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NAGACORP

金界控股有限公司

NAGACORP LTD.

金界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3918)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Unaudited condensed consolidated interim results for the Period:

- **Gross Gaming Revenue (GGR)** of US\$129.3 million
- Earnings Before Interest, Tax, Depreciation and Amortization (**EBITDA**) of US\$11.2 million. **Adjusted EBITDA** of US\$17.7 million
- VIP Market GGR of US\$80.5 million
- Mass Market Tables GGR of US\$29.9 million
- Mass Market Electronic Gaming Machines (EGM) GGR of US\$18.9 million
- Basic loss per share of US cents 1.78

The financial results of NagaCorp Ltd. (the “Company”, together with its subsidiaries collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Period”) reflects the impact from the voluntary temporary suspension of business operations since 2 March 2021, in response to the COVID-19 outbreak in Cambodia. However, the Group maintained positive EBITDA with an Adjusted EBITDA (being EBITDA less one-off cost related to the employee mutual separation scheme) of US\$17.7 million during the Period, despite the fact that the Group has effectively only about two months of business operations during the Period. The Group has recorded stable recovery of gaming business volume in the first quarter of 2021 (the “1Q2021”), prior to the 20 February 2021 COVID-19 community outbreak. Since the voluntary temporary suspension of business operations, the Group has undertaken a series of measures to minimise run-rate operating costs and cash expenditures.

As of 30 June 2021, the Group's cash and deposits were US\$275.4 million. The Group has sufficient liquidity and cash reserve to fund cash expenditures during the voluntary temporary suspension of business operations. The Company has no debt repayment obligation until July 2024. On 21 May 2021, the Company made full repayment of the US\$300 million aggregate principal amount of 9.375% senior notes due 2021 (the "2021 Senior Notes") together with the interest accrued to the maturity date on 21 May 2021. On 15 June 2021, the Company completed the issuance of an additional US\$200 million 7.95% senior notes due 2024 (the "Additional 2024 Senior Notes") priced at a yield of 6.625%, to strengthen the Group's working capital. The order book of the Additional 2024 Senior Notes reached an amount of over US\$580 million, which reflects investors' confidence in the Company's long term strategy and solid credit profile.

Cambodia COVID-19 Vaccination Campaign

Since early February 2021, the Cambodian government has launched a strategic plan for its COVID-19 vaccination campaign (aiming to vaccinate all people aged 18 and above) in order to build socio-economic resilience and strive to achieve herd immunity in Cambodia by end of 2021. As of 23 August 2021, Cambodia had received about 25.1 million doses of World Health Organization ("WHO") approved vaccines, enough to vaccinate 12 million people or 75% of population in Cambodia by the end of 2021 (*Source: Khmer Times, 21 & 23 August 2021*). As of 29 August 2021, a total of 9,092,155 people aged 18 and above (90.9% of the targeted 10 million population) in Cambodia had already received at least one vaccine dose. Of which, 8,123,708 people (81.2% of the targeted 10 million population) had their second dose of the COVID-19 vaccine (*Source: Cambodian Ministry of Health ("MOH")*). Furthermore, as of 8 July 2021, 2,128,791 people or 99.22% of Phnom Penh's adult population are fully vaccinated (*Source: Xin Hua, 8 July 2021*). According to investment and advisory firm Mekong Strategic Partners, Phnom Penh is the most vaccinated capital in the world (*Source: Khmer Times, 18 August 2021*). The next drive of the vaccination has commenced in August 2021 with children and youths between the ages of 12 and 17, starting from Phnom Penh and the neighbouring Kandal province (*Source: Phnom Penh Post, 1 August 2021*). A total of 1,470,840 children and youths (74.8% of the targeted 1,966,931 population) have received their first dose of COVID-19 vaccine since 1 August 2021 (*Source: MOH*). Subsequently, the 3rd 'booster' shot of vaccination campaign has launched in August 2021 for frontline workers with the aim of bolstering immunity against the COVID-19 variants. Following that, a total of 599,722 people has received their third dose of COVID-19 vaccine (*Source: MOH*). In order to secure sufficient doses for the ongoing 3rd 'booster' shot campaign, the Cambodian government is actively involving in negotiations with licensed COVID-19 vaccine producers.

Cambodia has made good progress with its vaccination campaign and is ranked the second most vaccinated nation among ASEAN after Singapore. According to Moody's Investors Service, Inc. ("Moody's"), the Cambodian government's proactive management of COVID-19 has been widely viewed as effective. Similarly, the World Bank acknowledged the Cambodian government's efforts in combating COVID-19 by ensuring rapid vaccination within the country (*Source: Khmer Times, 26 June 2021*). The successful rollout of the vaccination campaign will eventually lead to a restoration of market confidence, and puts the country on track for possible reopening of its borders for international tourists. According to the Cambodia Tourism Minister's statement on 21 May 2021, the Cambodian Ministry of Tourism ("MOT") is working towards the possible reopening of Cambodia's tourism industry in the fourth quarter of 2021 to fully vaccinated tourists.

