



NAGACORP

金界控股有限公司

NAGACORP LTD.// 金界控股有限公司

(Incorporated in Cayman Islands with limited liability)

STOCK CODE: 3918

2022  
INTERIM REPORT





# ពិធីប្រគល់រង្វាន់របស់ណាហ្គាវើលដ៍

## ជូនអត្តពលិកមេដាយមាសកីឡាស៊ីហ្គេមលើកទី៣១

### NAGAWORLD GO FOR GOLD REWARDS CEREMONY - 31<sup>ST</sup> SEA GAMES

ថ្ងៃសុក្រ ១០កើត ខែជេស្ឋ ឆ្នាំទាល ចតុស័ក ព.ស.២៥៦៦  
រាជធានីភ្នំពេញ ថ្ងៃទី១០ ខែមិថុនា ឆ្នាំ២០២២ Phnom Penh, 10-06-







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火紅紅四海

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生意

財源廣進



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NAGAWORLD GO FOR GOLD REWARDS CEREMONY - 31<sup>ST</sup> SEA GAMES



88,000

# CORPORATE INFORMATION

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

## Board of Directors

### Executive Directors

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

### Non-executive Director

Timothy Patrick McNally (*Chairman*)

### Independent Non-executive Directors

Lim Mun Kee  
Michael Lai Kai Jin  
Leong Choong Wah

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## AML Oversight Committee

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

## Company Secretary

Lam Yi Lin

## Authorised Representatives

Philip Lee Wai Tuck  
Lam Yi Lin

## Independent Auditor

BDO Limited (*Registered Public Interest Entity Auditors*)

## Solicitors

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

## Principal Banker

CIMB Bank Plc

## INVESTOR RELATIONS

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

### Listing

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

### 2022 Interim Report

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

### Stock Code

3918

### Registered Office

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

### Principal Place of Business in Cambodia

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

### Principal Place of Business in Hong Kong

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Senior Chief Executive Officer

Tan Sri Dr Chen Lip Keong

### Chief Executive Officer - Operations

Chen Yiy Fon

### Chief Executive Officer - Finance and Treasury

Chen Cherchi

### Chief Executive Officer - Hotels

Chen Yiy Hwuan

### Chief Financial Officer

Cheung King Man

### Head of Investor Relations

Gerard Chai, *Managing Director*

### Investor Relations (North America and Europe)

Kevin Nyland, *Vice President*

### Company Website

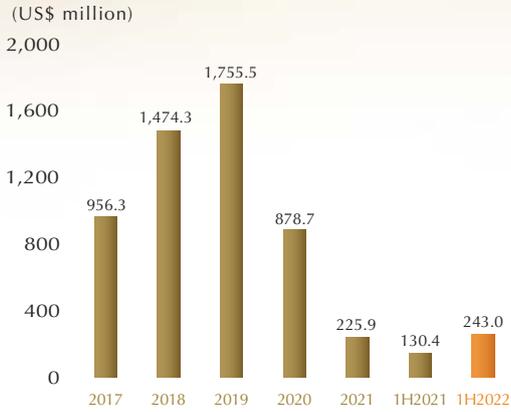
[www.nagacorp.com](http://www.nagacorp.com)

### Share Information

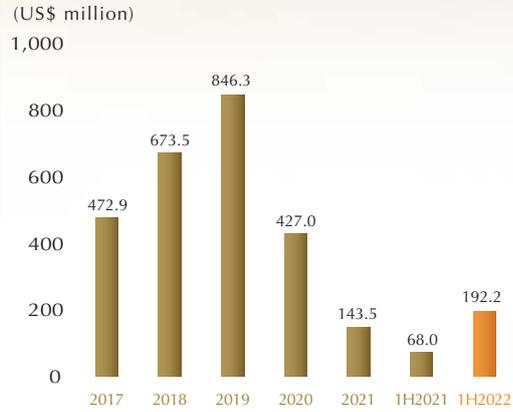
Board lot: 2,000 Shares  
Issued Shares as at 30 June 2022:  
4,341,008,041 Shares

# FINANCIAL HIGHLIGHTS

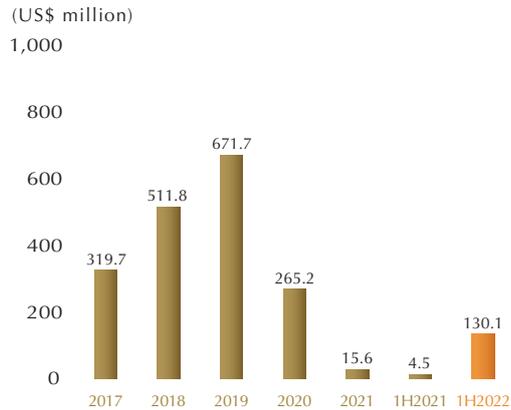
## Revenue



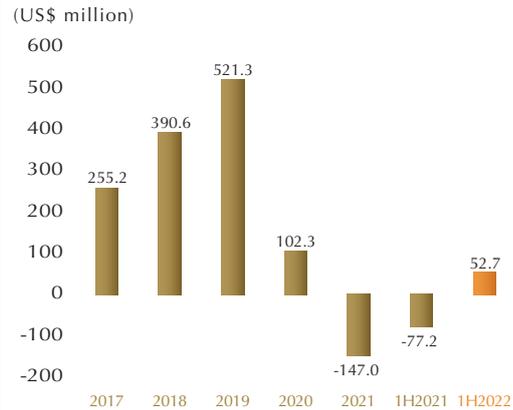
## Gross Profit



## EBITDA



## Net Profit



## Revenue (US\$243.0 million)



## Gross Profit (US\$192.2 million)



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

# CHAIRMAN'S STATEMENT



**Timothy Patrick McNally**  
*Chairman*

## **Dear Shareholders,**

We are pleased to report that NagaCorp continued to see business recovery and generated positive operational and financial results for shareholders during the six months ended 30 June 2022 (the "Period" or "1H2022") with net profit of US\$52.7 million and gross gaming revenue ("GGR") of US\$237.4 million. We continue to build momentum in our business, giving us a sustained level of business volume recovery after the effects of two challenging years of COVID-19. The gradual recovery of our business and resiliency of our earnings in the face of major market disruptions placed NagaCorp as only one of the two regional gaming companies to achieve profitability during the Period.

