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**NAGACORP**

金界控股有限公司

**NAGACORP LTD.**

金界控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3918)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

- Gross Gaming Revenue (“**GGR**”) increased by 7.9% to US\$252.3 million compared to US\$233.8 million in the corresponding period last year
- Net Profit increased by 57.4% to US\$83.0 million for the Period compared to US\$52.7 million in the corresponding period last year
- Basic earnings per share of US cents 1.88 for the Period compared to US cents 1.19 (Restated) in the corresponding period last year
- Mass Market and Premium VIP Market segments with gross profit margin of 83% (net of gaming tax) accounted for 90% of GGR and 93% of total gross profit
- Premium VIP Market Rollings of US\$2,047 million increased by 40% compared to the corresponding period last year, which was contributed by an increase in customer visitation and higher average rollings per visit
- Referral VIP Market GGR continued to grow by 53% in the current Period compared to the corresponding period last year
- Earnings Before Interest, Tax, Depreciation and Amortization (“**EBITDA**”) increased by 10.1% to US\$143.2 million in the current Period compared to US\$130.1 million in the corresponding period last year. EBITDA margin of 54.4% was recorded in the current Period

## OPERATIONAL HIGHLIGHTS

### 1. Quarter-on-Quarter (“QoQ”) Comparison for the Key Financials (in US\$ million)

Based on the unaudited consolidated financial statements of NagaCorp Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**” or “**1H2023**”), an analysis of the quarterly financial performance is as follows:

|                                     | <b>For the three<br/>months ended<br/>30 June 2023<br/> (“2Q2023”)</b> | <b>For the three<br/>months ended<br/>31 March 2023<br/> (“1Q2023”)</b> | <b>QoQ Growth</b> |
|-------------------------------------|--|---|-------------------|
| GGR                                 | 134.81   | 117.50  | 14.7%             |
| Net Gaming Revenue (“ <b>NGR</b> ”) | 113.54   | 98.82   | 14.9%             |
| Gross Profit                        | 108.42   | 94.30   | 15.0%             |
| Net Profit                          | 52.81  | 30.16   | 75.1%             |
| EBITDA                              | 82.60  | 60.61   | 36.3%             |

The Company reported satisfactory sequential quarterly growth for the key financial metrics in 2Q2023. **Net profit increased sequentially QoQ by 75.1%, on the back of higher Mass Market and Premium VIP Market revenues with stable costs.** Both NGR and gross profit for 2Q2023 increased by 14.9% and 15.0% respectively compared to 1Q2023. EBITDA also increased QoQ by 36.3%. Despite increased business volumes, our administrative and other operating expenses remain stable, resulting in higher profitability margins.

## 2. QoQ Comparison for the Key Business Segments (in US\$ million)

The Company continues to see satisfactory sequential revenue growth across all key business segments for 2Q2023 as compared to 1Q2023:

### QoQ Comparison for the Key Business Segments Revenues (in US\$ million)

| Key Segments Revenues (in US\$ million)                   | 2Q2023        | 1Q2023        | QoQ Growth                 |
|---|---------------|---------------|----------------------------|
| Mass Market (electronic gaming machines (“EGM”) & Tables) | 85.79         | 77.14         | 11.2%                      |
| Premium VIP Market  | 34.35         | 28.58         | 20.2%                      |
| Referral VIP Market                                       | 14.67         | 11.78         | 24.5%                      |
| <b>Average Daily Segments Volumes (in US\$ million)</b>   | <b>2Q2023</b> | <b>FY2019</b> | <b>Recovery Percentage</b> |
| Mass Market (EGM Bills-in + Table Buy-ins)                | 10.13         | 12.07         | 83.9%                      |
| Premium VIP Rollings                                      | 11.77         | 12.02         | 97.9%                      |

## 3. Mass Market Continued to Recover

The recovery trend of the Mass Market Revenue (EGM and Tables) continues to be robust with a QoQ growth of 11.2% in 2Q2023. The average daily business volumes for Mass Market segment in 2Q2023 has achieved the highest levels since the first quarter of 2020 (“1Q2020”). The average daily business volumes for Mass Market segment in 2Q2023 has already recovered to 83.9% as compared to the financial year ended 31 December 2019 (“FY2019”) (peak pre-pandemic). This demonstrates the depth, strength and resilience of the domestic captive expatriate market as well as the promising recovery seen post China reopening in February 2023.