Naga 3 Development

Naga 3 development is in progress, despite the COVID-19 global pandemic. As per the Guaranteed Maximum Sum Design and Build Agreement dated 12 April 2019 (the "DBA"), the Project Architect has not notified the Company that the Contractor has breached any term of the DBA. The Critical Path so far has been carried out in compliance with the DBA. The completion of the DBA as independently certified by the Project Architect shall only be due on or before September 2025. Capitalised terms used in this section have the same meanings as those defined in the shareholders' circular of the Company dated 22 July 2019 unless otherwise stated.

As per periodic project meeting with the Project Consultants, the Company has been notified that the Contractor shall proceed to invite the Selected Sub-Contractors to tender for the construction of super structure by end of 2021. The Project Consultants advised that these Selected Sub-Contractors shall proceed to commence the Works on main building works consisting of structure (podium block and 3 tower blocks), curtain wall, and first-fix M&E (mechanical and electrical). The Works also include all relevant lifts, all firefighting systems, building safety systems, main water supply pipes and pumps, main power supply, sewage treatment plant, relevant elevators and other tender Works which shall be awarded by the Contractor to the Selected Sub-Contractors after consultation with the Project Consultants.

Fitting out of all the relevant spaces in the podium block and the 3 tower blocks, and any change of the Critical Path and the Master Construction Programme can only be decided by the Company, the Contractor and the Project Consultants at that material point of time after considering market conditions, demand and other factors at a future date after completion of the above Works.

The board of directors of the Company (the "Board") hereby announces the unaudited condensed consolidated interim results of the Group for the Period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Notes	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Revenue	2	130,429	377,505
Cost of sales		<u>(55,764)</u>	<u>(203,631)</u>
Gross profit		74,665	173,874
Other income		3,454	2,416
Administrative expenses		(27,134)	(21,632)
Other operating expenses		<u>(94,845)</u>	<u>(115,389)</u>
(Loss)/Profit from operations		(43,860)	39,269
Finance costs	3	<u>(21,743)</u>	<u>(5,036)</u>
(Loss) /Profit before taxation	4	(65,603)	34,233
Income tax	5	<u>(11,626)</u>	<u>(13,607)</u>
(Loss)/Profit attributable to owners of the Company		<u>(77,229)</u>	<u>20,626</u>
(Loss)/Earnings per share (US cents)			
Basic	7	<u>(1.78)</u>	<u>0.48</u>
Diluted	7	<u>(1.78)</u>	<u>0.48</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
(Loss)/Profit for the period	(77,229)	20,626
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences from translation of foreign operations	<u>(687)</u>	<u>(2,394)</u>
Total comprehensive income attributable to owners of the Company for the period	<u>(77,916)</u>	<u>18,232</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2020 <i>US\$'000</i> <i>(Audited)</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	1,864,717	1,673,717
Right-of-use assets		87,370	90,194
Intangible assets	10	66,556	67,914
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		134,313	134,511
Promissory notes	11	9,536	9,196
		2,162,492	1,975,532
Current assets			
Consumables		2,285	1,984
Trade and other receivables	12	105,015	119,810
Restricted bank balance and fixed deposits		22,213	14,263
Cash and cash equivalents		253,163	437,741
		382,676	573,798
Current liabilities			
Trade and other payables	13	146,752	148,431
Senior notes	14	–	298,547
Dividend payable		81,677	–
Contract liabilities		8,577	8,581
Lease liabilities		9,807	7,809
Current tax liability		10,347	3,413
		257,160	466,781
Net current assets		125,516	107,017
Total assets less current liabilities		2,288,008	2,082,549
Non-current liabilities			
Other payables	13	5,128	4,907
Senior notes	14	541,365	337,102
Contract liabilities		24,250	28,000
Lease liabilities		54,872	56,074
		625,615	426,083
NET ASSETS		1,662,393	1,656,466
CAPITAL AND RESERVES			
Share capital		54,263	54,263
Reserves		1,608,130	1,602,203
TOTAL EQUITY		1,662,393	1,656,466

Notes:

1. Basis of preparation and adoption of new or revised International Financial Reporting Standards

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with International Accounting Standard (the “IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirement 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 information have been prepared on historical cost basis.

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 2020. 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 (the “IFRS”) adopted by the IASB, and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 (the “2020 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 the computation adopted by the Group in the 2020 annual financial statements.

Adoption of new or revised standards and interpretations effective on 1 January 2021:

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

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

Amendments to IFRS 16

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

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

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

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

2. Revenue

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

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	110,379	339,319
Casino operations – electronic gaming machines (“EGM”)	18,944	32,689
Hotel room income, sales of food and beverage and others	1,106	5,497
	<u>130,429</u>	<u>377,505</u>

3. Finance costs

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expenses and amortisation of transaction costs relating to senior notes (<i>Note 14</i>)	28,769	15,930
Interest on lease liabilities	3,294	2,795
Other interest expenses	221	203
	<u>32,284</u>	<u>18,928</u>
Less: Interest expenses capitalised into capital work in progress	<u>(10,541)</u>	<u>(13,892)</u>
	<u>21,743</u>	<u>5,036</u>