Our relatively stable business volumes and operational results are mainly attributed to the following:

### **Business Recovery and Resiliency**

Despite the on-going effects of COVID-19, Chinese arrivals for business and investment purposes has continued to increase, further reinforcing business migration into the country. During the pandemic, NagaWorld has been a beneficiary of this continued

business migration from China and other Asian countries, capitalizing on the influx of foreign capital and increased expatriates into Cambodia.

### **International Arrivals and Direct Flights into Cambodia Continued to Increase**

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% compared to last year. Of this total, 99,831 visitors were international business-related travellers. The positive impact of international arrivals remains in sight as the economy continues its recovery amid Cambodia's fully resumed socio-economic activities and reopened border to fully vaccinated travellers. This steady flow of international arrivals into the country also provides increasing foot traffic into NagaWorld.

These visitation numbers also reflect a continued significant change in the business environment of Cambodia and we anticipate continued improvement and recovery in the tourist sector in 2022 to 2023.

## CHAIRMAN'S STATEMENT

### Outstanding Performance for Vaccinations

Cambodia is one of the best performing countries globally for COVID-19 vaccination and statistically, the country is moving towards herd immunity as it surpassed the target of 91% of the country's total population of 16 million being vaccinated. According to the latest Nikkei COVID-19 Recovery Index, Cambodia was ranked first among 121 countries and regions. Cambodia's high ranking indicated that the country continues to make great improvements in confronting the pandemic and returning to normalcy.

The national COVID-19 vaccination campaign is the key to unlocking a speedy economic recovery with the proper allocation and effective use of resources by the Cambodian government in controlling the spread of COVID-19.

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

Despite a global demand slowdown, the World Bank has 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 has also mentioned that traditional growth drivers of the Cambodian economy, the garment and agriculture sectors, have fully recovered.

Cambodia is now part of the Regional Comprehensive Economic Partnership ("RCEP") which came into effect on 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, increasing Cambodia's export growth by 6.5% over last year (*Source: World Bank's Cambodia Economic Update, June 2022*).

Moody's Investors Service maintained a B2 stable outlook rating on Cambodia. This was due to ongoing export diversification supporting economic recovery, and risks to growth and financial stability being mitigated by a modest debt burden and strong debt affordability (*Source: Moody's Report, 15 February 2022*).

During the first half of 2022, foreign direct investment ("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. Of the total FDI, China was Cambodia's largest source of foreign investment, with an investment of US\$2.32 billion, accounting for 53.4% of total FDI (*Source: Khmer Times, 4, 5 & 8 March 2022*). During the first three months of 2022, Cambodia received US\$2.4 billion in FDI (*Source: Khmer Times, 3 April 2022*).

### Environmental, Social and Governance (ESG)

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

We believe that education is fundamental to Cambodia's continued growth and NagaWorld Kind Hearts has continued conducting initiatives 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.

At the corporate level, the Company has been recognized as Most Honoured Company in the Gaming & Lodging sector category 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". 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.

Also, *The Asset* has also honored the Company's additional US\$200 million 7.95% senior notes due 2024 (the "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.

### **Resilient, Solid Strategy for Growth**

During the first half of the year, we continued to see a steady growth trend in the Mass Market business, attributable to the reasonably sized expatriate community and to some extent, visitors from ASEAN. With the region's business environment starting to normalise, our Mass Market segment saw an overall business volume recovery of 80.3% compared to FY2019 pre-COVID-19 business volumes. This was achieved without additional operational costs, resulting in expanded gross margins. We believe the Company's cost-control model, combined with self-sustaining business in spite of a challenging pandemic environment give the Company a unique advantage and competitive position.

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

Premium Mass business volumes also 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 volume recovery of 71.8% compared to FY2019 pre-COVID-19 business volumes.

We will remain focused on these segments for growth and sustained recovery.

During the first half of the year, Referral VIP business volumes and revenue declined mainly due to the restrictive cross-border travel policies in the Asian region. However, it is noteworthy that in the first quarter of 2021, prior to the voluntary temporary suspension of business operations, the Referral VIP business recorded stable volume, mainly generated from a reasonably sized number of expatriates currently residing and conducting business in Cambodia.

During the first six months of the year, non-gaming revenue increased significantly by 409.3% year-on-year, primarily due to the reopening of business operations on 15 September 2021 and the easing of travel policies in Cambodia and other regional countries, which led to higher occupancy rate and footfall during this Period.

## CHAIRMAN'S STATEMENT

The Group continues to focus on the execution of its existing development projects. The development of Naga 3 is moving forward as planned and making good 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 electronic gaming machines ("EGM"). It is also anticipated that Naga 3 will include many non-gaming attractions to draw a more diversified tourist audience. About 93% of Naga 3's gross floor area will feature non-gaming offerings and this is consistent with the Group's long term strategy of offering comprehensive lifestyle products and services. 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 largest riverine integrated resorts and entertainment centres in the Asia Pacific region.

