSION AND ANALYSIS

two and half months of 2020, VIP players felt more comfortable to visit NagaWorld. The robust performance was also contributed by the sizable group of expatriates (mainly Chinese businessmen based in Phnom Penh) and our loyal customers from South East Asia (mainly Malaysians) during the first two months of 2020.

8. Effective Cost Control:

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 operating cost saving measures in response to the temporary closure of casino operations during the Period.

9. Robust Cash Flow and Financial Strength:

As at 30 June 2020, the Group had cash and deposits amounting to about US\$286 million. Taking into effect the Company's recent issuance of US\$350 million 7.95% senior notes due 2024 (the "2024 Senior Notes"), the Company's cash and deposits have increased to US\$623 million (as of 7 July 2020). The Company has sufficient cash reserve set aside to repay the existing US\$300 million 9.375% senior notes due 2021 (the "2021 Senior Notes"). Assuming full repayment of the 2021 Senior Notes, the Company will not have debt refinancing obligation until July 2024.

The accumulated cash and deposits demonstrate the Group's continued ability to retain strong cash position and raise external funding despite the COVID-19 pandemic. Furthermore, the Group's strong financial strength is reflected on the lower debt financing cost (the 2024 Senior Notes matures in July 2024) incurred to refinance the 2021 Senior Notes which matures in May 2021. During 1Q2020, as disclosed in the relevant disclosure of interest filings, the controlling shareholder of the Company purchased about US\$41 million worth of shares of the Company from the secondary market during the downturn in order to provide market liquidity and support in this very difficult circumstance.

10. Naga 1 Upgrade:

The first phase of upgrading 250 hotel rooms was completed within budgeted cost and reopened at the end of 2019, with no visible disruption to the Group's business volume growth. The newly upgraded hotel rooms have been well-received by customers, as the Group observed increase in the average hotel room rate and yield from these upgraded hotel rooms. As at 30 June 2020, the upgrading of remaining 250 hotel rooms was completed. The Group believes that, subject to no further deterioration of COVID-19, the completion of the Naga 1 upgrade project will contribute positively towards the quality, standard and comfort of Naga 1, driving revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Table 1: Performance Highlights

For the Period and the comparable period of the immediately preceding financial year:

	1H2020	1H2019
	US\$'000	US\$'000
Mass Market: Public Floor Tables		
– Buy-ins	344,501	756,263
– Win rate	19.9%	19.3%
– Revenue	68,449	146,190
Mass Market: EGM		
– Bills-in	504,412	1,341,330
– Win rate	9.3%	8.7%
– Revenue	32,689	76,346
VIP Market		
– Rollings	9,671,263	23,180,385
– Win rate	2.8%	2.8%
– Revenue	270,870	649,870
Gross Gaming Revenue	372,008	872,406

MANAGEMENT DISCUSSION AND ANALYSIS

Mass Market (Public Floor Tables and EGM)

During the Period, Mass Market business volume and GGR declined mainly due to the temporary closure of casino operations in 2Q2020 and the COVID-19 global pandemic. Nevertheless, this was partially mitigated by the Company's monopoly position in the city of Phnom Penh where there was a visible increase in wealth and a sizable number of expatriate community (mainly Chinese). Despite softer tourists' arrivals due to the COVID-19 outbreak globally, visitation to NagaWorld was still relatively good before the temporary closure of casino operations. EGM was affected by COVID-19 pandemic, as hotel occupancy rates were lower due to lower international leisure tourist arrivals and conducted tours.

The NagaWorld Rewards loyalty program continued to enable the Group to understand its players' profile, creating targeted marketing promotions and rollout player development initiatives to increase the frequency of visitation and gaming spend. Hosting of both international and local entertainment and events in 1Q2020 has also helped to increase the Group's brand exposure to the international market as well as attracting more footfall to the combined NagaWorld Complex.

VIP Market

The Group's VIP Market comprised players brought in by junket operators, who were either under a commission or incentive

program, and direct players without an intermediary. The competitive overseas junket incentive program introduced in March 2013 continued to enable the Group to balance the increase in table limits while managing volatility and credit risk.

During the Period, VIP business volume and GGR declined mainly due to the temporary closure of casino operations in 2Q2020. However, prior to the temporary closure of casino operations, VIP GGR and VIP rollings increased by 25% and 18% respectively, mainly generated from players from North Asia and some from South East Asia. The increase was contributed partly by junket operators who have fixed based operations in Naga 2 and brought in VIP players (mainly from China) especially during the times when casinos were closed in Macau, Philippines and Malaysia at various points of time. NagaWorld is one of the few gaming destinations in the Asia Pacific region for Chinese visitors because Cambodia had not imposed travel restrictions on travellers from China until 30 March 2020.

Non-Gaming – Hotel, F&B and Entertainment

During the Period, non-gaming revenue declined mainly due to the temporary closure of casino operations in 2Q2020 and the tightening of travel policies in Cambodia and other regional countries in response to COVID-19 pandemic, which led to lower occupancy rate and footfall during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
1H2020					
Mass Market	101.1	27	100.2	58	99
VIP Market	270.9	72	69.2	40	26
Non-Gaming	5.5	1	4.5	2	82
Total	377.5	100	173.9	100	46

Table 2(b)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
1H2019					
Mass Market	222.5	25	219.1	54	98
VIP Market	649.9	73	173.0	42	27
Non-Gaming	19.2	2	16.2	4	84
Total	891.6	100	408.3	100	46

The Group recorded a gross profit of US\$173.9 million for the Period. The overall gross profit margin was 46% (six months ended 30 June 2019: 46%) as a result of stable mix among all business segments. Mass Market continued to maintain a high gross profit margin of 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\$87.0 million during the Period. 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 temporary closure of casino operations in 2Q2020.

Finance Costs

During the Period, the Group incurred finance costs of US\$5.0 million (six months ended 30 June 2019: US\$17.3 million) for the interest expenses and transaction costs relating to the 2021 Senior Notes issued.

Net Profit

Net profit attributable to the Shareholders, or net profit, was US\$20.6 million for the Period. Net profit margin for the Period decreased to 5.5% (six months ended 30 June 2019: 27.5%) as a result of the temporary closure of casino operations, partially mitigated by improved operational efficiency and cost savings measures implemented.