4. (Loss)/Profit before taxation

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

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amortisation of casino licence premium [#]	1,358	1,358
Depreciation and amortisation [#]		
– Own assets	50,842	45,248
– Right-of-use assets	2,844	2,778
Staff costs		
– Salaries, wages and other benefits	39,765	66,169
– Contributions to defined contribution retirement scheme	33	23

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

5. Income tax

The amount on the profit or loss includes:

(1) the casino tax of US\$6,637,000 for the six months ended 30 June 2021 in accordance with the Casino Law effective from 1 January 2021 (six months ended 30 June 2020: gaming obligation payment of US\$1,975,000), (2) monthly non-gaming obligation payment of US\$214,338 (six months ended 30 June 2020: US\$214,338 from January 2020 to March 2020) payable to The Ministry of Economy and Finance of Cambodia by NagaWorld Limited Gaming Branch and NagaWorld Limited Hotel and Entertainment Branch, the Group's branches registered in Cambodia and (3) income taxes arising from other jurisdictions.

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax expenses		
– Current period	11,626	13,607

During the six months ended 30 June 2020, the Group recognised an additional obligation payment of US\$10,989,000 which was included in the amount above.

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

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2021: US cents Nil per share	–	–
2020: US cents 0.29 per share	–	12,376
	–	12,376

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

7. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to owners of the Company of US\$77,229,000 (six months ended 30 June 2020: profit of US\$20,626,000) and the weighted average number of shares of 4,341,008,041 (six months ended 30 June 2020: 4,341,008,041) in issue during the Period.

There were no dilutive potential shares during the Period (six months ended 30 June 2020: Nil).

8. Segment information

The Group manages its businesses by segments, which comprise a mixture of business activities (casino, hotel and entertainment). The Group has identified the following two main reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management (the "SEM") for the purpose of resource allocation and performance assessment.

- Casino operations: this segment comprises all gaming activities at both Naga 1 and Naga 2.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

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.

	Casino operations <i>US\$'000</i>	Hotel and entertainment operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue:			
Six months ended 30 June 2021 (Unaudited)			
Timing of revenue recognition			
– At point in time	116,341	594	116,935
– Transferred over time	12,982	512	13,494
	<hr/>	<hr/>	<hr/>
Revenue from external customers	129,323	1,106	130,429
Inter-segment revenue	(131)	1,298	1,167
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	129,192	2,404	131,596
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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
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Revenue from external customers	372,008	5,497	377,505
Inter-segment revenue	(334)	2,885	2,551
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	371,674	8,382	380,056
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment profit/(loss):			
Six months ended 30 June (Unaudited)			
2021	31,871	(7,553)	24,318
2020	125,265	(4,217)	121,048
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Reconciliation of reportable segment revenue and profit or loss to revenue and profit or loss per the unaudited condensed consolidated financial statements is as follows:

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	131,596	380,056
Elimination of inter-segment revenue	(1,167)	(2,551)
	<u>130,429</u>	<u>377,505</u>
Consolidated revenue		
	<u><u>130,429</u></u>	<u><u>377,505</u></u>
Profit		
Reportable segment profit	24,318	121,048
Other revenue	7	330
Depreciation and amortisation	(55,044)	(49,384)
Finance costs	(21,743)	(5,036)
Unallocated head office and corporate expenses	(13,141)	(32,725)
	<u>(65,603)</u>	<u>34,233</u>
	<u><u>(65,603)</u></u>	<u><u>34,233</u></u>

9. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling US\$241,842,000 (six months ended 30 June 2020: US\$44,842,000).

Pursuant to the subscription agreement dated 14 April 2019 entered into between the Company and ChenLipKeong Fund Limited (the “Subscriber”), a company wholly-owned by Tan Sri Dr Chen Lip Keong (“Dr Chen”), for the purpose of funding the development cost of the Naga 3 Project under the Guaranteed Maximum Sum Design and Build Agreement, progress billings with aggregate amount of US\$165,520,000 were settled by the Subscriber and the corresponding amount was credited to other reserve. Details of the subscription agreement are set out in the Company’s circular dated 22 July 2019.

10. Intangible assets

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2045 with cost of US\$123,002,000 and accumulated amortisation of US\$56,446,000 (31 December 2020: US\$55,088,000).

11. Promissory notes

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

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

The promissory notes (the “Promissory Notes”) in total amount of RUB469,100,000 (approximately US\$9,536,000) (31 December 2020: US\$9,196,000) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023.

12. Trade and other receivables

	30 June 2021 US\$’000 (Unaudited)	31 December 2020 US\$’000 (Audited)
Trade receivables	55,485	72,874
Deposits, prepayments and other receivables	49,530	46,936
	105,015	119,810

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

	30 June 2021 US\$’000 (Unaudited)	31 December 2020 US\$’000 (Audited)
Current to within 1 month	44,500	26,572
1 to 3 months	–	24,572
3 to 6 months	5,697	13,304
6 to 12 months	3,183	7,064
More than 1 year	2,105	1,362
	55,485	72,874

The credit policy for gaming receivables is five to thirty days (31 December 2020: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2020: thirty days from end of month).