As we announced on 3 March 2022, the Company has indefinitely suspended its development of a gaming and resort project in Vladivostok until circumstances in the region become clearer.

Looking forward, we believe the market outlook is positive, with the full restoration of socio-economic activity and remarkably high vaccination rates. Following the reopening of ASEAN and global travel restrictions, the outlook for international tourism continues to improve and we remain optimistic on near term business prospects. In the near term, NagaWorld is expected to continue drawing tourists to Cambodia, especially from ASEAN. We believe that the long term prospects and outlook of the Company are favourable, with the return of tourism and continued investment in the local Cambodian economy.

### **Social Responsibility**

For many years, NagaCorp has been recognized for its leadership in corporate social responsibility. The first half of 2022 was no different. We will continue our journey of being a good corporate citizen and striving for excellence to uphold our responsible position in the country.

### **Corporate Governance**

NagaCorp has engaged an independent professional party to review the internal controls of the Group with a focus on anti-money laundering on a semi-annual basis. The independent professional party will issue its findings in its reports, details of which will be enclosed in our annual report for the year ending 31 December 2022. The Company has also engaged another professional party, Political and Economic Risk Consultancy, Ltd., to assess the investment risks in Cambodia and its findings are also set out in this interim report.

### **Our Appreciation**

The board of directors of the Company (the "Board") would like to express their appreciation to our employees for their hard work and dedication, and to our shareholders, customers and suppliers for their continued support.

**Timothy Patrick McNally**  
*Chairman*

Hong Kong, 18 July 2022

# 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 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's Cambodia Economic Update, June 2022*).

During the Period, the Group recorded earnings before interest, tax, depreciation and amortization 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 the three months ended 30 June 2022 ("2Q2022") compared to the three months ended 31 March 2022 ("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 net gaming revenue ("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 the financial year ended 31 December 2020 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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: Ministry of Tourism of Cambodia ("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 population of 16 million 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 with a rolling 7-day average of 13 cases as of 14 July 2022 and no new COVID-19 related death being 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 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 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*).

## MANAGEMENT DISCUSSION AND ANALYSIS

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 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's 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 its outstanding senior notes due in 2024 (the “Senior Notes”) (*Source: S&P Global, Ratings Score Snapshot, 24 April 2022*).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

**Table 1: Performance Highlights**

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

	<b>1H2022</b>	<b>1H2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<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

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue and Gross Profit Analysis

Table 2(a)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
<b>1H2022</b>					
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)

	Revenue		Gross Profit		Gross Profit Margin
	US\$'m	%	US\$'m	%	%
<b>1H2021</b>					
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 16 to the condensed consolidated financial statements for further detail of the Senior Notes.

#### **Net Profit/Loss**

Net profit attributable to the shareholders of the Company (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 Primorsky Entertainment Resorts City LLC. 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 Russian Rubles ("RUB"). The Group, therefore, does not have any significant exposure to foreign currency risk and, thus has not entered into any currency hedging transactions.

### **Issue of New Shares**

No shares were issued by the Company during the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 interim report.

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

### 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.

# DISCLOSURE OF INTERESTS

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

The directors of the Company (the "Directors") who held office as at 30 June 2022 had the following interests in the Shares, underlying Shares and debentures at that date as recorded in the register of directors' and chief executive's interests required to be kept under section 352 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### (1) Interests in Shares and Underlying Shares

Name of Director	Capacity	Number of Shares and Underlying Shares Held	% of Total Issued Shares <small>(Note 1)</small>
Tan Sri Dr Chen Lip Keong ("Dr Chen")	Founder of a discretionary trust <small>(Note 2)</small>	1,062,373,297 (L)	24.47 (L)
Dr Chen	Beneficial owner	1,943,107,166 (L)	44.76 (L)
Dr Chen	Interest of controlled corporation <small>(Note 3)</small>	1,142,378,575 (L)	26.32 (L)

Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 30 June 2022.
- (2) Such interest includes (i) 951,795,297 Shares held by ChenLa Foundation, a discretionary family trust, through LIPKCO ENTERPRISES LIMITED and LIPKCO Group Limited; and (ii) 110,578,000 Shares held by Sakai Private Trust Company Pte. Ltd. as trustee of The Sakai Trust, a discretionary family trust, through ChenLipKeong Capital Limited. As the founder of ChenLa Foundation and The Sakai Trust, Dr Chen is deemed to be interested in the Shares held by ChenLa Foundation and The Sakai Trust. Details of the interests in the Company held by ChenLa Foundation and LIPKCO Group Limited are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (3) These 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) will be issued to ChenLipKeong Fund Limited upon completion of the Guaranteed Maximum Sum Design and Build Agreement ("DBA") and the Subscription Agreement on or before 30 September 2025 or such other extended date as is agreed between the parties. By virtue of the 100% interest held by Dr Chen in ChenLipKeong Fund Limited, Dr Chen is deemed to be interested in the Shares which will be held by ChenLipKeong Fund Limited. Details of the interests in the Company held by ChenLipKeong Fund Limited is set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below.
- (4) The letter "L" denotes the entity's long position in the Shares.

**(2) Interests in Debentures**

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

Note:

ChenLipKeong Capital Limited which is wholly-owned by Sakai Private Trust Company Pte. Ltd. as trustee of The Sakai Trust held an aggregate principal amount of US\$45,000,000 7.95% senior notes due 2024 issued by the Company. The notes cannot be converted into Shares. As the founder of The Sakai Trust, Dr Chen is deemed to be interested in the notes of the Company held by The Sakai Trust.