Although direct weekly flights from Southeast Asia (“SEA”) (including Korea and Japan) recovered to around 71% of 2019’s level, the number of direct weekly flights from Greater China region only recovered to around 25% (*Source: Cambodia airports, airlines websites, Company internal data*). Management believes there is room for the Mass Market to continue growing as the Chinese arrivals continue to return.

#### **4. Premium VIP Market – Average Daily Business Volumes Almost Recovered to Pre-pandemic Level**

The Premium VIP Market Revenue reported a QoQ growth of 20.2% in 2Q2023. The average daily Premium VIP rollings also achieved the highest levels since 1Q2020. The Premium VIP Market continued to be our best performing segment and average daily rollings recovered to 97.9% of 2019 in 2Q2023 on the back of solid positive growth. Management believes that this is not only attributed to the successful conversion of some previous referral VIP players into direct Premium VIP players but also the continuing return of business-related travellers to Cambodia. Furthermore, the average rollings per Premium VIP player increased by about 21% in 1H2023 compared to the corresponding period last year. According to the tourism report for May 2023 by the Ministry of Tourism of Cambodia (“MOT”), despite overall Chinese arrivals in the first 5 months of 2023 only recovering to 21% compared to the same period in 2019, Chinese business-related travellers accounted for 76% of these total Chinese arrivals. This could be one of the factors why the Premium VIP Market continues doing well despite the sluggish recovery in outbound travel from China.

There was a significant uptick of the average daily rollings of Premium VIP Market post China reopening in February 2023. The average daily rollings in January and February 2023 was about US\$8.7 million, while the average from March 2023 to June 2023 was US\$12.6 million, representing a 44.8% increase.

#### **5. Referral VIP Market Continued to Improve**

The Referral VIP Market Revenue reported a QoQ growth of 24.5% in 2Q2023. The overall GGR contribution of this segment has increased to 10.5% in 1H2023. The Company witnessed the increasing headcount of the Referral VIP Market from broader diversified geographical locations especially from neighbouring countries such as Thailand, Malaysia and Singapore. We will continue to develop the Referral VIP Market by identifying and recruiting more reputable referral VIP agents.

#### **6. Financial Strength**

The Group’s cash and bank balances (including restricted bank balances) have further increased from US\$175.2 million as of 31 December 2022 to US\$261.3 million as of 30 June 2023. Such increase was mainly attributed to the continued recovery of business volumes and prudent cash spending strategy from the Company’s management. The net debt of the Company as calculated as total debts less cash and bank balances was about US\$208.6 million as of 1H2023. The net debt to equity ratio was 10.8% and the net debt to trailing 12-month EBITDA was 0.81 times. The Company is confident that it can discharge all of its financial obligations when the outstanding senior notes mature in July 2024.