13. Trade and other payables

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Trade payables (Note)	16,989	20,035
Unredeemed casino chips	2,421	4,968
Deposits	52,027	47,373
Construction creditors	1,489	9,421
Interest payable	21,211	16,651
Accruals and other creditors	57,743	54,890
	<hr/>	<hr/>
	151,880	153,338
Less: current portion	(146,752)	(148,431)
	<hr/>	<hr/>
Non-current portion	5,128	4,907
	<hr/> <hr/>	<hr/> <hr/>

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:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Due within 1 month or on demand	–	4,699
Due after 1 month but within 3 months	–	15,336
Due after 3 months but within 6 months	8,588	–
Due after 6 months but within 1 year	8,401	–
Due after 1 year	–	–
	<hr/>	<hr/>
Total	16,989	20,035
	<hr/> <hr/>	<hr/> <hr/>

14. Senior notes

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

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

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

On 21 May 2021, the Company made full repayment of the 2021 Senior Notes issued by the Company on 21 May 2018.

In connection with the issue of the 2024 Senior Notes, ChenLipKeong Capital Limited, a related company wholly-owned by Dr Chen, has subscribed the 2024 Senior Notes with principal amount of US\$45,000,000. The interest expenses payable to the related company for the Period amounted to US\$1,789,000 (six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

After contracting by 3.1% in 2020, Cambodia's economic outlook is expected to return to a positive level in 2021 despite the near-term uncertainty caused by the pandemic. The International Monetary Fund ("IMF") has projected Cambodia's real gross domestic product growth at 4.2% in 2021 and 6.0% in 2022, with an inflation rate of 3.1% and 2.8%, respectively (*Source: IMF – World Economic Outlook Database April 2021*). The World Bank is of the opinion that Cambodia's economic growth is gradually recovering and has projected it to grow at 4.0% in 2021, supported by a gradual recovery in domestic demand following the vaccine deployment and improvements in external demand and capital inflows (*Source: Cambodia Economic Update, World Bank, June 2021*).

Despite the Group having approximately only two months of operations during the Period, the Group maintained positive EBITDA with an Adjusted EBITDA of US\$17.7 million during the Period. The Group's 1Q2021 operational results were relatively stable and continued to record recovery of gaming business volumes. The relatively stable operational results prior to the voluntary temporary suspension of business operations and the positive Adjusted EBITDA during the Period was generally attributable to the following:

Business Migration

The US-China trade tension has caused business migration to the Mekong region as it encouraged Chinese factories to relocate to lower cost countries such as Cambodia, which is consistent with the influx of foreign capital and expatriates into Cambodia, especially its capital Phnom Penh. The Group serves a wide and geographically diverse premium mass and mass-market customer base, mainly from South East Asia, East Asia and captive local affluent expatriate community living in Cambodia patronizing NagaWorld in search of entertainment. As such, the Company is able to capitalize on and benefit from the wave of business migration during the period of COVID-19 global pandemic.

Strong bilateral ties between China and Cambodia have resulted in a continued increase in the number of Chinese people travelling to Cambodia for investment purposes, reinforcing further the business migration and creation of more job opportunities in Cambodia.

International Arrivals and Direct Flights into Cambodia during the Pandemic Period

Cambodia's borders remained open to international visitors during most of the first half of the year. In the first half of 2021, the country recorded total international arrivals of 102,560. Of the top 10 markets, Thailand was the highest at 51.0%, followed by China (29.0%), Vietnam (6.8%), Indonesia (3.3%), Korea (1.8%), U.S.A (1.6%), Taiwan (1.5%), Malaysia (0.9%), Japan (0.8%) and France (0.6%). These top 10 markets accounted for 97.2% of total arrivals. International business-related travel to Cambodia was 48,579 visitors in the first half of 2021, with 60.6% of this travel originating from China (*Source: MOT*).

As of 29 August 2021, weekly international direct flights to Phnom Penh, Cambodia stood at 27, including 7 direct flights from Greater China cities such as Guangzhou, Chengdu, Taipei and Hong Kong, as well as 9 from Seoul and 11 from Singapore (*Source: Cambodia Airports, airlines websites*). Monthly international business-related arrivals for the month of June 2021 was 4,732 visitors, representing an increase of 70% from the lowest point of 2,776 visitors recorded in April 2020 (*Source: the MOT*).

The MOT is expecting to revive international tourism during the fourth quarter of this year by inviting fully vaccinated international visitors from low-risk countries to enter Cambodia (*Source: Cambodian Tourism Minister statement, 21 May 2021*). The Royal Government of Cambodia (“RGC”) has also outlined strategies and priority action plans aimed at promoting the quality, safety and sustainable development of the tourism sector, as well as to bolster Cambodia’s social and economic development (*Source: Cambodian Tourism Minister statement, 5 April 2021*).

