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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 2022  
AND  
CLARIFICATION ANNOUNCEMENT**

**Highlights of unaudited condensed consolidated interim results for the Period:**

- Net Profit of US\$52.7 million for the Period compared to Net Loss of US\$77.2 million in the corresponding period in 2021. Pandemic recovery continues with impressive 39.4% sequential increase in Net Profit in 2Q2022 over 1Q2022. Achieved on the back of higher business volumes across all business segments and continued effective cost control
- Earnings Before Interest, Tax, Depreciation and Amortization (**EBITDA**) in the Period of US\$130.1 million compared to US\$4.5 million in the corresponding period last year
- Average daily business volumes for the Mass Market and Premium Mass Market in 2Q2022 have already recovered to 80.3% and 71.8% respectively of the average daily business volumes in FY2019 (peak pre-COVID-19 year)
- Average daily business volumes for the Mass Market, Premium Mass Market and Referral VIP in 2Q2022 showed 15.9%, 14.5% and 98.5% sequential QoQ growth respectively
- Basic earnings per share of US cents 1.21 for the Period compared to loss per share of US cents 1.78 in the corresponding period last year
- An interim dividend of US cents 0.73 per share (or equivalent to HK cents 5.66 per Share) for the Period by way of scrip shares has been proposed

## **OPERATIONAL HIGHLIGHTS**

### **A Growth Stock in a Deepening Recessionary Environment**

Barring unforeseen circumstances, we believe that NagaCorp Ltd. (the “Company”, and together with its subsidiaries, the “Group”) is a growth stock in a possibly deepening recessionary environment. Our customers are very much localized, majority of them mainly from business migration in recent years from neighboring countries plus a small group of leisure travellers during the period when the respective international markets allowed travels plus a growing number of wealthy locals in search of escapism because of the favorable political, economic, and social environment in a nation which is slowly getting richer.

### **Dividends**

In consideration of the Company’s financial results for the six months ended 30 June 2022 (the “Period” or “1H2022”), the board of directors of the Company (the “Board”) recommends the payment of an interim dividend of US cents 0.73 per share (or equivalent to HK cents 5.66 per share) for the Period by way of scrip shares, representing a dividend payout ratio of approximately 60% based on the net profit generated for the Period (the “Scrip Dividend”).

The Company believes that the Scrip Dividend will benefit the Company and its stakeholders as a whole in following ways:

1. reward the long-term shareholders of the Company (the “Shareholders”) for their continuous support of the Company in particular during this difficult COVID-19 period;
2. conserve cashflow; and
3. improve the trading liquidity in the Company’s shares.

### **Repurchase of Senior Notes**

The Company currently intends to use some of its cash in hand to repurchase and cancel some of its outstanding senior notes due in 2024 (the “Senior Notes”) in the secondary market. The timing, pricing and the amount of the repurchase would be market driven and be subject to the approval of the Board. The purposes of this exercise are:

- 1) to potentially buy back the outstanding Senior Notes at a discount off its principal amount; and
- 2) to reduce future interest expense, thus enhancing the net profit of the Company until the maturity of the Senior Notes.

It is currently intended that Tan Sri Dr Chen Lip Keong will not dispose any of his holding of the Senior Notes yet until the investment climate is favourable.

## Quarter on Quarter (QoQ) Comparison for the Key Financials (in US\$ million)

Based on the unaudited consolidated financial statements of the Group for the Period, an analysis of the quarterly financial performance is as follows:

	For the three months ended 30 June 2022 ("2Q2022")	For the three months ended 31 March 2022 ("1Q2022")	QoQ Growth
Gross Gaming Revenue (GGR)	127.09	110.26	15.3%
Net Gaming Revenue (NGR)	106.27	97.34	9.2%
Gross Profit	100.66	91.55	10.0%
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	69.07	61.01	13.2%
Net Profit	30.69	22.01	39.4%

The Company reported satisfactory sequential quarterly growth for the key financial metrics. **Net profit increased sequentially QoQ by 39.4% on the back of higher Mass Market and Premium Mass Market revenues with stable costs.** Both NGR and gross profit increased by 9.2% and 10.0% respectively compared to 1Q2022. Despite increased business volumes, our administrative and other operating expenses remain stable resulting in higher profitability margins. EBITDA also grew sequentially by 13.2% QoQ.

Given the Group's deep and resilient market with strong focus on the captive domestic market, the Company remained profitable during the peak COVID-19 period during the financial year ended 31 December 2020 ("FY2020") till 1H2022 and is one of only a handful of integrated resorts in the Asia Pacific region to report a cumulative positive net profit for the said period.

## Stable Business Volumes Growth

The Company continues to see satisfactory business recovery for 2Q2022 as compared to 1Q2022:

### QoQ Comparison for the Average Daily Business Volumes across Key Business Segments (in US\$ million)

Segments (Average Daily)	2Q2022	1Q2022	QoQ Growth
Mass Market (EGM Bills-in + Table Buy-ins)	9.69	8.36	15.9%
Premium Mass Rollings	8.63	7.54	14.5%
Referral VIP Rollings	3.91	1.97	98.5%

All three business segments (Mass Market, Premium Mass and Referral VIP) showed significant business volumes growth. The average daily business volumes for Mass Market and Premium Mass segments grew by 15.9% and 14.5% sequentially QoQ to US\$9.69 million and US\$8.63 million in 2Q2022 respectively. This demonstrates the depth, strength and resilience of the captive domestic market during the peak pandemic stage as well as its strong recovery during the present initial stage of recovery from the global pandemic. Referral VIP business volumes also improved significantly where average daily rollings increased by 98.5% on a sequential basis to US\$3.91 million in 2Q2022 as the number of the international direct flights to Phnom Penh continues to recover.