Basic earnings per share were US cents 0.48 (HK cents 3.72) and US cents 5.65 (HK cents 43.79) for 1H2020 and 1H2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Pledge of Assets

In December 2014, in accordance with the terms of the investment agreement in respect of the 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, Primorsky Entertainment Resorts City LLC. This amount was deposited in the same Russian bank as fixed deposits which are pledged against which 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

Other than the additional obligation payment as described in note 7 to the condensed consolidated financial statements, there were no other contingent liabilities as at 30 June 2020.

Exchange Rate Risk

The Group's income is earned principally in United States Dollars ("US\$"). The Group's expenditure is paid principally in US\$ and to a lesser extent in Cambodian Riel and Russian Rubles ("RUB"). The Group, therefore, does not have any significant exposure to foreign currency risk and, thus has not entered into any currency hedging transactions.

Issue of New Shares

No shares were issued by the Company during the Period.

Liquidity, Financial Resources and Gearing

All figures quoted in this section are as at 30 June 2020, unless stated otherwise.

The Group had total cash and bank balances, certificates of deposit, fixed deposits and other liquid funds of US\$286.0 million (31 December 2019: US\$326.7 million). The cash and bank balances, certificates of deposit, fixed deposits and other liquid funds were mainly denominated in US\$.

The Group had net current liabilities of US\$213.3 million (31 December 2019: net current assets of US\$281.2 million). The Group had net assets of US\$1.6 billion as at 30 June 2020 (31 December 2019: US\$1.8 billion).

The Group had outstanding 2021 Senior Notes with carrying amount of US\$296.7 million (31 December 2019: US\$294.8 million).

The Group's gearing ratio calculated as total debts less cash and bank balances, certificates of deposit, fixed deposits and other liquid funds divided by equity was 0.7% (31 December 2019: Not applicable).

Capital and Reserves

As at 30 June 2020, the capital and reserves attributable to owners of the Company were US\$1.6 billion (31 December 2019: US\$1.8 billion).

Employees

As at 30 June 2020, the Group employed a total work force of 8,775 (31 December 2019: 8,625), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Thailand, the United Kingdom, the United States and Russia. The remuneration and staff costs for the Period were US\$66.2 million (six months ended 30 June 2019: US\$59.3 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 Period 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 as an 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\$83.4 million (as at 31 December 2019) to US\$60.5 million (as at 30 June 2020).

During the Period, the Group prudently made provision for impairment loss of US\$0.6 million (for six months ended 30 June 2019: US\$1.2 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 Period, 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 Period.

Events after Reporting Period

On 6 July 2020, the Company issued the 2024 Senior Notes of an aggregate principal amount of US\$350 million with maturity on 6 July 2024. 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. These 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 and 6 July 2020 for details about the 2024 Senior Notes.

PROJECT UPDATES AND PROSPECTS

Update on Naga 3

The Company has appointed Chicago-based Skidmore, Owings and Merrill ("SOM") in addition to Las Vegas-based architect planner, Steelman Partners, to create a truly regional world-class comprehensive integrated entertainment complex which shall compete with regional peers in the Asia Pacific region. The Group will continue the development of Naga 3 and the following are brief progress updates:

- a) **Conceptual Design** – SOM completed the conceptual re-design of Naga 3 for improved skyline, less congestion of tower blocks, improved efficiency. Followed by the Board's approval on the SOM conceptual design in December 2019, the project consultant team has been working hard to advance the design development work in preparation for the piling and foundation construction package targeted to commence around 2H2020.

MANAGEMENT DISCUSSION AND ANALYSIS

- b) **Soil Investigation** – 33 soil investigation bored holes of varying depth of 47-81 meters have been fully completed.
- c) **Bored Pile Testing** – 2 bored piles of 800 millimeters diameter with a depth of 45-48 meters and working load capacity of 500 tons each have been fully completed with very satisfactory results, the geotechnical capacity is far better than the soil investigation recommendation, resulting in the additional design safety margin of about 2.5 times working load.
- d) There are few key design improvements implemented during the design development stage as briefly described below:
 - i. Tower 2 hotel room module gross floor area has been enlarged from 33m² to 50m² catering for 5-star international brand hotel standard.
 - ii. Hotel pools for all three towers have been relocated to column-free tower roof-top for more spacious planning incorporating revenue generating amenities including sky bar etc, affording a panoramic view of Phnom Penh City and surroundings.
 - iii. Roof-top mechanical, electrical and plumbing (“MEP”) installations have been relocated to combine with break tank floor, resulting in more efficient MEP operation and more revenue generating space.
 - iv. On the ground floor, a 2-lane perimeter road has been created to ensure smooth traffic flow around the complex, there is also provision for 2-lane, 130m long coach porte cochere catering for the large groups in addition to the north and east porte cochere.
 - v. To ensure all Naga 3 visitors have a “wow” arrival experience, we have dedicated the ground floor, 13m tall space for an ecology themed attraction, and creating a mezzanine floor for all hotel receptions, lobbies and hotel amenities.
 - vi. Tower 1 structural framing has also been strengthened by eliminating the mid-tower transfer structure and relocating the all-suite hotel amenities floors to below the 4 top VIP casino floors, easily accessible by both all-suite hotel guests as well as VIP casino visitors.

- e) **Wind Tunnel Testing** – preliminary structural framing design and architectural are conducted, followed by wind tunnel testing. The scope of wind tunnel testing is wind induced structural response, facade cladding pressure, human comfort/pedestrian wind comfort study.

In compliance with the terms of the Guaranteed Maximum Sum Design and Build Agreement, the Company's contractor, CCAG Asia Co., Ltd. ("CCAG") has notified the Project Architect (as defined in the circular of the Company dated 22 July 2019) of the recent overwhelming response of regional construction companies to the development of Naga 3; these construction companies include Chinese state-owned enterprises such as China Construction and Metallurgical Corporation. CCAG has indicated its intention to appoint and work with such Selected Sub-Contractors (as defined in the circular of the Company dated 22 July 2019) who have capital, experience and expertise to fast tracking the developments and completion of Naga 3.

In response to the reinvestment program of the Company, the Royal Government of Cambodia has responded with recent approval in principle of a garden in front of the Naga 3 property, allowing the Company to build a 3-storey underground car park in tandem with a world-class garden through which Naga 3 shall be connected to current NagaCity Walk, Naga 1 and Naga 2.

Update on the Investment Project in Vladivostok

In respect of the Group's gaming and resort development project in Vladivostok, Russia, site clearing commenced in 2016. An office has been established in the city centre of Vladivostok, Russia and certain key personnel have been appointed to monitor various aspects of the progress of the project which remains broadly on schedule. As at 30 June 2020, hotel tower topping off was completed and construction of casino podium was progressing up to level 2. Water and sewage system connected to the development site are expected to be completed by 3Q2020.