Cambodia Ranked Second Most Vaccinated Nation in ASEAN

The pandemic has impacted more than 200 countries and territories worldwide, with approximately 217 million confirmed cases and more than 4 million deaths to date. As of 29 August 2021, Cambodia ranked 109th in global COVID-19 cases (*Source: Worldometer’s COVID-19*). As of 29 August 2021, the total number of confirmed COVID-19 cases was 92,616, of which 15,029 cases (16.2%) were imported, 88,443 cases were cured (95.5% recovery rate) and 1,892 deaths (2.0%) (*Source: MOH*). According to Moody’s, the RGC’s proactive management of the COVID-19 has been widely viewed as effective. Similarly, the World Bank acknowledged the RGC’s efforts in combating COVID-19 by ensuring rapid vaccination within the country. It also highly valued the government’s Post-COVID-19 Economic Recovery Plan 2021-2023, which it noted was clear, realistic and comprehensive (*Source: Khmer Times, 26 June 2021*).

Since early February 2021, the RGC has launched a strategic plan for its COVID-19 vaccination campaign to build socio-economic resilience and strive to achieve herd immunity in Cambodia by the end of 2021, aiming to vaccinate all people aged 18 and above (*Source: Khmer Times, 7 May 2021*). As of 23 August 2021, Cambodia had received about 25.1 million doses of WHO approved vaccines (*Source: Jian Hua Daily, 23 August 2021*). It is more than sufficient to cover the government’s initial plan to vaccinate 10 million people (*Source: Jian Hua Daily, 10 July 2021*). In August, the RGC revised its vaccination target to 12 million or 75% of the country’s population by the end of 2021 (*Source: Khmer Times, 21 August 2021*). Furthermore, on 8 August 2021 the RGC began its 3rd ‘booster’ shot vaccination campaign for frontline workers located at the Cambodia-Thailand border, and on 12 August 2021 began the same vaccination campaign in Phnom Penh to strengthen the vaccine’s effect against the new COVID-19 variants (*Source: Khmer Times, 1, 7 & 10 August 2021*). So far, a total of 599,722 people have received their third vaccine dose (*Source: MOH*). Meanwhile, the RGC is actively involving in negotiations with licensed COVID-19 vaccine producers to secure sufficient doses for the ongoing 3rd ‘booster’ shot campaign.

As of 29 August 2021, a total of 9,092,155 people aged 18 and above (56.8% of the total 16 million population or 90.9% of the targeted 10 million population) in Cambodia had received at least one vaccine dose. Of which, 8,123,708 people (50.8% of the total 16 million population or 81.2% of the targeted 10 million population) had been fully vaccinated, i.e. already received their second vaccine dose (*Source: MOH*). In order to combat the COVID-19 pandemic effectively, the RGC began vaccinating children and youths aged between 12 and 17 on 1 August 2021, starting from Phnom Penh and the neighbouring Kandal province (*Source: Jian Hua Daily, 23 July 2021; Khmer Times, 24 July 2021; Phnom Penh Post, 1 August 2021*). A total of 1,470,840 children and youths (74.8% of the targeted 1,966,931 population) have received their first dose of COVID-19 vaccine since 1 August 2021 (*Source: MOH*).

Cambodia has made significant progress in its vaccination campaign and is ranked the second most vaccinated nation among ASEAN after Singapore (*Source: Phnom Penh Post, 29 April 2021; Khmer Times, 5 August 2021*). After nearly five months, the Cambodia sub-committee for COVID-19 vaccination wrapped up the COVID-19 vaccination drive in Phnom Penh after 2,128,791 people or 99.22% of the capital's adult population completed the two-dose inoculation (*Source: Khmer Times, Xin Hua, 8 July 2021*). According to investment and advisory firm Mekong Strategic Partners, Phnom Penh is the most vaccinated capital in the world (*Source: Khmer Times, 18 August 2021*). The successful rollout of this vaccination program should eventually lead to restoration of market confidence.

Cambodia Economic Outlook during COVID-19 Pandemic

Cambodia's economy remains relatively stable despite the 20 February 2021 COVID-19 community outbreak, a three-week lockdown imposed in April 2021 and restrictions of movement and business activities since then. The B2 stable outlook rating on Cambodia retained by Moody's has reflected the country's strong growth prospects and moderate affordable government debt burden (*Source: Moody's, 21 May 2021*). According to the latest economic outlook of the Asian Development Bank, Cambodia's economy is forecast to recover and grow at 4.0% in 2021, followed by 5.5% in 2022 in view of the economic recovery in major trading partners, boosting demand for Cambodia's exports. Cambodia total exports rose by 17% and was valued at US\$8.2 billion in the first six months of 2021 compared with the same period of last year. This was contributed by the increased demand for non-garment products such as bicycles, electronic components, wood-made products and agricultural goods from international markets, particularly large economies and regions such as the US and the EU, which showed a positive move in trade activity (*Source: Ministry of Economy and Finance*).