### Average Daily Business Volumes in 2Q2022 compared with FY2019 (peak pre-COVID-19 year) (in US\$ million)

Segments (Average Daily)	2Q2022	FY2019	Recovery Percentage
Mass Market (EGM Bills-in + Table Buy-ins)	9.69	12.07	80.3%
Premium Mass Rollings	8.63	12.02	71.8%

**The average daily business volumes for Mass Market and Premium Mass segments in 2Q2022 have already recovered by 80.3% and 71.8% respectively compared to FY2019 (peak pre-COVID-19 year).** Both the average daily business volumes for Mass Market and Premium Mass segments in 2Q2022 also achieved the highest levels since the first quarter of 2020.

## **Stable Financial Strength and Credit Rating**

The Group's cash and deposits have further increased from US\$125.1 million as of 31 December 2021 to US\$212.9 million as of 30 June 2022. Such increases were the result of the continued recovery of business volumes and prudent cash management.

Besides Moody's Credit Opinion dated 23 February 2022, S&P Global has also posted B+ credit rating with stable outlook on the Company on 24 April 2022 (*Source: S&P Global, Ratings Score Snapshot, 24 April 2022*). The price of our Senior Notes remains relatively resilient since January 2021 despite waves of credit downgrade among Asian gaming peers. Given the Group's continued business recovery and financial discipline over the years, the performance of our Senior Notes has outperformed as reflected by the narrowed yield spread against many other bonds with similar maturity issued by Macau gaming peers.

## **Improving Business Environment**

The Group witnessed solid recovery of the economy especially in the city of Phnom Penh. This is evidenced from the following:

- As per Reuters's COVID-19 Tracker dated 14 July 2022, Cambodia reported 13 new cases on average each day, about 1% of the peak (*Source: <https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/cambodia/>*).
- Nikkei COVID-19 Recovery Index ranked Cambodia 1<sup>st</sup> out of 121 countries worldwide as of 30 June 2022 (*Source: <https://asia.nikkei.com/Spotlight/Coronavirus/COVID-19-Recovery-Index>*).
- As of 11 July 2022, Cambodia has dropped the mandatory 7-day hotel requirement for unvaccinated arrivals (*Source: Khmer Times dated 11 July 2022*).
- As of 15 July 2022, there are 208 direct weekly flights to Cambodia, up from 57 flights as recorded on 4 January 2022 (*Source: Cambodia Airports at <https://pnh.cambodia-airports.aero>*).
- As per Cambodia's May 2022 tourism report, international tourist arrivals increased by 275% compared to the first 5 months of 2021 reaching 343,464 visitors. According to Ministry of Tourism of Cambodia ("MOT"), Cambodia is expected to welcome one million international tourists in 2022 and seven million international tourist arrivals by end of 2025 (*Source: [www.thestar.com](http://www.thestar.com) dated 20 May 2022*).
- The Company continued to see increasing headcount entering our properties. The average daily headcount was about 5,500 in 2Q2022, up sequentially by approximately 20.0% from 4,600 in 1Q2022.

The Board hereby announces the unaudited condensed consolidated interim results of the Group for the Period.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Six months ended 30 June	
		2022	2021
	Notes	US\$'000	US\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	2	<b>242,984</b>	130,429
Gaming tax	5	(14,258)	(6,637)
Cost of sales		(36,518)	(55,764)
<b>Gross profit</b>		<b>192,208</b>	68,028
Other income		2,000	3,454
Administrative expenses		(25,057)	(27,134)
Other operating expenses		(97,018)	(94,845)
<b>Profit/(Loss) from operations</b>		<b>72,133</b>	(50,497)
Finance costs	3	(18,148)	(21,743)
<b>Profit/(Loss) before taxation</b>	4	<b>53,985</b>	(72,240)
Income tax	5	(1,286)	(4,989)
<b>Profit/(Loss) attributable to owners of the Company</b>		<b>52,699</b>	(77,229)
<b>Earnings/(Loss) per share (US cents)</b>			
<b>Basic</b>	7	<b>1.21</b>	(1.78)
<b>Diluted</b>	7	<b>1.21</b>	(1.78)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
<b>Profit/(Loss) for the period</b>		<b>52,699</b>	(77,229)
<b>Other comprehensive income for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences from translation of foreign operations		3,225	(687)
<b>Total comprehensive income attributable to owners of the Company for the period</b>		<b>55,924</b>	(77,916)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>US\$'000</i> <i>(Unaudited)</i>	<i>US\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,955,627	1,931,729
Right-of-use assets		85,820	88,837
Intangible assets	10	63,839	65,197
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		155,535	138,156
Promissory notes	11	–	9,583
		<b>2,260,821</b>	<b>2,233,502</b>
<b>Current assets</b>			
Consumables		2,092	1,793
Trade and other receivables	12	54,416	66,774
Promissory notes	11	13,635	–
Restricted bank balance and fixed deposits		22,295	22,350
Cash and cash equivalents		190,560	102,724
		<b>282,998</b>	<b>193,641</b>
<b>Current liabilities</b>			
Trade and other payables	13	160,781	124,417
Contract liabilities		8,723	8,626
Lease liabilities		12,115	13,499
Current tax liability		6,282	4,831
		<b>187,901</b>	<b>151,373</b>
<b>Net current assets</b>		<b>95,097</b>	<b>42,268</b>
<b>Total assets less current liabilities</b>		<b>2,355,918</b>	<b>2,275,770</b>
<b>Non-current liabilities</b>			
Other payables	13	5,588	5,348
Senior notes	14	544,842	542,952
Contract liabilities		16,750	20,500
Lease liabilities		56,166	57,447
		<b>623,346</b>	<b>626,247</b>
<b>NET ASSETS</b>		<b>1,732,572</b>	<b>1,649,523</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		54,263	54,263
Reserves		1,678,309	1,595,260
<b>TOTAL EQUITY</b>		<b>1,732,572</b>	<b>1,649,523</b>

## **Notes:**

### **1. Basis of preparation and adoption of new or amended 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 2021. 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 2021 (the “2021 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 2021 annual financial statements.