On 16 April 2020, Railway No. 5 Engineering Group ("CREC 5", a subsidiary of China Railway No. 5 Engineering Group Co., Ltd., a reputable Chinese state-owned enterprise), was appointed as the subcontractor to undertake the outstanding structural works of the gaming and resort development project in Vladivostok. The Company anticipates that this development project in Vladivostok remains broadly on track to commence operation by 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

We believe that the life span of COVID-19 is shorter than the duration of our monopoly which lasts till 2045, in view of COVID-19 incidence being relatively well managed in Cambodia and surrounding countries started to ease restriction imposed and reopen their respective economy. Hence, having considered the uniqueness of a casino monopoly in the heart of a capital city and after having operated successfully for the past 25 years amidst a region with political stability, tourism and economic growth, the combined NagaWorld complex of NagaWorld 1 (Naga 1), NagaWorld 2 (Naga 2) and NagaWorld 3 (Naga 3) is expected to position the Group in the future as one of the regional sizable gaming resorts in the Asia Pacific region and is expected to generate steady recurrent revenue for the benefits of the Company and the Shareholders as a whole.

Despite the COVID-19 fear, the Group will continue the development of Naga 3 and the expected successful completion of Naga 3 by 2025 (and/or such mutually agreed extended period) will increase the capacity of the Group by at least two times. It is currently expected that the combined NagaWorld complex of Naga 1, Naga 2 and Naga 3 will have about 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGM and many other non-gaming attractions.

Before 30 March 2020, Cambodia was the only country where its border was relatively porous to Chinese's visitation without much restrictions; NagaWorld was the only casino in the Asia Pacific region where there was relative ease of entry to the casino without much administrative difficulty and yet having all the

protective measures against the COVID-19 in place both at the level of Cambodia and at the level of the Company. No doubt the recent COVID-19 outbreak has caused economic and social chaos globally, and the temporary casino closure has affected the Company's near-term growth trend. However, subject to the Cambodian government's ability to contain the spread of COVID-19, the Company is currently expected to continue its growth trajectory in the short term especially now the COVID-19 spread is quite well contained in China and Cambodia.

The Cambodian Ministry of Tourism expects Chinese tourist arrival (being the major market) will rebound and the number of foreign visitors to Cambodia will increase two or three-fold after COVID-19 ends within the next four or five months (*Source: Jian Hua Daily, 1 May 2020*). In fact, air traffic from China and South East Asia to Phnom Penh is recovering, and expatriates and business travellers have begun to return to Cambodia since early May 2020 (*Source: CICC report dated 7 July 2020; Centre for Asia Pacific Aviation*). Given the close geopolitical relationship between China and Cambodia, China BRI has driven relatively good number of business travellers to Cambodia who have continued to stay in Cambodia because of their businesses already established in Cambodia. The mutual cooperation established between the two countries in the fight against COVID-19 has deepened bilateral trust. The bilateral trade volume between China and Cambodia stood at US\$9.4 billion in 2019. The figure almost hit the US\$10 billion target the two countries have set out to reach by 2023 (*Source: Jian Hua Daily, 29 April 2020; Xinhua News Agency, 16 May 2020*).

It is the intention of the Group to be perceived as a more comprehensive and quality integrated resort (“IR”) developer with emphasis also on non-gaming as a source of revenue. We anticipate that the non-gaming and gaming IR will co-exist with each other in a mutually beneficial manner. It is the intention of the Group to explore viable and profitable IR development in Cambodia. At that point of time, we believe that the Group will gain a foothold as a strategic, sizable and comprehensive world-class IR developer to help promote tourism in the Kingdom of Cambodia.

Therefore, the Company believes that the long-term prospects and outlook of the Group will remain stable.

INTERIM DIVIDEND

The Board has resolved to declare payment of an interim dividend for Shareholders of US cents 0.29 per Share (or equivalent to HK cents 2.25 per Share) for the Period. This represents a payout ratio of 60%, based on the net profit generated for the Period. The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 11 September 2020. The interim dividend shall be paid on or about Wednesday, 23 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend for the Period, the Company’s register of members will be closed on Friday, 11 September 2020, on which no transfer of Shares will be registered. The ex-dividend date will be Wednesday, 9 September 2020. In order to qualify for the interim dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 September 2020.

អគ្គនាយកដ្ឋានសុខាភិបាល
អគ្គនាយកដ្ឋានសន្តិសាត

ក្រុមការងារប្រកបចេញដំណើរ
ONE WINDOW SERVICE





DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

The directors of the Company (the "Directors") who held office as at 30 June 2020 had the following interests in the Shares, underlying Shares and debentures at that date as recorded in the register of directors' and chief executive's interests required to be kept under section 352 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(1) Interests in Shares and Underlying Shares

Name of Director	Capacity	Number of Shares and Underlying Shares Held	% of Total Issued Shares
			(Note 1)
Tan Sri Dr Chen Lip Keong ("Dr Chen")	Founder of a discretionary trust ^(Note 2)	951,795,297 (L)	21.93 (L)
Dr Chen	Beneficial owner	1,943,107,166 (L)	44.76 (L)
Dr Chen	Interest of controlled corporation ^(Note 3)	1,147,058,575 (L)	26.42 (L)

Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 30 June 2020.
- (2) Dr Chen is the founder of a discretionary family trust named ChenLa Foundation. ChenLa Foundation indirectly holds, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited, a total of 951,795,297 Shares. As a founder of ChenLa Foundation, Dr Chen is deemed to be interested in the Shares held by ChenLa Foundation. Details of the interests in the Company held by ChenLa Foundation and LIPKCO Group Limited are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (3) Such interest includes (i) 4,680,000 Shares held by ChenLipKeong Capital Limited; and (ii) 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) to be issued to ChenLipKeong Fund Limited upon completion of the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement. By virtue of the 100% interest held by Dr Chen in ChenLipKeong Capital Limited and ChenLipKeong Fund Limited, Dr Chen is deemed to be interested in the Shares which are held by ChenLipKeong Capital Limited and which will be held by ChenLipKeong Fund Limited. Details of the interests in the Company held by ChenLipKeong Fund Limited is set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (4) The letter "L" denotes the entity's long position in the Shares.