Foreign Direct Investment ("FDI") remains resilient as FDI inflows steadily return, boosted by increased investment with the newly signed Cambodia-China Free Trade Agreement ("CCFTA") and the Regional Comprehensive Economic Partnership ("RCEP") (*Source: Cambodia Economic Update, World Bank, June 2021*). RCEP, the world's largest free trade agreement comprising 16 member countries, establishes a comprehensive, modern, high-quality partnership framework that provides mutual economic benefits, and facilitates the expansion of regional trade and investment supply chains, in particular, contributing to the rapid recovery of the Cambodian economy (*Source: Khmer Times, 22 June 2021*). According to the 2021 World Investment Report by the United Nations Conference on Trade and Development, in spite of the global COVID-19 pandemic, FDI in Cambodia amounted to US\$3.6 billion, with the financial and banking sector growing by 13.0% to US\$1.4 billion in 2020. With the additional policy support and COVID-19 vaccination campaigns reaching millions of people, IMF projects Cambodia's real Gross Domestic Product ("GDP") to rebound and grow at 4.2% in 2021 (*Source: IMF, April 2021*). Based on Cambodian Development Council ("CDC") data, FDI from China contributed approximately 69% of the total approved investment projects in the first half of 2021 (*Source: Jian Hua Daily, 9 July 2021*).

Environmental, Social and Governance (ESG) During a Pandemic

NagaWorld Kind Hearts (the Company's corporate social responsibility ("CSR") arm) is a grassroots initiative with long term contribution towards the betterment of communities in Cambodia. In order to support the RGC's effort to contain the surge of cases in the community, NagaWorld Kind Hearts donated US\$100,000 in food supplies to Phnom Penh City Hall for communities struggling with the latest impact brought upon by the increasing number of COVID-19 cases when the capital went into lockdown on 15 April 2021. The total amount donated was sufficient to assist 3,500 families in the most affected areas.

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

During the pandemic, NagaWorld Kind Hearts has been making regular donations to public institutions to help keep Cambodian communities safe and combat the spread of COVID-19. This includes contributions of world-class medical equipment and testing kits as well as preventive supplies such as surgical masks, hand sanitizers and temperature checkers to the MOH, the Ministry of Education, Youth and Sport, the Ministry of Land Management, Urban Planning and Construction, the General Commissariat of National Police and Phnom Penh City Hall. Overall aid from the Company during the pandemic now stands at more than US\$245,000 in value.

The Company has made annual contribution to the Cambodian Red Cross, and contributed to the Water Wells Foundation of Cambodia to create new and hygienic water sources as part of sustainable rural development of Cambodia. Over the years, the Company has contributed about US\$31 million for public interests and charitable purposes in Cambodia.

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

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

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

Improved Liquidity and Cost Efficiency

As of 30 June 2021, the Group's cash and deposits were US\$275 million. The Group has sufficient liquidity and cash reserves to fund cash expenditures during the voluntary temporary suspension of business operations. On 15 June 2021, the Company completed the issuance of the Additional 2024 Senior Notes priced at a yield of 6.625%, to strengthen the Group's working capital. The Company fully repaid the outstanding principal amount of US\$300 million together with the interest accrued to the maturity date of the 2021 Senior Notes due on 21 May 2021, with cash on hand. Following the full repayment of the 2021 Senior Notes, the Company will not have any debt repayment obligation until July 2024.

The accumulated cash and deposits demonstrate the Group's continued ability to retain a stable cash position and raise external funding despite the unprecedented challenging period of the COVID-19 pandemic. Furthermore, given the COVID-19 impact in Cambodia, the Company has launched a rationalization program to improve cost efficiency, which formed part of the Company's COVID-19 strategy to help stabilize the Group's financial position over the long term. While the Group's business operations remain suspended, the Group expects to continue undertaking a series of actions to minimize run-rate operating costs and cash expenditures, including scaling back hotel and food and beverage operations, reducing payroll expenses by limiting staff on site and reducing employee pay, and the voluntary temporary closure of facilities to reduce utilities expenditure.

BUSINESS REVIEW

Table 1: Performance Highlights

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

	1H2021 <i>US\$'000</i>	1H2020 <i>US\$'000</i>
Mass Market: Public Floor Tables		
– Buy-ins	202,109	344,501
– Win rate	14.8%	19.9%
– Revenue	29,870	68,449
Mass Market: EGM		
– Bills-in	297,653	504,412
– Win rate	8.6%	9.3%
– Revenue	18,944	32,689
VIP Market		
– Rollings	2,906,273	9,671,263
– Win rate	2.8%	2.8%
– Revenue	80,509	270,870
Gross Gaming Revenue	129,323	372,008

Mass Market (Public Floor Tables and EGM)

During the Period, Mass Market business volume and GGR declined mainly due to the voluntary temporary suspension of business operations since 2 March 2021 and the COVID-19 global pandemic. Nevertheless, this was partially mitigated by the reasonably sized expatriate community and to some extent, visitors from East Asia (mainly from China, South Korea and Taiwan) patronising NagaWorld in search of entertainment in the first two months of the year. Despite softer tourists' arrivals due to the COVID-19 outbreak globally, the footfall on the Mass Market floor was still relatively stable, in particular, the premium mass/high limit gaming area. The Company observed a gradual growth trend in Mass Market business volumes in 1Q2021, prior to the 20 February 2021 COVID-19 community outbreak and the voluntary temporary suspension of business operations.