Adoption of new or amended standards effective on or after 1 January 2022:

Annual Improvements to IFRS 1, IFRS 9, IFRS 16 and IFRS 41	Annual Improvements to IFRSs 2018-2020
Amendments to IFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework

None of the new or amended standards have a material effect on the reported results or financial position of the Group for both current and prior reporting period. The Group has not early applied any new or amended standards or interpretations that is not yet effective for the current accounting period.

## 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	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Casino operations – gaming tables	181,845	110,379
Casino operations – EGM	55,506	18,944
Hotel room income, sales of food and beverage and others	5,633	1,106
	<u>242,984</u>	<u>130,429</u>

## 3. Finance costs

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expenses and amortisation of transaction costs relating to senior notes (Note 14)	22,979	28,769
Interest on lease liabilities	3,312	3,294
Other interest expenses	240	221
	<u>26,531</u>	<u>32,284</u>
Less: Interest expenses capitalised into capital work in progress	(8,383)	(10,541)
	<u>18,148</u>	<u>21,743</u>

## 4. Profit/(Loss) before taxation

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amortisation of casino licence premium <sup>#</sup>	1,358	1,358
Depreciation and amortisation <sup>#</sup>		
– Own assets	53,790	50,842
– Right-of-use assets	2,795	2,844
Staff costs		
– Salaries, wages and other benefits	39,055	39,765
– Contributions to defined contribution retirement scheme	34	33

<sup>#</sup> included in other operating expenses in the unaudited condensed consolidated statement of income

## 5. Gaming tax and Income tax

### (a) Gaming tax

The gaming tax of US\$14,258,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: US\$6,637,000) was levied on gross gaming revenue in accordance with the Law on the Management of Commercial Gambling effective from 1 January 2021.

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax expenses		
– Current period	<u>1,286</u>	<u>4,989</u>

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

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared after the end of reporting period:		
2022: US cents 0.73 per share	31,619	–
2021: US cents Nil per share	–	–
	<u>31,619</u>	<u>–</u>

## 7. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of US\$52,699,000 (six months ended 30 June 2021: loss of US\$77,229,000) and the weighted average number of shares of 4,341,008,041 (six months ended 30 June 2021: 4,341,008,041) in issue during the Period.

There were no dilutive potential shares during the Period (six months ended 30 June 2021: Nil).

## 8. Segment information

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

- Casino operations: this segment comprises all gaming activities at both Naga 1 and Naga 2 (the "Combined NagaWorld Complex"), Naga 3 and in Russia.
- Hotel and entertainment operations: this segment comprises the operations of leisure, hotel and entertainment activities.

### *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.

	<b>Casino operations</b> <i>US\$'000</i>	<b>Hotel and entertainment operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Segment revenue:</b>			
<b>Six months ended 30 June 2022 (Unaudited)</b>			
Timing of revenue recognition			
– At point in time	204,895	2,957	207,852
– Transferred over time	32,456	2,676	35,132
	<hr/>	<hr/>	<hr/>
Revenue from external customers	237,351	5,633	242,984
Inter-segment revenue	(432)	3,169	2,737
	<hr/>	<hr/>	<hr/>
Reportable segment revenue	<b>236,919</b>	<b>8,802</b>	<b>245,721</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Six months ended 30 June 2021 (Unaudited):</b>			
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	<b>129,192</b>	<b>2,404</b>	<b>131,596</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Segment profit/(loss):</b>			
<b>Six months ended 30 June (Unaudited)</b>			
<b>2022</b>	<b>144,315</b>	<b>(6,477)</b>	<b>137,838</b>
2021	25,234	(7,553)	17,681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Reportable segment revenue	245,721	131,596
Elimination of inter-segment revenue	(2,737)	(1,167)
	<u>242,984</u>	<u>130,429</u>
<b>Profit</b>		
Reportable segment profit	137,838	17,681
Other revenue	9	7
Depreciation and amortisation	(57,943)	(55,044)
Finance costs	(18,148)	(21,743)
Unallocated head office and corporate expenses	(7,771)	(13,141)
	<u>53,985</u>	<u>(72,240)</u>

## 9. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling US\$77,688,000 (six months ended 30 June 2021: US\$241,842,000).

During the Period, 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\$27,125,000 (six months ended 30 June 2021: US\$165,520,000) were borne 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\$59,163,000 (31 December 2021: US\$57,805,000).

## 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\$13,635,000) (31 December 2021: US\$9,583,000) 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

	<b>30 June 2022 US\$'000 (Unaudited)</b>	31 December 2021 US\$'000 (Audited)
Trade receivables	<b>23,818</b>	39,643
Prepayments	<b>5,840</b>	5,944
Deposits and other receivables	<b>24,758</b>	21,187
	<b>54,416</b>	66,774

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

	<b>30 June 2022 US\$'000 (Unaudited)</b>	31 December 2021 US\$'000 (Audited)
Current to within 1 month	<b>6,759</b>	36,072
1 to 3 months	<b>2,875</b>	779
3 to 6 months	<b>2,684</b>	–
6 to 12 months	<b>109</b>	1,784
More than 1 year	<b>11,391</b>	1,008
	<b>23,818</b>	39,643

The credit policy for gaming receivables is five to thirty days (31 December 2021: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2021: thirty days from end of month).