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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

So far as the Directors or the chief executive of the Company are aware of, as at 30 June 2022, the Shareholders, other than a Director or the chief executive of the Company, who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

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

Notes:

- (1) Based on the Company's issued share capital of 4,341,008,041 Shares as at 30 June 2022.
- (2) Such interests are held by LIPKCO Group Limited and LIPKCO ENTERPRISES LIMITED which in turn are controlled by ChenLa Foundation of which Dr Chen is the founder.
- (3) Upon the completion of the DBA and the Subscription Agreement on or before 30 September 2025 or such other extended date as is agreed between the parties, these 1,142,378,575 Settlement Shares or such Adjusted Settlement Shares (both as defined in the circular of the Company dated 22 July 2019) for the development funding of the Naga 3 project will be issued to ChenLipKeong Fund Limited. ChenLipKeong Fund Limited is wholly owned by Dr Chen.
- (4) The letter "L" denotes the entity's long position in the Shares.

## DISCLOSURE OF INTERESTS

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware of, as at 30 June 2022, no other party (other than a Director or the chief executive of the Company) had an interest or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

### Share Option Scheme and Share Award Scheme

#### (1) Share Option Scheme

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

Since its adoption and up to 30 June 2022, no share option has been granted by the Company under the Share Option Scheme. Accordingly, there were no outstanding share options as at 30 June 2022.

#### (2) Share Award Scheme

The Company has adopted a share award scheme (the “Share Award Scheme”) on 28 January 2021 with the purposes and objectives to attract skilled and experienced personnel, to incentivise them to remain with the Group and/or to recognise their contribution to the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to obtain equity interests in the Company.

Pursuant to the Share Award Scheme, new Shares may be granted to the participants credited as fully paid for non-cash consideration by way of incentive remuneration in respect of such participants’ past service, current and prospective roles with, and/or contributions to, the Group.

Participants of the Share Award Scheme will comprise the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the subsidiaries of the Company and the employees of the Group who the Board considers, in its absolute discretion, have contributed or will contribute to the Group.

The Share Award Scheme is valid for a term of 10 years from the adoption date, unless terminated earlier.

No Shares have been granted under the Share Award Scheme since its adoption and up to 30 June 2022.

Apart from the foregoing, at no time during the six months ended 30 June 2022 was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

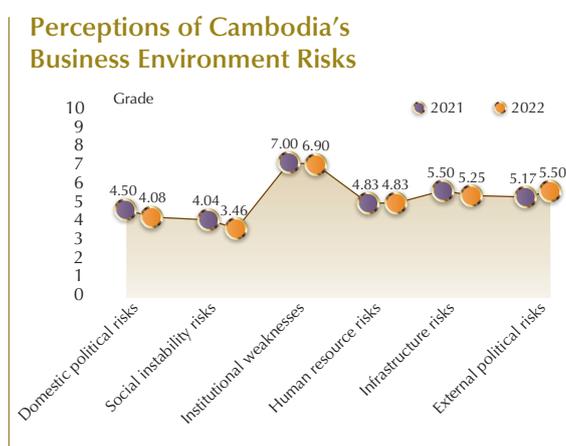
Political and Economic Risk Consultancy, Ltd. ("PERC")  
20/F, Central Tower  
28 Queen's Road, Central  
Hong Kong

## TO THE BOARD OF NAGACORP LTD.

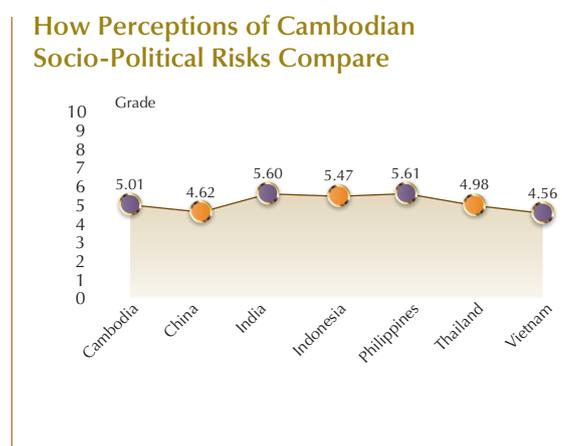
We have assessed and reviewed the political, social, investment and macro-economic risks in Cambodia as they relate to NagaCorp's casino, hotel and entertainment business

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

Based on the assessments and reviews carried out between late November 2021 and the end of December 2021 we summarised our findings below:



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



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

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

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

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

Cambodia. We have treated each variable as having equal importance or weight.

## Summary

The COVID-19 pandemic has severely disrupted the Cambodian economy, but the crisis has pushed down the overall level of socio-political risks. Four of the six major categories of socio-political risks are lower this year compared with 2020 and even more so compared with 2019. The population has rallied behind the government's policies to contain the virus. Those policies, especially the vaccination program, have been effective, raising confidence in the quality of the current government's policies, while reducing what limited appeal opposition parties still have among the local electorate.

## INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

Domestic political uncertainties have been further reduced by the high level of confidence in the outcomes of both the communal elections scheduled for 2022 and the national elections scheduled for 2023. There is little doubt that the ruling Cambodian People's Party (CPP), under Prime Minister Hun Sen, will retain power. Moreover, uncertainties regarding the succession have been reduced by Hun Sen's announcement, supported by the CPP, that his son, Hun Manet, will be his preferred successor when the time comes. This bodes well for political predictability not only for the next four or five years, but even longer. There are still transition risks, but these have been reduced by Hun Sen's clarification of what he wants to see happen upon his retirement and the time he now has to ensure that it does.