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

|   | Notes | Six months ended 30 June        |   |
|---|-------|---------------------------------|---|
|   |       | 2023<br>US\$'000<br>(Unaudited) | 2022<br>US\$'000<br>(Unaudited)<br>(Restated) |
| <b>Revenue</b>                                      | 2     | <b>263,029</b>                  | 239,452                                       |
| Gaming tax  | 5     | (15,147)                        | (14,258)                                      |
| Cost of sales                                       |       | <u>(45,164)</u>                 | <u>(32,986)</u>                               |
| <b>Gross profit</b>                                 |       | <b>202,718</b>                  | 192,208                                       |
| Other income  |       | <b>3,012</b>                    | 2,000   |
| Administrative expenses                             |       | (23,214)                        | (25,057)                                      |
| Other operating expenses                            |       | <u>(88,536)</u>                 | <u>(97,018)</u>                               |
| <b>Profit from operations</b>                       |       | <b>93,980</b>                   | 72,133  |
| Finance costs                                       | 3     | <u>(10,883)</u>                 | <u>(18,148)</u>                               |
| <b>Profit before taxation</b>                       | 4     | <b>83,097</b>                   | 53,985  |
| Income tax  | 5     | <u>(123)</u>                    | <u>(1,286)</u>                                |
| <b>Profit attributable to owners of the Company</b> |       | <u><b>82,974</b></u>            | <u>52,699</u>                                 |
|   |       |                                 | (Restated)                                    |
| <b>Earnings per share (US cents)</b>                |       |                                 |   |
| <b>Basic</b>  | 7     | <u><b>1.88</b></u>              | <u>1.19</u>                                   |
| <b>Diluted</b>                                      | 7     | <u><b>1.88</b></u>              | <u>1.19</u>                                   |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2023<br>US\$'000<br>(Unaudited) | 2022<br>US\$'000<br>(Unaudited) |
| <b>Profit for the period</b>   | <b>82,974</b>                   | 52,699                          |
| <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                          | <u>(2,449)</u>                  | <u>3,225</u>                    |
| <b>Total comprehensive income attributable to owners of the Company for the period</b> | <u><b>80,525</b></u>            | <u>55,924</u>                   |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |              | 30 June<br>2023                       | 31 December<br>2022                 |
|--|--------------|---------------------------------------|-------------------------------------|
|  | <i>Notes</i> | <i>US\$'000</i><br><i>(Unaudited)</i> | <i>US\$'000</i><br><i>(Audited)</i> |
| <b>Non-current assets</b>  |              |                                       |                                     |
| Property, plant and equipment  | 9            | 2,042,772                             | 2,070,090                           |
| Right-of-use assets  |              | 80,348                                | 83,209                              |
| Intangible assets  | 10           | 61,122                                | 62,480                              |
| Prepayments for acquisition, construction and fitting-out of property, plant and equipment |              | 162,261                               | 143,913                             |
| Promissory notes   | 11           | 5,428                                 | –                                   |
|  |              | <b>2,351,931</b>                      | 2,359,692                           |
| <b>Current assets</b>  |              |                                       |                                     |
| Consumables  |              | 2,477                                 | 2,897                               |
| Trade and other receivables  | 12           | 36,892                                | 41,724                              |
| Promissory notes   | 11           | –                                     | 10,139                              |
| Restricted bank balances   |              | 19,217                                | 19,200                              |
| Cash and cash equivalents  |              | 242,082                               | 156,004                             |
|  |              | <b>300,668</b>                        | 229,964                             |
| <b>Current liabilities</b>   |              |                                       |                                     |
| Trade and other payables   | 13           | 168,071                               | 177,256                             |
| Contract liabilities   |              | 7,539                                 | 8,777                               |
| Lease liabilities  |              | 6,900                                 | 10,838                              |
| Current tax liability  |              | 1,918                                 | 1,795                               |
|  |              | <b>184,428</b>                        | 198,666                             |
| <b>Net current assets</b>  |              | <b>116,240</b>                        | 31,298                              |
| <b>Total assets less current liabilities</b>   |              | <b>2,468,171</b>                      | 2,390,990                           |
| <b>Non-current liabilities</b>   |              |                                       |                                     |
| Other payables   | 13           | 6,091                                 | 5,829                               |
| Senior notes   | 14           | 469,924                               | 468,827                             |
| Contract liabilities   |              | 10,000                                | 13,000                              |
| Lease liabilities  |              | 52,304                                | 54,007                              |
|  |              | <b>538,319</b>                        | 541,663                             |
| <b>NET ASSETS</b>  |              | <b>1,929,852</b>                      | 1,849,327                           |
| <b>CAPITAL AND RESERVES</b>  |              |                                       |                                     |
| Share capital  |              | 55,288                                | 54,777                              |
| Reserves   |              | 1,874,564                             | 1,794,550                           |
| <b>TOTAL EQUITY</b>  |              | <b>1,929,852</b>                      | 1,849,327                           |

## **Notes:**

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

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

The unaudited condensed consolidated financial statements have been prepared on historical cost basis.

The unaudited condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2022. The unaudited condensed consolidated financial statements do not include all of the information required for a full set of annual financial statements prepared in accordance with all applicable International Financial Reporting Standards (the “IFRS”) adopted by the IASB and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 (the “2022 annual financial statements”).

Except as disclosed below, the unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the 2022 annual financial statements.