### 13. Trade and other payables

	<b>30 June 2022 US\$'000 (Unaudited)</b>	31 December 2021 US\$'000 (Audited)
Trade payables ( <i>Note</i> )	35,266	25,043
Unredeemed casino chips	6,954	6,777
Deposits	18,346	7,267
Construction creditors	2,173	1,991
Interest payable	21,211	21,211
Accruals and other creditors	55,927	55,242
Gaming tax payables	26,492	12,234
	<u>166,369</u>	<u>129,765</u>
Less: current portion	<u>(160,781)</u>	<u>(124,417)</u>
Non-current portion	<u>5,588</u>	<u>5,348</u>

*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:

	<b>30 June 2022 US\$'000 (Unaudited)</b>	31 December 2021 US\$'000 (Audited)
Due within 1 month or on demand	5,860	5,908
Due after 1 month but within 3 months	15,995	6,120
Due after 3 months but within 6 months	13,411	–
Due after 6 months but within 1 year	–	13,015
	<u>35,266</u>	<u>25,043</u>
Total	<u>35,266</u>	<u>25,043</u>

#### 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 an additional US\$200 million 2024 Senior Notes (the “**Additional 2024 Senior Notes**”) which were consolidated and formed the same series as the 2024 Senior Notes. The 2024 Senior Notes and the Additional 2024 Senior Notes bear interest at a rate of 7.95% per annum, payable semi-annually in arrears on 6 January and 6 July of each year, commencing on 6 January 2021. These 2024 Senior Notes and the Additional 2024 Senior Notes are listed on the Singapore Exchange Securities Trading Limited and cannot be converted into shares of the Company.

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

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

In connection with the issue of the 2024 Senior Notes, ChenLipKeong Capital Limited subscribed for the 2024 Senior Notes in an aggregate principal amount of US\$45,000,000. ChenLipKeong Capital Limited is directly and wholly-owned by SAKAI PRIVATE TRUST COMPANY PTE. LTD. as the trustee of The Sakai Trust, a discretionary family trust of which Dr Chen is the settlor for the benefit of himself and his family. The interest expenses payable to the related company for the Period amounted to US\$1,789,000 (six months ended 30 June 2021: US\$1,789,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

According to the World Bank's Cambodia Economic Update in June 2022, despite the global economic impact from COVID-19, Cambodia's economy is projected to grow at a moderate pace of 4.5% in 2022, up from 3.0% in 2021. The recovery is expected to remain underpinned by domestic economic activity and agricultural commodity exports. Similarly, the Asian Development Bank ("ADB") forecasted Cambodia's economy would rebound faster-than-expected to 5.3% in 2022 and 6.5% in 2023, from an estimated 3.0% in 2021, led by strong merchandise exports and foreign direct investment ("FDI") inflows (*Source: Asian Development Outlook, April 2022*). The World Bank forecast analysis indicated that Cambodia has seen a significant revival in economic trade and well-managed COVID-19 vaccinations, and rolling back restrictions on COVID-19 will help Cambodia to revive economic activities (*Source: World Bank Cambodia Economic Update, June 2022*).

During the Period, the Group recorded EBITDA of US\$130.1 million and net profit of US\$52.7 million. The Group continued satisfactory recovery of gaming business volumes in the Mass Market, Premium Mass and Referral VIP segments. These results are attributed to the following:

#### **Business Recovery and Resiliency**

The Company continued to see sequential quarterly growth in business recovery for 2Q2022 compared to 1Q2022 across all business segments.

The Mass Market segment has been a key focus of the Company's strategy and has continued to benefit from the sizable captive domestic expatriate community in Phnom Penh. Despite softer tourism arrivals due to travel restrictions globally, visitation to NagaWorld was still relatively stable during the Period. The average daily NGR of the Mass Market segment continued to improve from US\$856,000 in 1Q2022 to US\$897,000 in 2Q2022, representing an approximately 4.8% growth sequentially.

Meanwhile, for the Premium Mass segment, the average daily NGR in 1Q2022 was US\$212,000, representing approximately 8.0% sequential growth to US\$229,000 in 2Q2022. In aggregate, the total average daily NGR in 2Q2022 was US\$1,168,000, representing an approximately 7.9% sequential growth compared to 1Q2022. The relatively stable performance was also attributed to the gradual recovery of visitation from neighbouring countries in line with regional borders reopening.

Given the Group's deep and resilient market with strong focus on the captive domestic market, the Company remained profitable during the peak COVID-19 period during FY2020 till 1H2022 and is one of only a handful of integrated resorts in the Asia Pacific region to report a cumulative positive net profit for the said period.

This reflects resiliency of our earnings in the face of major market disruptions.

## **Increasing International Arrivals and Direct Flights into Cambodia**

Despite the travel and tourism sector remaining subdued globally, Cambodia received a total of 343,464 international arrivals in the first 5 months of 2022, representing an increase of 275.0% year-on-year, while arrivals from ASEAN increased by 282.2% year-on-year to 217,038 visitors. Among the top 10 markets, Vietnam was the highest (31.0%), followed by Thailand (20.1%), China (6.5%), United States (5.4%), Indonesia (4.9%), France (3.9%), Korea (3.4%), Malaysia (3.2%), United Kingdom (2.4%) and Australia (2.1%). These top 10 markets accounted for 82.9% of total arrivals. International business-related travel to Cambodia was 99,831 visitors in the first 5 months of 2022, with the top 5 markets coming from Vietnam (32.5%), China (16.5%), Indonesia (10.4%), Korea (5.0%) and Malaysia (4.4%) (*Source: MOT*). The increase in the number of international visitors came after Cambodia fully resumed socio-economic activities and reopened its border to fully vaccinated travellers with a quarantine-free policy.

As of 15 July 2022, weekly international direct flights to Phnom Penh, Cambodia stood at 179, including 79 from Thailand, 27 from Singapore, 21 from Malaysia, 20 from Vietnam, 14 from Korea, 14 from Greater China cities such as Guangzhou, Chengdu, Xiamen, Hong Kong, and Taipei, as well as 4 from the Philippines (*Source: Cambodia Airports, airlines websites*). Monthly international business-related arrivals for the month of May 2022 was 31,218 visitors, representing an increase of 1024.6% from the lowest point of 2,776 visitors recorded in April 2020 during the COVID-19 pandemic (*Source: MOT*).