(2) Interests in Debentures

Name of Director	Capacity	Amount of Debentures Held
Dr Chen	Interest of controlled corporation ^(Note)	US\$45,000,000

Note:

ChenLipKeong Capital Limited which is wholly-owned by Dr Chen subscribed for an aggregate principal amount of US\$45,000,000 7.95% senior notes due 2024 on 24 June 2020. Such US\$45,000,000 in principal amount of the senior notes were issued and delivered on 6 July 2020. The notes cannot be converted into shares of the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors or the chief executive of the Company are aware of, as at 30 June 2020, the Shareholders, other than a Director or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholder	Capacity	Number of Shares Held	% of Total Issued Shares
ChenLa Foundation	Interest of controlled corporation ^(Note 2)	951,795,297 (L)	21.93 (L)
LIPKCO Group Limited	Beneficial owner	789,534,854 (L)	18.19 (L)
ChenLipKeong Fund Limited	Beneficial owner ^(Note 3)	1,142,378,575 (L)	26.32 (L)

Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 30 June 2020.
- (2) Such interests are held by LIPKCO Group Limited and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr Chen is the founder.
- (3) Upon the completion of the Guaranteed Maximum Sum Design and Build Agreement and the Subscription Agreement, these 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) for the funding of the Naga 3 project will be issued to ChenLipKeong Fund Limited. ChenLipKeong Fund Limited is wholly owned by Dr Chen.
- (4) The letter "L" denotes the entity's long position in the Shares.

DISCLOSURE OF INTERESTS

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware of, as at 30 June 2020, no other party (other than a Director or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Share Option Scheme

On 20 April 2016, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Group or any invested entity and any consultant, business associates, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity.

Since its adoption date and up to 30 June 2020, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at 30 June 2020.

Apart from the foregoing, at no time during the six months ended 30 June 2020 was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

Political and Economic Risk Consultancy, Ltd.
("PERC")
20/F, Central Tower
28 Queen's Road, Central
Hong Kong

TO THE BOARD OF NAGACORP LTD.

We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia as they relate to NagaCorp's casino, hotel and entertainment business

operations. In arriving at our findings below, we have taken into account, amongst others, domestic political risks, social instability risks, institutional weaknesses, human resource risks, infrastructure risks and external political risks.

Based on the assessments and reviews carried out between late November 2019 and the end of December 2019 we summarised our findings below:

Perceptions of Cambodia's Business Environment Risks



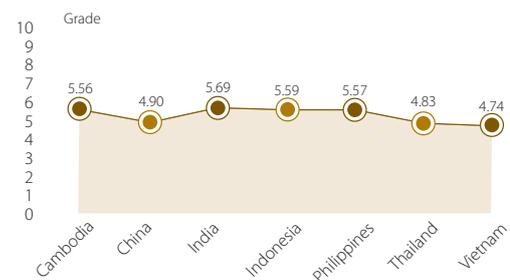
Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

We quantify investment risks in Cambodia through the measure of the following variables:

- Domestic political risks
- Social instability risks
- Institutional weaknesses
- Human resource risks
- Infrastructure risks
- External political risks

Each of these variables is itself made up of a number of sub-variables relating to specific aspects of the category being assessed. The weighted sum of the grades for sub-variables equals the score of a broader variable, while

How Perceptions of Cambodian Socio-Political Risks Compare



Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

the weighted sum of the grades of the broad variables defines overall investment risks in Cambodia. We have treated each variable as having equal importance or weight.

Summary

Cambodia's risk profile going into 2020 is much the same as it was at the start of 2019 with respect to domestic political risks, social disorder risks, and systemic risks. The country's overall risk rating at the end of 2019 was 5.56, which was slightly better than at the end of 2018, when the risk score was 5.58. Most of the problems that exist or are building relate to side effects from rapid growth like labor shortages, pollution and other strains on the environment.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

Cambodia is coming off yet another strong year in 2019. Real GDP grew 7% or better in real terms. Exports and tourism both contributed to the expansion, but the most powerful engine last year was construction. Private consumption and investment were both buoyant, and foreign direct investment continued to flow into the country.

On the negative side, the official consumer price inflation (CPI) rate is low, but costs for business are rising much faster than the CPI due to higher labor and land costs. In addition to pushing up labor costs, the robust growth of the economy has strained the supply of labor for a number of critical positions. The luxury condominium market is feeling the effects of heavy speculation and could be vulnerable to a correction. Facing this possibility, banks are showing more caution in their mortgage lending. There is likely to be an increase in non-performing loans in 2020, while the level of household debt is high enough to be a concern for both banks and microfinance institutions. If the flow of funds starts to slow, the implications could be negative for both the rural and urban economies.

There are concerns about what will happen when there is a change in prime minister, since the system has never really been tested for leadership succession and the current prime minister, Hun Sen, plays such a central role in the current government. He shows no intention of leaving office for many years yet, nor does he face any serious rivals to his position. His health, although a matter of speculation, appears to be good. He also seems to be making progress in grooming his eldest son as a likely successor. However, until this succession takes place, questions will remain.

The consensus view in Cambodia is that there is little risk of this succession happening over the next few years assuming the prime

minister's health holds up. Moreover, the country's remaining political leaders are likely to sort out the succession when it does come without permitting social unrest or undermining the confidence of the local business and foreign investment communities.

Still, Cambodia faces more downside risks going into 2020 due mainly to external developments. The most immediate risk is that the European Union (EU) might fully or partially remove Cambodia's tax-free access under the "Everything But Arms" agreement. If Cambodia must deal with the full force of an EBA removal, it could result in thousands of manufacturing jobs being lost and cause exports to the EU to fall sharply. This would hurt Cambodia's GDP growth and force the government to divert scarce resources at its disposal to provide relief to those individuals and industries most affected.

A second external risk is that China's economy might slow. This could have a negative impact on outbound tourism flows from China. It could also prompt the government in China to adopt a more restrictive approach to capital outflows from China. This would not affect Chinese direct investment in Cambodia infrastructure projects, which are strongly supported by the government in China. However, it could make it more difficult for private Mainland Chinese to buy condominiums in Cambodia, hurting this end of the real estate market and the construction industry.

Because of the adverse external conditions, Cambodia's real GDP growth could slow in 2020. The deceleration will probably be only moderate, but if the external shocks turn out to be more severe, it would pose a new challenge for the government, since it lacks experience in managing through slower growth conditions in a highly-leveraged economy.