The likelihood of continuing political stability is not just a reflection of the strength of the current political leadership but also of the public's support for it and the lack of a credible political opposition. There is a widespread appreciation for how well the government has done in limiting the spread of COVID in the country, as well as the limited number of deaths arising from it, and there is much greater public confidence in the present government than in the opposition that it can protect the population from health risks, alleviate temporary economic hardships, and get the economy back on a high-growth path to which younger Cambodians have grown accustomed.

Dealing with the health care crisis has helped to strengthen important national institutions like the Ministry of Economy and Finance (MEF) and departments under it like the tax authorities. The ability of the MEF, in turn, to tighten its supervision of spending by other government departments has improved overall fiscal discipline in the government and limited certain kinds of

corruption. Moreover, while unnecessary spending has been reduced, the government has maintained strong spending on the country's physical infrastructure. The new roads, airport facilities, power, water, and other infrastructure being built should underpin the economy's recovery and help GDP growth get back above 4% in 2022 even if tourism continues to lag.

The country's education system has suffered a setback and progress in raising the level of young human talent has been delayed, but the contractions suffered by many industries, especially in services like hotels, have created a pool of experienced labor on which companies that survive the pandemic will be able to draw to gear up for the economic recovery as it materializes. That is already happening in the manufacturing sector. It will take longer for tourism to recover, and the number of foreign visitors to Cambodia might not return to pre-pandemic levels for another four years or so. However, the absolute number of tourists are less important to the dynamism of the economy than is the direction of change. After two years of declining foreign visitor numbers, there is likely to be a modest recovery in 2022 and a stronger one in 2023, and since the supply side of hotel rooms and other facilities has consolidated as much as it has, even a limited upturn in tourism inflows should have a big positive impact on establishments that have weathered the storm.

However, the pace of that recovery depends on factors that are beyond Cambodia's ability to control directly. That is why the one category of risk that has increased over the past year relates to external variables. The two biggest uncertainties here are, first, the speed that other countries, especially Mainland China and neighboring ASEAN countries, manage the threat of COVID enough to feel comfortable allowing their residents to travel abroad without having

to go into quarantine upon returning home. Second, how US-China relations develop in the coming year and if their rivalry results in the US government trying to pressure other countries in how they conduct their relations with China. There is a risk that the US might adopt import penalties or take other punitive action against China as well as other countries in which China has a heavy factory presence and close diplomatic ties. That includes Cambodia. This risk arising from adverse changes in US policies is not a direct threat to Cambodia's tourism industry, but it would threaten Cambodia's manufacturing sector, which depends heavily on the US as a market.

### Positive Developments

- The effective way the government has handled the COVID pandemic and rallied the population around its policies, especially its vaccination program, could change the entire narrative on Cambodia in a positive way. Cambodia now has a chance to be seen in a much more positive light by foreign investors and tourists for the stability and safety it offers.
- The Hun Sen government is taking steps to lay the ground for a smooth transition in which his eldest son will succeed him as prime minister. Such a succession would undoubtedly have its critics (mainly outside the country), and transition risks remain. However, they are less now than they were one year ago, and the public seems willing to accept this kind of transition.
- Cambodia's economic and diplomatic relations with Mainland China have continued to improve. If the Kingdom can keep COVID contained and coordinate its COVID tracing and monitoring policies with China, as it is trying to do, it should be one of the first countries in Southeast Asia that China starts relaxing restrictions so Mainlanders can visit more easily on business and for purposes of tourism.

- Foreign orders are strong, and many factories are running at capacity. COVID and other problems in neighboring Vietnam, Bangladesh and Myanmar have diverted more business to Cambodian factories, and this should help drive the economy in 2022.

### The Challenges

- Cambodia's extremely heavy reliance on China as a supplier (of goods, aid, tourists, and direct investment) and on the US as a market for its exports of goods entail downside risks that will have to be managed. Compounding the risks of having the economy so narrowly based is the delicate state of US-China relations that could evolve in ways that affect Cambodia adversely.
- The pandemic has highlighted the need for the government to do more to reach the informal economy or to bring the informal economy more into the formal economy. Relief efforts initially focused on the problems of companies and individuals working in the formal economy, but it soon became clear that the informal economy was especially vulnerable and that it was not really an option to ignore the problems of unregistered workers and companies.
- Sharply rising freight rates and a shortage of containers will raise costs and result in delivery delays that could affect the timing of payments and push up prices. Locally, it could contribute to higher inflation in 2022, while affecting exporters' profits and cash flow.

## INDEPENDENT REVIEW OF INVESTMENT RISKS IN CAMBODIA

- There is a need to speed up industrial diversification. The economy is still too dependent on garments and footwear. Developing new industries like electronics and spare parts manufacturing should reduce cyclical swings and broaden direct investment sources and export markets.
- The bursting of the Sihanoukville bubble just before the COVID pandemic hit highlights the need for better urban planning and forward thinking, stricter enforcement of building codes and other licensing requirements, and a more balanced development of supporting infrastructure.
- Managing the level of debt distress facing the banking and microfinance system is likely to be a growing challenge in 2022. The value of non-performing loans is likely to increase, as loan restructuring extends into 2022. This could weaken capital positions of the financial institutions, and reduce their ability to finance the recovery of the economy.