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

VIP Market

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

Non-Gaming – Hotel, F&B and Entertainment

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

Revenue and Gross Profit Analysis

Table 2(a)

1H2021	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	48.8	37	47.7	64	98
VIP Market	80.5	62	26.1	35	32
Non-Gaming	1.1	1	0.9	1	82
Total	130.4	100	74.7	100	57

Table 2(b)

1H2020	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
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

The Group recorded a gross profit of US\$74.7 million for the Period. The overall gross profit margin was 57% (six months ended 30 June 2020: 46%) as a result of stable mix among all business segments. Mass Market continued to maintain a high gross profit margin of 98%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation were US\$65.9 million during the Period, representing a decrease of US\$21.1 million or 24.2% year-on-year. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low. In addition, the Company has implemented a series of cost saving measures in response to the voluntary temporary suspension of business operations since 2 March 2021.

Finance Costs

During the Period, the Group incurred finance costs of US\$21.7 million (six months ended 30 June 2020: US\$5.0 million) for the interest expenses and transaction costs relating to the senior notes issued. See note 14 for further detail of the senior notes.

Net Loss

Net loss attributable to shareholders of the Company (the "Shareholders"), or net loss, was US\$77.2 million for the Period. Net loss margin for the Period is 59.2% (six months ended 30 June 2020: net profit margin 5.5%) as a result of the voluntary temporary suspension of business operations because of COVID-19 concerns since 2 March 2021.

Basic loss per share were US cents 1.78 (HK cents 13.80) for 1H2021 and basic earnings per share were US cents 0.48 (HK cents 3.72) for 1H2020, respectively.

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 PERC. 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 5, there were no other contingent liabilities as at 30 June 2021.

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 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 2021, unless stated otherwise.

The Group had total cash and bank balances, restricted bank balance and fixed deposits of US\$275.4 million (31 December 2020: US\$452.0 million). The cash and bank balances, restricted bank balance and fixed deposits were mainly denominated in US\$.

The Group had net current assets of US\$125.5 million (31 December 2020: US\$107.0 million). The Group had net assets of US\$1.7 billion as at 30 June 2021 (31 December 2020: US\$1.7 billion).

The Group had outstanding senior notes with a carrying amount of US\$541.4 million (31 December 2020: US\$635.6 million).

The Group's gearing ratio calculated as total debt less cash and bank balances, restricted bank balance and fixed deposits divided by equity was 16.0% (31 December 2020: 11.1%).

Capital and Reserves

As at 30 June 2021, the capital and reserves attributable to owners of the Company were US\$1.7 billion (31 December 2020: US\$1.7 billion).

Employees

As at 30 June 2021, the Group employed a total work force of 6,958 (31 December 2020: 8,371), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United Kingdom, the United States and Russia. The remuneration and staff costs for the Period were US\$39.8 million (six months ended 30 June 2020: US\$66.2 million).

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

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

Employee Benefits

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and costs to the Group of non-monetary benefits were accrued in the Period in which the associated services were rendered by employees of the Group. Where payment or settlement is deferred and the effect of such would be material, these amounts are stated at their present value. The Company has adopted a share option scheme and a share award scheme as 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\$72.9 million (as at 31 December 2020) to US\$55.5 million (as at 30 June 2021).

During the Period, the Group prudently made provision for impairment loss of US\$1.0 million (six months ended 30 June 2020: US\$0.6 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

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

PROJECT UPDATES AND PROSPECTS

Update on Naga 3

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

The following are brief progress updates:

- a) **Soil Improvement Work** – Soil improvement work of 4m wide by 292m long along the western boundary has been fully completed by way of more than 1,000 deep soil mixing columns and almost 4,000 tons of cement being injected into the ground to strengthen the existing soil; the main objective of the soil improvement work is to minimize settlement risk to the row of existing shops during the diaphragm wall and bored pile construction. Both large deep soil machines and the associated cement silos have been fully demobbed from the construction site, freeing up space for the operation of 2 diaphragm wall machines and the steel cage fabrication yard.
- b) **Diaphragm Walls** – The Tower 3 diaphragm walls are nearing completion, and one machine has been shifted to work on the Tower 1 diaphragm walls, while the other machine will finish the last few panels within next two weeks, freeing up space for the bored piling operation to commence; two additional boring rigs have been brought in to quickly complete the Tower 3 bored piles.
- c) **Bored Piles** – 35% bored piles at the Tower 1 area have been completed so far, one number bi-directional load test has been completed as well with very satisfactory results. At the Tower 2 area, 68 coffer piles have been fully completed and the coffer pile machinery has been temporarily demobbed from site to free up more space for other more critical boring rigs operation. Presently there are eight boring rigs constructing the bored piles on site.
- d) **Wind Tunnel Study** – The wind tunnel testing for the wind induced structural study has been completed with satisfactory results. The second part of wind tunnel testing for the façade cladding, human comfort and pedestrian wind comfort study will be carried out in the fourth quarter of 2021 when the design development work is more developed.
- e) **Pandemic and Vaccination** – Construction progress was slightly impacted by the sudden Phnom Penh lockdown, curfew and inter provincial/district travel restrictions. With the disruption of cement/concrete/steel supply and shipping logistics delays, additional measures have been added to catch-up on lost time. The construction site is enforcing very strict measures to prevent COVID-19 infection. All construction workers and management staff have been fully vaccinated; only fully vaccinated construction workers, sub-contractors, suppliers, etc. are allowed to work and enter the construction site.
- f) **Design Development Work** – Design development work is ongoing, and is on schedule to complete the drawings for the super-structure construction. The target for commencing this work is the first half of 2023, after the foundation and basements have been completed and handed over to super-structure construction teams.