Positive Developments

- Exchange rate risks are low. The large role played by the US dollar, along with the lack of restrictions on capital outflows, are positive features that are likely to continue and few other countries in Asia can match.
- Cambodia is in a fortunate position for a developing country insofar as the level of unemployment is very low and economic growth has been consistently rapid, which has helped to generate public support for the government and maintain social stability. People are satisfied with the rising standard of living.
- Cambodia has been one of the few Asia countries that has benefited from the US-China trade war. The impact has accelerated the shift of manufacturing production, particularly in garments and sports bags, from China to Cambodia and prompted US buyers to step up their purchases from Cambodia. Consequently, Cambodian exports to the US are growing rapidly.
- China and Cambodia have continued to strengthen their bilateral relationship through new agreements to increase trade, investment and other forms of cooperation. While the governments of China and Cambodia are cooperating to fight the recent rise in illegal/unlicensed activities by undesirable elements from China, Beijing remains solidly committed as a supporter of Cambodia's infrastructure development, of investments by Mainland companies in manufacturing in Cambodia, and of tourism flows from the Mainland to Cambodia.
- Tourism inflows from China and Vietnam, the first and second largest sources of foreign visitors to Cambodia, are likely to keep growing faster than visitor inflows from other major sources in 2020.

The Challenges

- The biggest risks Cambodia faces in the coming year are external. The most immediate on this list is the threat that the EU might withdraw or limit preferential market access for imports from Cambodia under the Everything But Arms (EBA) scheme. A full withdrawal of EBA would have a big negative impact on Cambodia's manufacturing sector, result in sizeable layoffs, and hurt exports.
- A second external risk is that a slowdown in Mainland China's economy could result in a weakening of visitor inflows from China and interfere with the boom in condominium construction in Cambodia being marketed to Mainland Chinese buyers.
- The National Bank of Cambodia and commercial banks in the country are having to adopt tougher screening procedures in response to the decision by the Financial Action Task Force (FATF) to place Cambodia on its money laundering watchlist. This has forced international correspondent banks to monitor money flows into and out of Cambodia more closely, adding to red tape for companies conducting international transactions and for individuals moving funds into and out of the country.

INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

- The high level of household debt could increase the level of banks' and microfinance institutions' non-performing loans. The links between this debt and mortgages or loans collateralized by real estate are prompting banks to adopt a more cautious approach to real estate lending. Consequently, overall credit growth could slow.
- Small and medium-sized enterprises note that the tax authorities have become more difficult to work with. Due to the limitations that exist to raising income tax, the government is expected to focus more on raising certain indirect taxes and transaction levies, which could raise prices and business costs.

Robert Broadfoot
Managing Director

PERC

Hong Kong, 2 January 2020

About The Reviewer

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

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

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 (the "CG Code") for the Period.

Compliance with Model Code

The Company has adopted the Model Code as the code of conduct of the Directors 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 for the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Period, 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.

Audit Committee

The audit committee of the Board (the "Audit Committee") is responsible for overseeing, among other things, the objectivity and credibility of financial reporting of the Company and the effectiveness of the risk management and internal control systems of the Group as well as maintaining an appropriate relationship with the external

auditor of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lim Mun Kee (Chairman), Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah.

During the Period, the Audit Committee has reviewed, among other things, the financial reports and statements as well as the internal control framework of the Company.

The Audit Committee has reviewed this interim report, and in particular the condensed consolidated financial statements for the Period and the financial standards adopted by the Group, and was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Nomination Committee

The nomination committee of the Board (the "Nomination Committee") is responsible for reviewing the structure, size and composition of the Board to ensure that it has a balance of appropriate skills, experience and diversity of perspectives for the needs of the businesses of the Group, and makes recommendations to the Board in the above areas. The Nomination Committee undertakes to identify individuals suitably qualified to become a Director and nominate such individuals to the Board for directorship. It also assesses the independence of independent non-executive Directors, makes recommendations to the Board on the appointment, re-appointment and succession plans for Directors, and reviews and monitors the implementation of the Board Diversity Policy and the Nomination Policy.

The Nomination Committee consists of Mr. Michael Lai Kai Jin (Chairman), Dr Chen, Mr. Lim Mun Kee and Mr. Leong Choong Wah.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the Period, the Nomination Committee nominated Mr. Timothy Patrick McNally, Mr. Philip Lee Wai Tuck and Mr. Lim Mun Kee, the retired Directors, for re-election by Shareholders at the Company's 2020 annual general meeting (the "2020 AGM"), and reviewed, among other things, the structure, size and composition of the Board with reference to the measurable objectives set out under the Board Diversity Policy. It has also assessed the independence of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules.

Remuneration Committee

The remuneration committee of the Board (the "Remuneration Committee") is responsible for making recommendations to the Board on the Company's policy for and structure of remuneration of the Directors and senior management of the Company.

The Remuneration Committee consists of Mr. Michael Lai Kai Jin (Chairman), Dr Chen, Mr. Lim Mun Kee and Mr. Leong Choong Wah.

During the Period, the Remuneration Committee considered and proposed, among other things, the Directors' fees to Shareholders for approval at the 2020 AGM and the payment of annual performance incentive for the year ended 31 December 2019 to Dr Chen.

Risk Management and Internal Control

The Board plays a key role in overseeing risks undertaken by considering risks as part of the strategy setting process. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and

aims to provide a reasonable, as opposed to an absolute assurance, against material misstatement or loss. Under our framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems in safeguarding the Group's assets. This risk management and internal control framework is reviewed annually by the Audit Committee on behalf of the Board.

Besides, the Company has in place an AML Procedure Manual, which takes into account regulatory requirements and expectations, as well as industry demands, to ensure that regulatory compliance is maintained at the highest monitoring standards. The Board was also satisfied that the Company complies with the code provisions relating to internal control contained in the CG Code.

Internal Controls on Anti-Money Laundering

In order to ensure that the Company maintains a high standard for compliance and integrity on AML, the Company has established a program designed to protect its reputation and mitigate AML risks. NagaCorp's long term sustainability and success is dependent on its integrity and transparency in its daily gaming operations in relation to the world's best practices on AML. The Company has in place a four-tier AML control structure comprising:

Tier 1 – An AML Management Committee, led by the Compliance Officer and supported by senior managers from various key operational departments, is tasked with ensuring that the Company adopts policies and procedures as governed by the AML Procedure Manual in its day to day operational activities.

- Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with the results of such audits reported to the Audit Committee and the AML Oversight Committee.
- Tier 3 – AML Oversight Committee established at the Board level, chaired by the non-executive Chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit. Matters of significance are then reported to the Board for deliberation.
- Tier 4 – External audit of the Company's AML procedures. The Company engages an AML specialist firm which carries out a biannual audit of the Company's AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit for the year 2020 will be enclosed in our annual report for the financial year ending 31 December 2020.

The AML Oversight Committee consists of Mr. Timothy Patrick McNally (Chairman), Dr Chen, Mr. Michael Lai Kai Jin and Mr. Chen Yiy Fon. During the Period, the AML Oversight Committee considered, among other things, reports from the independent professional party and the AML Management Committee in relation to the internal controls of the Group.

Independent Review of Investment Risks in Cambodia

Since the listing of the Company, the Company has engaged Political and Economic Risk Consultancy, Ltd., an independent professional party, to assess and review on an annual basis, the political, social, investment and macro-economic risks in Cambodia, and discloses its findings in the Company's annual and interim financial reports. For more details, please refer to the section headed "Independent Review of Investment Risks in Cambodia" on pages 27 to 30 in this interim report.

Disclosure under Rule 13.21 of the Listing Rules

On 21 May 2018, a written agreement (the "2018 Indenture") was entered into among the Company as issuer of the 2021 Senior Notes, NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited (formerly known as TanSriChen (Citywalk) Inc.) and Naga 2 Land Limited (formerly known as TanSriChen Inc.), companies wholly and beneficially owned by the Company and collectively as guarantors, and GLAS Trust Company LLC as trustee of the 2021 Senior Notes, pursuant to which the 2021 Senior Notes were issued. The 2018 Indenture provides that upon the occurrence of a Change of Control (as defined in the 2018 Indenture), the Company will make an offer to repurchase all outstanding 2021 Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts (as defined in the 2018 Indenture), if any, at the date of repurchase. Please refer to the announcements of the Company dated 30 April 2018, 8 May 2018, 15 May 2018 and 22 May 2018 for details about the 2021 Senior Notes.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 6 July 2020, a supplemental indenture to the 2018 Indenture was entered into among the Company, the guarantors under the 2018 Indenture, Naga 3 Company Limited and GLAS Trust Company LLC as trustee of the 2021 Senior Notes, pursuant to which Naga 3 Company Limited was added as a subsidiary guarantor under the 2021 Senior Notes. In addition, pursuant to the terms of the 2021 Senior Notes, Ariston Sdn. Bhd. ("Ariston"), a company wholly and beneficially owned by the Company, will be added as a subsidiary guarantor under the 2021 Senior Notes as soon as practicable after obtaining the necessary consent from Bank Negara (the central bank of Malaysia) and any other consent or approval required to enable Ariston to become a subsidiary guarantor.

On 6 July 2020, a written agreement (the "2020 Indenture") was entered into among the Company as issuer of the 2024 Senior Notes, NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited, companies wholly and beneficially owned by the Company and collectively as guarantors, and GLAS Trust Company LLC as trustee of the 2024 Senior Notes, pursuant to which the 2024 Senior Notes were issued. The 2020 Indenture provides that upon the occurrence of a Change of Control (as defined in the 2020 Indenture), the Company will make an offer to repurchase all outstanding 2024 Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts (as defined in the 2020 Indenture), if any, at the date of repurchase. Please refer to the announcements of the Company dated 22 June 2020, 24 June 2020 and 6 July 2020 for details about the 2024 Senior Notes.

Pursuant to the terms of the 2024 Senior Notes, Ariston will be added as a subsidiary guarantor under the 2024 Senior Notes as soon as practicable after obtaining the necessary consent from Bank Negara (the central bank of Malaysia) and any other consent or approval required to enable Ariston to become a subsidiary guarantor.

Changes in Directors' Information pursuant to Rule 13.51B(1) of the Listing Rules

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Timothy Patrick McNally, Chairman and Non-executive Director

- received a discretionary bonus of US\$100,000 for the financial year ended 31 December 2019

Tan Sri Dr Chen Lip Keong, Chief Executive Officer and Executive Director

- received an annual performance incentive of US\$26,182,090 for the financial year ended 31 December 2019
- received a discretionary bonus of US\$150,000 for the financial year ended 31 December 2019
- agreed to receive 50% of his basic salary for the months of April and May 2020, 25% for the month of June 2020 and 83% for the month of July 2020 during the period of temporary closure of NagaWorld casino in Cambodia to prevent the spread of COVID-19

CORPORATE GOVERNANCE AND OTHER INFORMATION

Philip Lee Wai Tuck, Executive Deputy Chairman and Executive Director

- received a discretionary bonus of US\$120,000 for the financial year ended 31 December 2019
- basic salary has been revised to US\$22,948 per month effective 1 January 2020
- agreed to receive approximately 51.67% of his basic salary for the month of April 2020, 50% for the month of May 2020, 25% for the month of June and 83% for the month of July during the period of temporary closure of NagaWorld casino in Cambodia to prevent the spread of COVID-19

Chen Yiy Fon, Executive Director

- received a discretionary bonus of US\$30,000 for the financial year ended 31 December 2019

Lim Mun Kee, Independent Non-executive Director

- received a discretionary bonus of US\$30,000 for the financial year ended 31 December 2019

Michael Lai Kai Jin, Independent Non-executive Director

- received a discretionary bonus of US\$20,000 for the financial year ended 31 December 2019

Leong Choong Wah, Independent Non-executive Director

- received a discretionary bonus of US\$20,000 for the financial year ended 31 December 2019

The basis for determining the Directors' emoluments (including bonus payments) remained unchanged during the Period.