The Cambodian government began the safe reopening of the economy in stages in the fourth quarter of 2021, with first the reopening of the education sector and reduction of quarantine requirements for travellers. Cambodia's strong pick-up in vaccination rates has reduced the risk of COVID-19 to public health and enabled the country to further ease restrictions on domestic business activities and tourism, as well as reopen to international travellers. Cambodia's borders reopened as part of a transition into an endemic phase of COVID-19, making it much easier for travellers to enter the country. Furthermore, as of 11 July 2022, the Cambodian government lifted the mandatory 7-day quarantine requirement for unvaccinated travellers (*Source: Khmer Times, 11 July 2022*).

According to the MOT, regional and global tourism is expected to recover steadily going forward and Cambodia is expected to capture a larger share of international visitor arrivals following the easing of entry restrictions and opening of borders of neighbouring countries and ASEAN members. The government believes that tourism can return to a positive trajectory in the near term.

This steady flow of tourism into the country provides increasing foot traffic into NagaWorld. The Company believes the overall economic recovery for the region remains in an early stage.

## **Outstanding Performance for Vaccinations**

Cambodia's vaccination progress is ranked among the best globally and has surpassed the target of 91% of the country's total 16 million population to be vaccinated against COVID-19. The latest Nikkei's COVID-19 Recovery Index showed that Cambodia was ranked first among 121 countries/regions with a score of 78.0 points as of 30 June 2022, which assessed the country's infection management, vaccine rollouts and social mobility. Cambodia's high ranking indicated that the country continues to make great improvements in confronting the pandemic and returning to normalcy. This was partly due to the success of national vaccination rollout programmes, low infection rates, and less stringent social distancing measures (*Source: Nikkei Asia COVID-19 Recovery Index, 8 July 2022*). The successful implementation of the vaccination program by the Cambodian government has shown results through lower infection cases. Cambodia reported low numbers which the rolling 7-day average of 13 cases as of 14 July 2022 and no new COVID-19 related death was reported in Cambodia for the past 3 months (*Source: Worldometer's COVID-19*). Meanwhile, the Cambodian government is administering a fifth booster dose to eligible adults to further curtail the spread of the virus and achieve a high immunity level.

The successful vaccine rollout has not only protected health and saved lives, it has also facilitated the resumption of businesses and helped contribute to economic recovery. The World Health Organization ("WHO") and ADB praised the outstanding performance of Cambodia in vaccinating its population effectively, along with maintaining strong bilateral relations with other countries as they supply Cambodia's vaccines (*Source: Khmer Times, 17 March & 5 April 2022*). In order to ensure all eligible Cambodians receive booster doses, the Royal Government of Cambodia continues to secure sufficient doses for its ongoing booster dose campaign.

## **Cambodia's Economy to Accelerate in 2022 and 2023**

Despite a global demand slowdown, the World Bank projected Cambodia's economy to grow at 4.5% in 2022 and it is expected to grow at around 6.0% over the medium term (*Source: World Bank's Cambodia Economic Update, June 2022*). It also mentioned that the traditional growth drivers, especially garments, travel goods, footwear, bicycle manufacturing industries, and agriculture have fully recovered. Similarly, the ADB is of the opinion that Cambodia is well positioned for recovery with Cambodia's real GDP growth at 5.3% in 2022 and accelerating to 6.5% in 2023, amid stronger-than-expected merchandise exports, inflows of FDI, and outstanding progress in vaccination campaigns by expanding vaccination to children, and initiating the use of booster doses to ensure high levels of immunity (*Source: Asian Development Outlook, April 2022*). Moreover, the ASEAN+3 Macroeconomic Research Office ("AMRO") indicated that Cambodia's economic growth is gradually recovering with the reopening of the economy, along with tourism recovery, which is expected to help Cambodia register stronger GDP growth in 2022 and 2023 at 4.9% and 5.8% respectively (*Source: ASEAN+3 Regional Economic Outlook ("AREO"), April 2022; AREO, Quarterly Update, July 2022*).

During the pandemic, FDI inflows into Cambodia remained resilient. According to the Council of Development of Cambodia ("CDC"), Cambodia attracted US\$4.35 billion in FDI in 2021, up 22% from 2020, with China remaining the largest foreign investor, accounting for US\$2.32 billion or 53.4% of the total investment, an increase of 67% from US\$1.39 billion in 2020. (*Source: Khmer Times, 4, 5 & 8 March 2022*). During the first three months of 2022, Cambodia has received US\$2.4 billion in FDI (*Source: Khmer Times, 3 April 2022*).

There is strong improvement in the country's exports. According to the Ministry of Economy and Finance, Cambodia's international trade volume reached US\$27.2 billion during the first half of 2022, an increase of 20.4% compared to the same period in 2021, while export volume reached US\$11.4 billion, a year-on-year increase of 33.9%, on the back of strong external demand from China, the United States, Vietnam, Thailand and Singapore in agriculture, garments and non-garment manufactured products. (Source: *Khmer Times*, 13 July 2022). Cambodia is now part of the Regional Comprehensive Economic Partnership ("RCEP") which came into effect 1 January 2022, designed to reduce trade barriers and improve market access for goods as well as attract investment to Cambodia. According to the World Bank, Cambodia should see gains from the RCEP agreement, ranking third after Vietnam and Malaysia in terms of revenue increase, with Cambodia's export growth expected to increase by 6.5% (Source: *World Bank Cambodia Economic Update*, June 2022). In the first quarter of this year, Cambodia's exports to the member countries of RCEP totalled US\$1.96 billion, representing an increase of 11.0% compared to the same period last year, with Vietnam, China, Thailand and Japan being Cambodia's top 4 export destinations (Source: *Khmer Times*, 5 May 2022).

### **Environmental, Social and Governance (ESG) Performance**

NagaWorld Kind Hearts (the Company's corporate social responsibility "CSR" arm) is a grassroots initiative with long term contribution towards the betterment of communities in Cambodia. This CSR arm of NagaWorld has conducted more than 590 programmes to date focusing on education enhancement, community engagement, sports development and care of the environment.