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, despite being impacted by the COVID-19 global pandemic. As at 30 June 2021, the hotel tower topping off was completed and construction of the casino podium was progressing up to level 2. The water and sewage system connected to the development site has been largely completed.

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.

Prospects

Amid rising cases of COVID-19 infections, Cambodia is aggressively rolling out a vaccination program that will help the nation reach herd immunity. Some non-essential businesses remain closed while the Cambodian government has allowed the reopening of essential businesses, i.e. restaurants and local markets with strict social distancing and other health measures in place including requiring everyone to wear a mask, maintain social distancing, washing hands with sanitisers and scanning the "Stop COVID" QR Code before entering public venues (*Source: Khmer Times, 15 June 2021*). As of 23 August 2021, Cambodia had received about 25.1 million doses of vaccine which is sufficient to achieve the COVID-19 vaccination campaign goal of 12 million vaccinated people (75% of the country's population) by the end of 2021 (*Source: Khmer Times, 21 & 23 August 2021*). Furthermore, the vaccination drive in Phnom Penh has been completed and the city is ranked the most vaccinated capital in the world, with almost every resident vaccinated (*Source: Xin Hua, 8 July 2021; Khmer Times, 18 August 2021*). The Cambodian government's efforts in COVID-19 vaccination campaign are widely viewed as successful, particularly when measured by the increased vaccination up-take; this positive response to the vaccination campaign is the key to boosting market confidence.

During the COVID-19 pandemic, Cambodia-China relations have been continually strengthening and China has played a vital role in boosting Cambodia's economic recovery, especially with the supply of vaccines. In term of investment, China's investment in Cambodia stood at approximately US\$2.0 billion in the first half of 2021, accounting for 69% of total investment. The Cambodian government believes that China will remain Cambodia's largest source of investment and will help drive its economic growth through trade and investment activities (*Source: Jian Hua Daily, 11 July 2021*). The prospects of CCFTA, which may go into effect this year, will help further boost investment, and thus support overall agricultural production for exports, especially to the Chinese market (*Source: Cambodia Economic Update, World Bank, June 2021*). The bilateral trade volume between China and Cambodia remained strong despite the global outbreak of COVID-19, reaching US\$8.2 billion in 2020. In the first six months of 2021, the bilateral trade volume between China and Cambodia stood at US\$6.1 billion, an increase of approximately 44% year-on-year (*Source: Jian Hua Daily, 11 July 2021 & 12 August 2021*). According to Cambodia's Commerce Ministry, the RCEP is expected to come into effect early next year, which will enable Cambodia to modernize and diversify its economic structure through long term partnership trade opportunities (*Source: Khmer Times, 16 July 2021*). Subject to recovery in domestic and international demand following wide vaccine deployment, Cambodia's economy is expected to recover gradually with IMF and World Bank projecting the country's real GDP to grow at 4.2% and 4.0%, respectively in 2021.

According to the Cambodia Tourism Minister's statement on 21 May 2021, the MOT is working towards a possible reopening of the Cambodia tourism industry in the fourth quarter of this year to fully vaccinated tourists. With the COVID-19 pandemic taking a toll in the tourism industry, the country's rapid vaccination drive puts Cambodia on track for the possible reopening of its borders to low-risk countries in 4Q2021.

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

Looking ahead, 2021 will remain challenging largely resulting from economic uncertainties arising from the unprecedented COVID-19 pandemic. Nonetheless, with the relaxation of restrictions and the global economy slowly returning to normalcy, NagaWorld is expected to continue drawing tourists from South East Asia and East Asia, especially with incoming business migration inflows to Cambodia. The Group expects to continue its growth trajectory, and believes that the long term prospects and outlook of the Group will remain stable.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The directors of the Company (the "Directors"), having reviewed the corporate governance practices of the Company, and considered, amongst other things, the findings of reviews conducted by the independent professional parties, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries, the Company confirms that the Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors during the Period.

REVIEW BY THE AUDIT COMMITTEE

The unaudited interim results for the Period have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Shareholders for the Period (six months ended 30 June 2020: US cents 0.29 per share).

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

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

Save as disclosed above, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Period.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is available for viewing on the Company's website at www.nagacorp.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The interim report of the Company for the Period containing, among others, the interim financial information of the Group, will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 30 August 2021

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

Executive Directors

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

Non-executive Director

Timothy Patrick McNally

Independent Non-executive Directors

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

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars ("HK\$") and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (31 December 2020: HK\$7.75) and US\$1.0 to RUB72.51 (31 December 2020: RUB73.88).