### **Robert Broadfoot**

#### **Managing Director**

PERC

Hong Kong, 10 January 2022

### **About The Reviewer**

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## **Compliance with Corporate Governance Code**

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

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

## **Compliance with Model Code**

The Company has adopted the Model Code as the code of conduct of the Directors in respect of transactions in securities of the Company by the Directors. Having made specific enquiries, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the Period.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

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.

## **Audit Committee**

The audit committee of the Board (the “Audit Committee”) is responsible for overseeing, among other things, the objectivity and credibility of financial reporting of the Company and the effectiveness of the risk management and internal control systems of the Group as well as maintaining an appropriate relationship with the external auditor of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lim Mun Kee (Chairman), Mr. Michael Lai Kai Jin and Mr. Leong Choong Wah.

During the Period, the Audit Committee has reviewed, among other things, the financial reports and statements as well as the internal control framework of the Company. In addition, the Audit Committee held private sessions with the external auditor without the presence of the management. The Audit Committee reviewed the report from the Group’s Internal Audit Department and deliberated on the report regarding internal controls in the business operations of the Group.

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

### **Nomination Committee**

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

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

During the Period, the Nomination Committee nominated Mr. Philip Lee Wai Tuck, Mr. Leong Choong Wah and Mr. Lim Mun Kee, the retired Directors, for re-election by Shareholders at the Company’s 2022 annual general meeting (the “2022 AGM”), and reviewed, among other things, the structure, size and composition of the Board with reference to the measurable objectives set out under the Board Diversity Policy. It has also assessed the independence of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and proposed the re-designation and/or appointment of senior management for Board approval.

### **Remuneration Committee**

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

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

During the Period, the Remuneration Committee considered and proposed, among other things, the Directors’ fees to Shareholders for approval at the 2022 AGM and the remuneration package of those senior management being re-designated and/or appointed.

### **Risk Management and Internal Control**

The Board plays a key role in overseeing risks undertaken by considering risks as part of the strategy setting process. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance, against material misstatement or loss. Under the framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems in safeguarding the Group’s assets. This risk management and internal control framework is reviewed annually by the Audit Committee on behalf of the Board.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

### **Internal Controls on Anti-Money Laundering**

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

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

Tier 2 – Internal audit of AML procedures to ensure that the Company is in compliance with AML policies, with the results of such audits reported to the Audit Committee and the AML Oversight Committee.

Tier 3 – AML Oversight Committee established at the Board level, chaired by the non-executive Chairman of the Board, which meets on a quarterly basis to review the work and reports of the AML Management Committee and Internal Audit Department. Matters of significance are then reported to the Board for deliberation.

Tier 4 – External audit of the Company's AML procedures. The Company engages an AML specialist firm which carries out a biannual audit of the Company's AML procedures, which includes work conducted by the AML Management Committee. The report of this external AML audit for the year 2022 will be enclosed in our annual report for the financial year ending 31 December 2022.

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### **Independent Review of Investment Risks in Cambodia**

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

### **Disclosure under Rule 13.21 of the Listing Rules**

On 6 July 2020, a written agreement (the "2024 Notes Indenture") was entered into among the Company as issuer of the senior notes of an aggregate principal amount of US\$350 million with maturity on 6 July 2024 (the "2024 Senior Notes"), NagaCorp (HK) Limited, NAGAWORLD LIMITED, NagaCity Walk Limited, Naga 2 Land Limited and Naga 3 Company Limited, companies wholly and beneficially owned by the Company and collectively as guarantors, and GLAS Trust Company LLC as trustee of the 2024 Senior Notes, pursuant to which the 2024 Senior Notes were issued. The 2024 Notes Indenture provides that upon the occurrence of a Change of Control (as defined in the 2024 Notes Indenture), the Company will make an offer to repurchase all outstanding 2024 Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts (as defined in the 2024 Notes Indenture), if any, at the date of repurchase. Please refer to the announcements of the Company dated 22 June 2020, 24 June 2020 and 6 July 2020 for details about the 2024 Senior Notes.

On 30 September 2020, a supplemental indenture to the 2024 Notes Indenture was entered into among the Company, the guarantors under the 2024 Senior Notes, Ariston Sdn. Bhd. ("Ariston") and GLAS Trust Company LLC as trustee of the 2024 Senior Notes, pursuant to which Ariston was added as a subsidiary guarantor under the 2024 Senior Notes.

On 15 June 2021, the Company issued the Additional 2024 Senior Notes. The Additional 2024 Senior Notes were issued on the same terms and conditions (other than the issue date and the offer price) and were consolidated and formed the same series as the 2024 Senior Notes. Since the principal terms of the Additional 2024 Senior Notes are the same as the terms of the original 2024 Senior Notes, the change of control provisions under the 2024 Notes Indenture remains unchanged and apply to the Additional 2024 Senior Notes. These Additional 2024 Senior Notes will not be convertible into Shares. Please refer to the announcements of the Company dated 7 June 2021 and 15 June 2021 for details about the Additional 2024 Senior Notes.