As education is fundamental to Cambodia's continued growth, NagaWorld Kind Hearts has been conducting initiatives continuously over the past two years that help further children's education, by providing study materials and other educational sessions to schools around Cambodia. NagaWorld Kind Hearts' notable contributions and positive impact on the education sector in Cambodia have been recognised by the Cambodia Ministry of Education, Youth and Sport by presentation of Certificates of Appreciation and medals to NagaWorld. The honours were bestowed following the successful completion of obligations relating to a 2019 Memorandum of Understanding for two School Outreach programmes: Stationery Set Distribution and Fire Safety Awareness. A total of more than 25,000 students across 11 provinces benefitted from activities conducted in 2019.

Furthermore, NagaWorld continued its tradition of supporting excellence in sports by providing cash awards to Cambodia's delegation of gold medal winners at the 2021 Southeast Asian Games in Vietnam. A total of US\$88,000 in cash incentives was handed over during a ceremony as part of NagaWorld's "Go For Gold" sponsorship agreement with the National Olympic Committee of Cambodia. NagaWorld will continue to support the development and profile-raising of sports in Cambodia with various community programmes conducted by NagaWorld Kind Hearts.

At the corporate level, the Company has clinched top honors and granted the coveted Most Honored Company by the renowned financial publication *Institutional Investor* for outstanding leadership and investor relations, including "Best Investor Relations", "Best CEO", "Best CFO", "Best IR Professional", "Best IR Team" and "Best Overall ESG" in the Gaming & Lodging sector. Within the Gaming & Lodging sector, across all categories, the Company was ranked overall #1 under Small & Mid-Cap and Top 3 under Asia (ex-Japan). This recognition is part of *Institutional Investor*'s 2022 Asia (ex-Japan) Executive Team rankings which are regarded globally as the financial industry's benchmark for excellence. Furthermore, *The Asset* has also honored the Company's US\$200 million Additional 2024 Senior Notes as the Best Bond (Cambodia) at *The Asset* Triple A Sustainable Capital Markets Country Awards 2021, which marked another corporate achievement and recognition from the bond market.

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

## Financial Stability, Stable Credit Rating and Sufficient Liquidity

The Group's cash and deposits have increased from US\$125.1 million as of 31 December 2021 to US\$212.9 million as of 30 June 2022. This was mainly due to the continued recovery of business volumes and prudent cash management by the Company. The accumulated cash and cash equivalents demonstrate the Group's continued ability to retain a stable cash position sufficient to fund cash expenditures during the Period despite the challenges faced. The Company does not have any debt repayment obligation until July 2024. To further support its liquidity position, the Company has flexibility on its planned capital expenditures.

Moody's reaffirmed the Company's B1 credit rating on expectation of a recovery in the Company's operating performance, improved leverage metrics and sufficient liquidity over the next 12 to 18 months (*Source: Moody's Credit Opinion, 23 February 2022*). The credit rating reflects the Company's dominant market position with a diversified business mix and exclusive casino license, as well as the advantages of operating in a low cost and low gaming tax environment. In addition, S&P Global also maintained the Company's B+/stable rating on the expectation of continued ramp-up of business operations, improved credit quality, adequate liquidity and appropriately managing the refinancing or redemption of the Senior Notes (*Source: S&P Global, Ratings Score Snapshot, 24 April 2022*).

## BUSINESS REVIEW

### Table 1: Performance Highlights

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

	<b>1H2022</b> <i>US\$'000</i>	1H2021 <i>US\$'000</i>
<b>Mass Market: Public Floor Tables</b>		
– Buy-ins	<b>538,836</b>	202,109
– Win rate	<b>19.2%</b>	14.8%
– Revenue	<b>103,294</b>	29,870
<b>Mass Market: EGM</b>		
– Bills-in	<b>1,095,277</b>	297,653
– Win rate	<b>7.8%</b>	8.6%
– Revenue	<b>55,506</b>	18,944
<b>Premium Mass Market</b>		
– Rollings	<b>1,463,421</b>	396,462
– Win rate	<b>4.2%</b>	4.7%
– Revenue	<b>61,313</b>	18,816
<b>Referral VIP Market</b>		
– Rollings	<b>533,429</b>	2,509,811
– Win rate	<b>3.2%</b>	2.5%
– Revenue	<b>17,238</b>	61,693
<b>Gross Gaming Revenue</b>	<b>237,351</b>	129,323
<b>Net Gaming Revenue</b>	<b>203,611</b>	74,653

## **Mass Market (Public Floor Tables and EGM)**

During the Period, the Company observed a gradual growth trend in Mass Market business volumes for Public Floor Tables and EGM which increased by 166.6% and 268.0% year-on-year respectively. The increase in business volumes was partially attributed to the reasonably sized expatriate community and to some extent, visitors from ASEAN patronising NagaWorld in search of entertainment in 1H2022. With the business environment starting to normalise, the footfall on the Mass Market floor was relatively stable, in particular, the premium mass/high limit gaming area.

The Company's Mass Market segment saw an overall business volume recovery of 80.3% compared to FY2019 (peak pre-COVID-19 year) business volumes. This was achieved without additional operational costs, resulting in expanded gross margins. We believe the Company's cost-control model, combined with the self-sustaining nature of the Mass Market business, gives the Company a unique advantage and competitive position in spite of a challenging pandemic environment.

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

## **Premium Mass Market**

During the Period, Premium Mass business volumes continued to increase, primarily due to visitation of both current expatriates in Cambodia, as well as short-term business visitors and the continued influx of customers from neighbouring countries. The Premium Mass segment achieved an overall business volume recovery of 71.8% compared to FY2019 (peak pre-COVID-19 year) business volume.

The average daily business volumes for Mass Market and Premium Mass segments grew by 15.9% and 14.5% sequentially from 1Q2022 to US\$9.69 million and US\$8.63 million in 2Q2022 respectively. This showed the strength of the captive domestic expatriate market as the local business environment normalized.