Save as disclosed above, as at 30 June 2020 there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Notes	Six months ended 30 June	
		2020	2019
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Revenue	4	377,505	891,559
Cost of sales		(203,631)	(483,293)
Gross profit		173,874	408,266
Other income		2,416	7,149
Administrative expenses		(21,632)	(28,849)
Other operating expenses		(115,389)	(108,963)
Profit from operations		39,269	277,603
Finance costs	5	(5,036)	(17,316)
Profit before taxation	6	34,233	260,287
Income tax	7	(13,607)	(15,182)
Profit attributable to owners of the Company		20,626	245,105
Earnings per share (US cents)			
Basic	9	0.48	5.65
Diluted	9	0.48	5.65

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Profit for the period	20,626	245,105
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences from translation of foreign operations	(2,394)	54
Total comprehensive income attributable to owners of the Company for the period	18,232	245,159

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Notes	30 June 2020 \$'000 (Unaudited)	31 December 2019 \$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	1,590,901	1,594,848
Right-of-use assets		84,835	85,758
Intangible assets	12	69,273	70,631
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		129,445	129,523
Promissory notes	13	9,346	9,992
		1,883,800	1,890,752
Current assets			
Consumables		2,705	2,767
Trade and other receivables	14	109,036	126,772
Prepaid current tax		7,873	–
Certificates of deposit, fixed deposits and other liquid funds		350	53,353
Cash and cash equivalents		285,647	273,377
		405,611	456,269
Current liabilities			
Trade and other payables	15	309,598	159,407
Senior notes	16	296,680	–
Contract liabilities		9,705	9,963
Lease liabilities		2,962	2,761
Current tax liability		–	2,968
		618,945	175,099
		(213,334)	281,170
		1,670,466	2,171,922

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Notes	30 June 2020 \$'000 (Unaudited)	31 December 2019 \$'000 (Audited)
Non-current liabilities			
Other payables	15	4,705	4,502
Senior notes	16	–	294,813
Contract liabilities		31,021	35,396
Lease liabilities		49,075	48,840
		84,801	383,551
NET ASSETS		1,585,665	1,788,371
CAPITAL AND RESERVES			
Share capital		54,263	54,263
Reserves		1,531,402	1,734,108
TOTAL EQUITY		1,585,665	1,788,371

Approved and authorised for issue by the Board on 27 August 2020.

Timothy Patrick McNally
Chairman

Philip Lee Wai Tuck
Executive Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Merger reserve \$'000	Capital contribution reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2019	54,263	751,356	151	(12,812)	55,568	(1,596)	692,939	1,539,869
Changes in equity for the six months ended								
30 June 2019:								
Profit for the period	-	-	-	-	-	-	245,105	245,105
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	54	-	54
Total comprehensive income for the period	-	-	-	-	-	54	245,105	245,159
2018 final dividend declared and paid	-	-	-	-	-	-	(126,268)	(126,268)
Balance at 30 June 2019 (unaudited)	54,263	751,356	151	(12,812)	55,568	(1,542)	811,776	1,658,760
Profit for the period	-	-	-	-	-	-	276,173	276,173
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	501	-	501
Total comprehensive income for the period	-	-	-	-	-	501	276,173	276,674
2019 interim dividend declared	-	-	-	-	-	-	(147,063)	(147,063)
Balance at 31 December 2019 (audited)	54,263	751,356	151	(12,812)	55,568	(1,041)	940,886	1,788,371
Balance at 1 January 2020	54,263	751,356	151	(12,812)	55,568	(1,041)	940,886	1,788,371
Changes in equity for the six months ended								
30 June 2020:								
Profit for the Period	-	-	-	-	-	-	20,626	20,626
Other comprehensive income – exchange differences from translation of foreign operations	-	-	-	-	-	(2,394)	-	(2,394)
Total comprehensive income for the Period	-	-	-	-	-	(2,394)	20,626	18,232
2019 final dividend declared and paid	-	-	-	-	-	-	(220,938)	(220,938)
Balance at 30 June 2020 (unaudited)	54,263	751,356	151	(12,812)	55,568	(3,435)	740,574	1,585,665

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cash generated from operations	247,251	351,746
Tax paid	(24,448)	(25,270)
Net cash from operating activities	222,803	326,476
Investing activities		
Interest received	428	2,637
Decrease/(increase) in certificates of deposit, fixed deposits and other liquid funds	53,003	(76,627)
Payment for purchase of property, plant and equipment and for construction cost of property	(26,462)	(246,845)
Payment for purchase for right-of-use assets	(1,855)	(8,000)
Proceeds from disposal of property, plant and equipment	3,540	–
Net cash generated from/(used in) investing activities	28,654	(328,835)
Financing activities		
Interest paid	(14,062)	(14,062)
Payment for lease liabilities	(4,187)	(3,923)
Dividend paid	(220,938)	(126,268)
Net cash used in financing activities	(239,187)	(144,253)
Net increase/(decrease) in cash and cash equivalents	12,270	(146,612)
Cash and cash equivalents at beginning of period	273,377	316,536
Cash and cash equivalents at end of period	285,647	169,924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

1. Corporate information

NagaCorp Ltd. (the “Company”, together with its subsidiaries, the “Group”) is a company incorporated in the Cayman Islands and has its principal place of business at NagaWorld, Samdech Techo, Hun Sen Park, Phnom Penh, Kingdom of Cambodia.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (the “Period”) comprise the Company and its subsidiaries.

The unaudited condensed consolidated financial statements are expressed in United States dollars.

2. Basis of preparation

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively).

The unaudited condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair value.

3. Principal accounting policies

The unaudited condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2019. The unaudited condensed consolidated financial statements do not include all of the information required for a full set of annual financial statements prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) adopted by the IASB, and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 (the “2019 annual financial statements”).

Except as disclosed below, the unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies and the method of computation adopted by the Group in the 2019 annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

3. Principal accounting policies (continued)

Adoption of new or revised standards and interpretations relevant to the Group and effective on 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

4. Revenue

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	339,319	796,060
Casino operations – EGM	32,689	76,346
Hotel room income, sales of food and beverage and others	5,497	19,153
	377,505	891,559

5. Finance costs

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interest expenses and transaction costs relating to senior notes (note 16)	15,930	15,940
Interest on lease liabilities	2,998	2,720
	18,928	18,660
Less: Interest expenses capitalised into capital work in progress	(13,892)	(1,344)
	5,036	17,316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Amortisation of casino licence premium [#]	1,358	1,773
Depreciation and amortisation [#]		
– Own assets	45,248	45,780
– Right-of-use assets	2,778	2,601
Staff costs		
– Salaries, wages and other benefits	66,169	59,233
– Contributions to defined contribution retirement scheme	23	22

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

7. Income tax

Income tax on the profit or loss represents:

(1) the monthly gaming obligation payment of \$658,323 (six months ended 30 June 2019: \$585,176) and (2) monthly non-gaming obligation payment of \$214,338 (six months ended 30 June 2019: \$214,338) for the period from January 2020 to March 2020 payable to The Ministry of Economy and Finance of Cambodia (the "MOEF") by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, the Group's branches registered in Cambodia. The Group was not subject to Hong Kong, Malaysian, Cayman Islands or Russian income taxes for the Period (six months ended 30 June 2019: Nil).