# CONDENSED CONSOLIDATED STATEMENT OF INCOME

for the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Notes	Six months ended 30 June	
		2022	2021
		\$'000 (Unaudited)	\$'000 (Unaudited)
<b>Revenue</b>	4	<b>242,984</b>	130,429
Gaming tax	7	<b>(14,258)</b>	(6,637)
Cost of sales		<b>(36,518)</b>	(55,764)
<b>Gross profit</b>		<b>192,208</b>	68,028
Other income		<b>2,000</b>	3,454
Administrative expenses		<b>(25,057)</b>	(27,134)
Other operating expenses		<b>(97,018)</b>	(94,845)
<b>Profit/(Loss) from operations</b>		<b>72,133</b>	(50,497)
Finance costs	5	<b>(18,148)</b>	(21,743)
<b>Profit/(Loss) before taxation</b>	6	<b>53,985</b>	(72,240)
Income tax	7	<b>(1,286)</b>	(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>	9	<b>1.21</b>	(1.78)
<b>Diluted</b>	9	<b>1.21</b>	(1.78)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2022	2021
	\$'000 (Unaudited)	\$'000 (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	<b>3,225</b>	(687)
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<b>55,924</b>	(77,916)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Notes	30 June 2022 \$'000 (Unaudited)	31 December 2021 \$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1,955,627	1,931,729
Right-of-use assets		85,820	88,837
Intangible assets	12	63,839	65,197
Prepayments for acquisition, construction and fitting-out of property, plant and equipment		155,535	138,156
Promissory notes	13	–	9,583
		<b>2,260,821</b>	2,233,502
<b>Current assets</b>			
Consumables		2,092	1,793
Trade and other receivables	14	54,416	66,774
Promissory notes	13	13,635	–
Restricted bank balance and fixed deposits		22,295	22,350
Cash and cash equivalents		190,560	102,724
		<b>282,998</b>	193,641
<b>Current liabilities</b>			
Trade and other payables	15	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>	151,373
		<b>95,097</b>	42,268
		<b>2,355,918</b>	2,275,770

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Notes	30 June 2022 \$'000 (Unaudited)	31 December 2021 \$'000 (Audited)
<b>Non-current liabilities</b>			
Other payables	15	5,588	5,348
Senior notes	16	544,842	542,952
Contract liabilities		16,750	20,500
Lease liabilities		56,166	57,447
		<b>623,346</b>	626,247
<b>NET ASSETS</b>		<b>1,732,572</b>	1,649,523
<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>	1,649,523

Approved and authorised for issue by the Board on 18 July 2022.

Timothy Patrick McNally  
*Chairman*

Philip Lee Wai Tuck  
*Executive Deputy Chairman*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Capital contribution reserve	Other reserve	Exchange reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2021</b>	54,263	751,356	151	(12,812)	55,568	-	(1,935)	809,875	1,656,466
<b>Changes in equity for the six months ended 30 June 2021:</b>									
Loss for the period	-	-	-	-	-	-	-	(77,229)	(77,229)
Other comprehensive income - exchange difference from translation of foreign operations	-	-	-	-	-	-	(687)	-	(687)
Total comprehensive income for the period	-	-	-	-	-	-	(687)	(77,229)	(77,916)
Recognition of equity-settled share-based payment	-	-	-	-	-	165,520	-	-	165,520
2020 final dividend declared and paid	-	-	-	-	-	-	-	(81,677)	(81,677)
<b>Balance at 30 June 2021 (unaudited)</b>	54,263	751,356	151	(12,812)	55,568	165,520	(2,622)	650,969	1,662,393
Loss for the period	-	-	-	-	-	-	-	(69,793)	(69,793)
Other comprehensive income - exchange difference from translation of foreign operations	-	-	-	-	-	-	(367)	-	(367)
Total comprehensive income for the period	-	-	-	-	-	-	(367)	(69,793)	(70,160)
Recognition of equity-settled share-based payment	-	-	-	-	-	57,290	-	-	57,290
<b>Balance at 31 December 2021 (audited)</b>	54,263	751,356	151	(12,812)	55,568	222,810	(2,989)	581,176	1,649,523
<b>Balance at 1 January 2022</b>	54,263	751,356	151	(12,812)	55,568	222,810	(2,989)	581,176	1,649,523
<b>Changes in equity for the six months ended 30 June 2022:</b>									
Profit for the Period	-	-	-	-	-	-	-	52,699	52,699
Other comprehensive income - exchange difference from translation of foreign operations	-	-	-	-	-	-	3,225	-	3,225
Total comprehensive income for the Period	-	-	-	-	-	-	3,225	52,699	55,924
Recognition of equity-settled share-based payment	-	-	-	-	-	27,125	-	-	27,125
<b>Balance at 30 June 2022 (unaudited)</b>	54,263	751,356	151	(12,812)	55,568	249,935	236	633,875	1,732,572

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

	Six months ended 30 June	
	2022	2021
	\$'000 (Unaudited)	\$'000 (Unaudited)
<b>Cash generated from operations</b>	<b>174,773</b>	22,516
Tax paid	–	(4,692)
<b>Net cash from operating activities</b>	<b>174,773</b>	17,824
<b>Investing activities</b>		
Interest received	<b>268</b>	61
Decrease/(increase) in restricted bank balance and fixed deposits	<b>55</b>	(7,950)
Payment for purchase of property, plant and equipment and for construction cost of property	<b>(59,377)</b>	(73,515)
<b>Net cash used in investing activities</b>	<b>(59,054)</b>	(81,404)
<b>Financing activities</b>		
Interest paid	<b>(21,863)</b>	(27,976)
Payment for lease liabilities	<b>(6,020)</b>	(2,515)
Repayment of senior notes	–	(300,000)
Net proceeds from issue of senior notes	–	209,493
<b>Net cash used in financing activities</b>	<b>(27,883)</b>	(120,998)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>87,836</b>	(184,578)
<b>Cash and cash equivalents at beginning of period</b>	<b>102,724</b>	437,741
<b>Cash and cash equivalents at end of period</b>	<b>190,560</b>	253,163

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

## 1. Corporate information

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (the “Period”) comprise the Company and its subsidiaries.