Overall, the Premium Mass segment saw a 269.1% increase in rollings to US\$1.5 billion, with a win rate of 4.2%. This translated into a 225.9% increase in Premium Mass revenue to US\$61.3 million during the Period.

## **Referral VIP Market**

During the Period, Referral VIP business volumes and revenue declined mainly due to the restrictive cross-border travel policies in the Asian region. However, Referral VIP business volumes improved significantly where average daily rollings increased by 98.5% on a sequential basis to US\$3.91 million in 2Q2022 as the number of the international direct flights to Phnom Penh continues to recover.

## **Non-Gaming – Hotel, F&B and Entertainment**

During the Period, non-gaming revenue increased significantly by 409.3% year-on-year mainly attributable to the reopening of business operations since 15 September 2021 and the easing of travel restrictions in Cambodia and other regional countries, which led to higher hotel occupancy rate and footfall to the property.

## Revenue and Gross Profit Analysis

**Table 2(a)**

1H2022	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	158.8	66	146.2	76	92
Premium Mass Market	61.3	25	37.2	19	61
Referral VIP Market	17.3	7	4.1	2	24
Non-Gaming	5.6	2	4.7	3	84
<b>Total</b>	<b>243.0</b>	<b>100</b>	<b>192.2</b>	<b>100</b>	<b>79</b>

**Table 2(b)**

1H2021	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
Mass Market	48.8	37	44.2	65	91
Premium Mass Market	18.8	15	12.4	18	66
Referral VIP Market	61.7	47	10.5	16	17
Non-Gaming	1.1	1	0.9	1	82
<b>Total</b>	<b>130.4</b>	<b>100</b>	<b>68.0</b>	<b>100</b>	<b>52</b>

The Group recorded a gross profit of US\$192.2 million for the Period. The overall gross profit margin increased to 79% (six months ended 30 June 2021: 52%) as a result of higher percentage of revenue contribution from Mass Market segment. Mass Market continued to maintain a high gross profit margin of 92%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation were US\$62.9 million during the Period, representing a decrease of US\$3.0 million or 5% year-on-year. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low.

### **Finance Costs**

During the Period, the Group incurred finance costs, after interest capitalisation, of US\$18.1 million (six months ended 30 June 2021: US\$21.7 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 Profit/Loss**

Net profit attributable to the Shareholders, or Net Profit, was US\$52.7 million for the Period. Net profit margin for the Period is 21.7% (six months ended 30 June 2021: net loss margin 59.2%).

Basic earnings per share were US cents 1.21 (HK cents 9.38) for 1H2022 and basic loss per share were US cents 1.78 (HK cents 13.8) for 1H2021, 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 against which the Promissory Notes were subsequently issued to provide collateral for the issuance of a bank guarantee from the same bank required under the Investment Agreement.

### **Contingent Liabilities**

The additional obligation payment (if any), other than those paid during prior years, are subject to the future development in this matter. Other than the additional obligation payment, there were no other contingent liabilities as at 30 June 2022.

### **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 2022, unless stated otherwise.

The Group had total cash and bank balances, restricted bank balance and fixed deposits of US\$212.9 million as at 30 June 2022 (31 December 2021: US\$125.1 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\$95.1 million as at 30 June 2022 (31 December 2021: US\$42.3 million). The Group had net assets of US\$1.7 billion as at 30 June 2022 (31 December 2021: US\$1.6 billion).

The Group had outstanding Senior Notes with a carrying amount of US\$544.8 million (31 December 2021: US\$543.0 million).

As at 30 June 2022, the Group's gearing ratio calculated as total debt less cash and bank balances, restricted bank balance and fixed deposits divided by equity was 19.2% (31 December 2021: 25.3%).

## **Capital and Reserves**

As at 30 June 2022, the capital and reserves attributable to owners of the Company were US\$1.7 billion (31 December 2021: US\$1.6 billion).

## **Employees**

As at 30 June 2022, the Group employed a total work force of 6,026 (31 December 2021: 6,181), stationed in Cambodia, China, Hong Kong, Macau, Malaysia, Singapore, Thailand, the United States and Russia. The remuneration and staff costs for the Period were US\$39.1 million (six months ended 30 June 2021: US\$39.8 million).

## **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\$39.6 million (as at 31 December 2021) to US\$23.8 million (as at 30 June 2022).

During the Period, the Group prudently made provision for impairment loss of US\$1.2 million (six months ended 30 June 2021: US\$1.0 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

The following are brief progress updates:

- a) **Working Bored Piles** – Overall working bored piles are at 72% completion, due to limited working space, 2 rigs have been demobbed and 6 rigs are continuing to complete the remaining working bored piles.
- b) **Wind Tunnel Study** – The wind tunnel testing for the wind induced structural study and façade, cladding, human comfort, and pedestrian wind comfort study have been fully completed with satisfactory results.
- c) **Basement Construction** – Basement construction started in December 2021, Tower 1 Level 1 beams and slabs have been casted, currently constructing basement 1 strut slab. Tower 3 steel struts and earth excavation on-going, preparing to cast the 3.5m raft slab soon.
- d) **Main Building Work** – Main Building Work design package is ready, target super-structural construction to commence in the second quarter of 2023.

### Update on the Investment Project in Vladivostok

The construction of both reinforced concrete as well as the steel structure of both the Hotel Tower Block and the Casino Podium has been completed and the construction of the Ballroom has reached the roof level.