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax expenses		
– Current period	13,607	15,182

During the Period, the Group recognised an additional obligation payment to the MOEF of \$10,989,000 (six months ended 30 June 2019: \$10,385,000) which is included in the amounts above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

8. Dividends payable to owners of the Company attributable to the period

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2020: US cents 0.29 per share	12,376	–
2019: US cents 3.39 per share	–	147,063
	12,376	147,063

The final dividend of \$220,938,000 for the year ended 31 December 2019 was proposed in February 2020 and paid in June 2020.

9. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of \$20,626,000 (six months ended 30 June 2019: \$245,105,000) and the weighted average number of shares of 4,341,008,041 (six months ended 30 June 2019: 4,341,008,041) in issue during the Period.

There were no dilutive potential shares during the Period (six months ended 30 June 2019: Nil).

10. 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").
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

10. Segment information (continued)

Segment revenue and results

The SEM monitors the revenue and results attributable to each reportable segment as follows:

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.

Segment revenue and results are the measure reported to the SEM for the purpose of resource allocation and performance assessment. No segment assets and liabilities are presented as the information is not reported to the SEM in the resource allocation and assessment of performance.

	Casino operations	Hotel and entertainment operations	Total
	\$'000	\$'000	\$'000

Segment revenue:

Six months ended 30 June 2020 (unaudited):

Timing of revenue recognition:

– At point in time	351,403	2,589	353,992
– Transferred over time	20,605	2,908	23,513

Revenue from external customers	372,008	5,497	377,505
Inter-segment revenue	(334)	2,885	2,551

Reportable segment revenue	371,674	8,382	380,056
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Six months ended 30 June 2019 (unaudited):

Timing of revenue recognition:

– At point in time	832,384	8,758	841,142
– Transferred over time	40,022	10,395	50,417

Revenue from external customers	872,406	19,153	891,559
Inter-segment revenue	(389)	4,480	4,091

Reportable segment revenue	872,017	23,633	895,650
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Segment profit/(loss):

Six months ended 30 June (unaudited)

2020	125,265	(4,217)	121,048
2019	339,851	3,435	343,286

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

10. Segment information (continued)

Segment revenue and results (continued)

Reconciliation of reportable segment revenue and profit or loss to revenue and profit per the unaudited condensed consolidated financial statements is as follows:

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	380,056	895,650
Elimination of inter-segment revenue	(2,551)	(4,091)
Consolidated revenue	377,505	891,559
Profit		
Reportable segment profit	121,048	343,286
Other revenue	330	2,441
Depreciation and amortisation	(49,384)	(50,154)
Finance costs	(5,036)	(17,316)
Unallocated head office and corporate expenses	(32,725)	(17,970)
Consolidated profit before taxation	34,233	260,287

11. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling \$44,842,000 (six months ended 30 June 2019: \$276,592,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

12. 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 \$123,002,000 and accumulated amortisation of \$53,729,000 (31 December 2019: \$52,371,000).

13. 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 RUB11.6 billion (approximately \$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 \$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. This amount was deposited in the same Russian bank as fixed deposits against which promissory notes were subsequently issued. In February 2015, Primorsky Entertainment Resorts City LLC 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 \$9,346,000) (31 December 2019: \$9,992,000) 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.

14. Trade and other receivables

	30 June 2020	31 December 2019
	\$'000	\$'000
	(Unaudited)	(Audited)
Trade receivables, net of allowance for impairment loss	60,473	83,366
Deposits, prepayments and other receivables	48,563	43,406
	109,036	126,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

14. Trade and other receivables (continued)

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

	30 June 2020	31 December 2019
	\$'000 (Unaudited)	\$'000 (Audited)
Current to within 1 month	–	40,975
1 to 3 months	51,625	37,264
3 to 6 months	5,983	745
6 to 12 months	521	270
More than 1 year	2,344	4,112
	60,473	83,366

The credit policy for gaming receivables is five to thirty days (31 December 2019: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2019: thirty days from end of month).

15. Trade and other payables

	30 June 2020	31 December 2019
	\$'000 (Unaudited)	\$'000 (Audited)
Trade payables (Note)	3,707	7,548
Unredeemed casino chips	1,341	7,768
Deposits	242,470	73,756
Construction creditors	17,266	12,856
Interest payable	3,125	3,125
Accruals and other creditors	46,394	58,856
	314,303	163,909
Less: current portion	(309,598)	(159,407)
Non-current portion	4,705	4,502

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

15. Trade and other payables (continued)

	30 June 2020	31 December 2019
	\$'000 (Unaudited)	\$'000 (Audited)
Due within 1 month or on demand	–	7,548
Due after 1 month but within 3 months	3,707	–
Due after 3 months but within 6 months	–	–
Due after 6 months but within 1 year	–	–
Due after 1 year	–	–
Total	3,707	7,548

16. Senior notes

On 14 May 2018, the Company entered into a purchase agreement with Credit Suisse (Hong Kong) Limited and Morgan Stanley & Co. International plc in connection with the issue of the 2021 Senior Notes by the Company of an aggregate principal amount of \$300,000,000 with maturity on 21 May 2021. The 2021 Senior Notes bear interest at a rate of 9.375% per annum, payable semi-annually in arrears on 21 May and 21 November of each year, commencing on 21 November 2018. The 2021 Senior Notes cannot be converted into shares.

The obligations under the 2021 Senior Notes are secured by guarantees given by certain subsidiaries of the Company.

17. Capital commitments

The Group had the following capital commitments as at the end of reporting period:

	30 June 2020	31 December 2019
	\$'000 (Unaudited)	\$'000 (Audited)
Hotel and casino complex, – contracted but not incurred	3,623,411	3,646,546

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

18. Related party transactions

As at 30 June 2020, amounts due from related companies of \$291,000 (31 December 2019: \$390,000) are included in trade and other receivables as disclosed in note 14 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the Period was \$291,000 (six months ended 30 June 2019: \$377,000).

As at 30 June 2020, amount due to a director, Tan Sri Dr Chen Lip Keong of \$1,677,000 (31 December 2019: \$1,906,000) are included in trade and other payables as disclosed in note 15 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand.

19. Contingent liabilities

Other than the additional obligation payment as described in note 7, there were no other contingent liabilities as at 30 June 2020.

20. Subsequent event

On 6 July 2020, the Company issued the 2024 Senior Notes of an aggregate principal amount of \$350,000,000 with maturity on 6 July 2024. 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. These 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 and 6 July 2020 for details about the 2024 Senior Notes.