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

## 2. Basis of preparation

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

## 3. Principal accounting policies

The unaudited condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 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 (“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 computation adopted by the Group in the 2021 annual financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

### 3. Principal accounting policies (continued)

Adoption of new or amended standards effective on 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

### 4. Revenue

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

	Six months ended 30 June	
	2022	2021
	\$'000 (Unaudited)	\$'000 (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
	<b>242,984</b>	130,429

### 5. Finance costs

	Six months ended 30 June	
	2022	2021
	\$'000 (Unaudited)	\$'000 (Unaudited)
Interest expenses and transaction costs relating to senior notes (note 16)	22,979	28,769
Interest on lease liabilities	3,312	3,294
Other interest expenses	240	221
	<b>26,531</b>	32,284
Less: Interest expenses capitalised into capital work in progress	<b>(8,383)</b>	(10,541)
	<b>18,148</b>	21,743

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
(Expressed in United States dollars)

### 6. Profit/(Loss) before taxation

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'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
Impairment loss of trade receivables	1,200	1,000
Staff costs		
– Salaries, wages and other benefits	39,055	39,765
– Contributions to defined contribution retirement scheme	34	33

# included in other operating expenses in the unaudited condensed consolidated statements of income.

### 7. Income tax

#### (a) Gaming tax

The gaming tax of \$14,258,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: \$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
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax expenses		
– Current period	1,286	4,989

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
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### 8. Dividends payable to owners of the Company attributable to the period

	Six months ended 30 June	
	2022	2021
	\$'000 (Unaudited)	\$'000 (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	–	–
	<b>31,619</b>	–

### 9. 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 \$52,699,000 (six months ended 30 June 2021: loss of \$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).

### 10. Segment information

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

- Casino operations: this segment comprises all gaming activities at 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 10. Segment information (continued)

#### Segment revenue and results

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

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

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

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

#### Segment revenue:

##### Six months ended 30 June 2022 (unaudited):

Timing of revenue recognition:

– At point in time	204,895	2,957	207,852
– Transferred over time	32,456	2,676	35,132

Revenue from external customers	237,351	5,633	242,984
Inter-segment revenue	(432)	3,169	2,737

Reportable segment revenue	236,919	8,802	245,721
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##### 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

Revenue from external customers	129,323	1,106	130,429
Inter-segment revenue	(131)	1,298	1,167

Reportable segment revenue	129,192	2,404	131,596
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#### Segment profit/(loss):

Six months ended 30 June (unaudited)

2022	144,315	(6,477)	137,838
2021	25,234	(7,553)	17,681

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
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### 10. Segment information (continued)

#### Segment revenue and results (continued)

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	
	2022	2021
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Reportable segment revenue	245,721	131,596
Elimination of inter-segment revenue	(2,737)	(1,167)
<b>Consolidated revenue</b>	<b>242,984</b>	130,429
<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)
<b>Consolidated profit/(loss) before taxation</b>	<b>53,985</b>	(72,240)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
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### 11. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling \$77,688,000 (six months ended 30 June 2021: \$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 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 \$27,125,000 (six months ended 30 June 2021: \$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.

### 12. Intangible assets

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2045 with cost of \$123,002,000 and accumulated amortisation of \$59,163,000 (31 December 2021: \$57,805,000).

### 13. Promissory notes

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

In December 2014, in accordance with the terms of the Investment Agreement including the requirement to obtain a bank guarantee, the Company's subsidiary remitted approximately \$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary Primorsky Entertainment Resorts City LLC ("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 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 \$13,635,000) (31 December 2021: \$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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
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### 14. Trade and other receivables

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

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

	30 June 2022	31 December 2021
	\$'000 (Unaudited)	\$'000 (Audited)
Current to within 1 month	6,759	36,072
1 to 3 months	2,875	779
3 to 6 months	2,684	-
6 to 12 months	109	1,784
More than 1 year	11,391	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).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)  
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### 15. Trade and other payables

	30 June 2022	31 December 2021
	\$'000 (Unaudited)	\$'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
	<b>166,369</b>	129,765
Less: current portion	<b>(160,781)</b>	(124,417)
Non-current portion	<b>5,588</b>	5,348

*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 2022	31 December 2021
	\$'000 (Unaudited)	\$'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
Total	<b>35,266</b>	25,043

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### 16. Senior notes

On 6 July 2020, the Company issued senior notes of an aggregate principal amount of \$350 million with maturity on 6 July 2024 (the “2024 Senior Notes”). On 15 June 2021, the Company issued an additional \$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 \$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 \$1,789,000 (six months ended 30 June 2021: \$1,789,000).

### 17. Capital commitments

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

	30 June 2022	31 December 2021
	\$'000 (Unaudited)	\$'000 (Audited)
Hotel and casino complex, – contracted but not incurred	3,280,493	3,354,316

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 18. Related party transactions

In addition to the information disclosed in notes 11 and 16 to the condensed consolidated financial statements, transactions entered into between the Group and its related parties are as follows:

#### **Balance with related companies**

As at 30 June 2022, amounts due from related companies of \$244,000 (31 December 2021: \$291,000) are included in trade and other receivables as disclosed in note 14 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand. The maximum amount during the Period was \$291,000 (six months ended 30 June 2021: \$290,000).

As at 30 June 2022, amount due to a director, Tan Sri Dr Chen Lip Keong of \$618,000 (31 December 2021: \$851,000) are included in trade and other payables as disclosed in note 15 to the condensed consolidated financial statements. The balance is unsecured, interest-free and repayable on demand.

### 19. Contingent Liabilities

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.