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

### Prospects

The widespread effects of COVID-19 have brought unprecedented challenges and uncertainties to the global market. However, the extensive vaccination coverage against COVID-19 has enabled Cambodia to reopen borders for all socio-economic activities and tourism, leading to positive economic prospects in 2022 and 2023. According to the Ministry of Economy and Finance, Cambodia's economic growth is projected to reach 5.6% in 2022, underpinned by impressive high vaccination rates that rank among the best globally. Nationally, the country is progressing towards strong herd immunity against COVID-19 variants, which has allowed the government to fully restore socio-economic activities (*Source: Khmer Times, 8 March 2022*). The MOT is targeting to receive at least 1 million foreign tourists in 2022, with tourists primarily arriving from ASEAN, the United States, France and the United Kingdom. Based on this trend, Cambodia will see at least 7 million foreign tourist arrivals by end of 2025 (*Source: Khmer Times, 20 May 2022*). Meanwhile, the government is focusing on managing the COVID-19 endemic and preparing health systems for possible future pandemics.

The RCEP, in addition to Cambodia's existing bilateral Free Trade Agreement ("FTA"), is the key factor encouraging more foreign investors, particularly from China to Cambodia, bringing benefits to Cambodia in the long term (*Source: Asian Development Outlook, April 2022*). Also, the strong friendship and bilateral cooperation with China under the framework of the Belt and Road initiative are the key driving forces for growth in trade and investment between the two countries. It is expected that Cambodia will attract additional new FDI after the Cambodia-China Free Trade Agreement. Moreover, the Cambodia-Republic of Korea Free Trade Agreement and the RCEP all came into effect in 2022 (*Source: Khmer Times, 26 May 2022*). The government is working to restore Cambodia's economy and continue its upward trajectory post-pandemic.

Despite the challenges brought by the pandemic and heightened uncertainties following geopolitical tensions, bilateral trade between Cambodia and China continued to rise and remain strong, reaching US\$6.0 billion in the first half of 2022, an increase of 19.7% compared to the same period last year. Total imports from China was valued at US\$5.4 billion in the first half of 2022, representing an increase of 24.2% year-on-year (*Source: Khmer Times, 13 July 2022*). The rise in Cambodia and China trade volume was mainly attributed to the effective RCEP and FTA, better trade facilitation, as well as close ties and geographic proximity between the two countries.

The Group continues to focus on the execution of its existing development projects. The development of Naga 3 is in progress. It is expected that the combined complex of NagaWorld (Naga 1, Naga 2 and Naga 3) will have approximately 5,000 hotel rooms, 1,300 gaming tables and 4,500 EGM and many other non-gaming attractions. Approximately 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 its 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.

The market outlook is relatively positive with the full restoration of socio-economic activity supported by high vaccination rates. Following the reopening of ASEAN and global travel restrictions, the outlook for international tourism continues to improve and the Group remains optimistic on the near term prospects. NagaWorld will continue drawing tourists to Cambodia, especially from ASEAN and believes that the long term business prospects and outlook of the Group will remain stable.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

With effect from 1 January 2022, the requirements under the new Corporate Governance Code are applicable to the corporate governance reports for financial years commencing on or after 1 January 2022 and so the Company will fully comply with the new Corporate Governance Code in its 2022 Annual Report.

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 recommends the payment of an interim dividend of US cents 0.73 per share (or equivalent to HK cents 5.66 per Share) for the Period (six months ended 30 June 2021: Nil) to Shareholders whose names appear on the Company’s register of members on 16 September 2022 by way of scrip shares without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment (the “Scrip Dividend Scheme”). This represents a payout ratio of approximately 60%, based on the Net Profit generated for the Period. Subject to the satisfaction of the conditions set out below, it is expected that the certificates for the scrip shares will be posted to the Shareholders at the risk of those entitled thereto on or about 29 September 2022. Dealings in the scrip shares on the Stock Exchange are expected to commence on or about 30 September 2022.

The Scrip Dividend Scheme is subject to (1) the approval of the Scrip Dividend Scheme at the extraordinary general meeting of the Company to be held on 9 September 2022; and (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued by the Company pursuant thereto. A circular giving full details of the Scrip Dividend Scheme will be despatched by the Company to the Shareholders on or around 19 August 2022.

### **Advantage of the Scrip Dividend Scheme**

The Scrip Dividend Scheme will reward our long-term Shareholders for their continuous support of the Company in particular during this difficult COVID-19 period. The Scrip Dividend Scheme will also benefit the Company to the extent that such cash which would otherwise have been paid to eligible Shareholders in the form of cash dividends will be retained by the Company.

Furthermore, the Scrip Dividend Scheme will improve the trading liquidity in the Company’s shares and give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. Accordingly, the Board considers that the Scrip Dividend Scheme is in the interests of the Company and its Shareholders as a whole.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the following entitlements:

### **1. Extraordinary General Meeting**

The register of members of the Company will be closed from 6 September 2022 to 9 September 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the extraordinary general meeting, 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 at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 September 2022.

### **2. The Scrip Dividend Scheme**

The register of members of the Company will be closed on 16 September 2022, on which no transfer of Shares will be registered. The ex-dividend date will be 14 September 2022. In order to qualify for the Scrip Dividend Scheme, 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 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 September 2022.

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

The Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Period.

## **PUBLICATION OF FINANCIAL INFORMATION**

This announcement is available for viewing on the Company's website at [www.nagacorp.com](http://www.nagacorp.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://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.

## **CLARIFICATION**

Reference is made to the announcement of the Company dated 5 April 2022 (the "Announcement") in relation to, inter alia, the re-designation and/or appointment of certain senior management members of the Company. The Board would like to clarify that there was an inadvertent clerical error on page 5 of the Announcement and that the net proceeds raised from the Company's IPO as disclosed in the Announcement should be "US\$95 million", instead of "US\$65 million". Save for this inadvertent clerical error, all other information and contents of the Announcement remain unchanged.

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

Hong Kong, 18 July 2022

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

*Executive Directors*

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

*Non-executive Director*

Timothy Patrick McNally

*Independent Non-executive Directors*

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

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars (“HK\$”) and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (31 December 2021: HK\$7.75) and US\$1.0 to RUB51.16 (31 December 2021: RUB74.29).