Adoption of new or amended standards effective on or after 1 January 2023:

|  |   |
|--|---|
| Amendments to IAS 1 and<br>IFRS Practice Statement 2 | Disclosure of Accounting Policies   |
| Amendments to IAS 8                                  | Definition of Accounting Estimates  |
| Amendments to IAS 12                                 | Deferred Tax related to Assets and Liabilities arising<br>from a Single Transaction |
| IFRS 17  | Insurance Contract  |

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

## 2. Revenue

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

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2023                     | 2022           |
|  | US\$'000                 | US\$'000       |
|  | (Unaudited)              | (Unaudited)    |
| Casino operations – gaming tables                        | 187,414                  | 173,213        |
| Casino operations – EGM                                  | 64,896                   | 60,607         |
| Hotel room income, sales of food and beverage and others | 10,719                   | 5,632          |
|  | <u>263,029</u>           | <u>239,452</u> |

## 3. Finance costs

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
|   | US\$'000                 | US\$'000      |
|   | (Unaudited)              | (Unaudited)   |
| Interest expenses and amortisation of transaction costs relating to senior notes ( <i>Note 14</i> ) | 19,865                   | 22,979        |
| Interest on lease liabilities   | 3,048                    | 3,312         |
| Other interest expenses   | 262                      | 240           |
|   | <u>23,175</u>            | <u>26,531</u> |
| Less: Interest expenses capitalised into capital work in progress                                   | (12,292)                 | (8,383)       |
|   | <u>10,883</u>            | <u>18,148</u> |

## 4. Profit before taxation

Profit before taxation is arrived at after charging:

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2023                     | 2022        |
|   | US\$'000                 | US\$'000    |
|   | (Unaudited)              | (Unaudited) |
| Amortisation of casino licence premium <sup>#</sup>       | 1,358                    | 1,358       |
| Depreciation and amortisation <sup>#</sup>                |                          |             |
| – Own assets  | 45,014                   | 53,790      |
| – Right-of-use assets                                     | 2,861                    | 2,795       |
| Staff costs   |                          |             |
| – Salaries, wages and other benefits                      | 39,078                   | 39,055      |
| – Contributions to defined contribution retirement scheme | 255                      | 34          |

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

## 5. Gaming tax and Income tax

### (a) Gaming tax

The gaming tax of US\$15,147,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: US\$14,258,000) was levied on GGR in accordance with the Law on the Management of Commercial Gambling (the “Casino Law”) effective from 1 January 2021.

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

|                      | Six months ended 30 June |              |
|----------------------|--------------------------|--------------|
|                      | 2023                     | 2022         |
|                      | US\$'000                 | US\$'000     |
|                      | (Unaudited)              | (Unaudited)  |
| Current tax expenses |                          |              |
| – Current period     | <u>123</u>               | <u>1,286</u> |

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

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

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2023                     | 2022          |
|  | US\$'000                 | US\$'000      |
|  | (Unaudited)              | (Unaudited)   |
| Interim dividend declared after the end of reporting period: |                          |               |
| 2023: US cents Nil per share                                 | –                        | –             |
| 2022: US cents 0.73 per share                                | –                        | 31,619        |
|  | <u>–</u>                 | <u>31,619</u> |

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

## 7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company of US\$82,974,000 (six months ended 30 June 2022: US\$52,699,000) and the weighted average number of shares of 4,422,990,160 (six months ended 30 June 2022: 4,422,990,160 (Restated)) in issue during the Period.

The earnings per share for the six months ended 30 June 2022 is restated to reflect the effect of scrip shares issued during the period from 1 July 2022 to 30 June 2023.

There were no dilutive potential shares during the Period (six months ended 30 June 2022: Nil).

## 8. Segment information

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

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

### Segment revenue and results

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

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

|  | Casino<br>operations<br><i>US\$'000</i> | Hotel and<br>entertainment<br>operations<br><i>US\$'000</i> | Total<br><i>US\$'000</i> |
|--|---|---|--------------------------|
| <b>Segment revenue:</b>                                      |   |   |                          |
| <b>Six months ended 30 June 2023 (Unaudited)</b>             |   |   |                          |
| Timing of revenue recognition                                |   |   |                          |
| – At point in time   | 217,705                                 | 5,683   | 223,888                  |
| – Transferred over time                                      | 34,605                                  | 5,036   | 39,641                   |
| Revenue from external customers                              | 252,310                                 | 10,719  | 263,029                  |
| Inter-segment revenue  | (161)                                   | 1,709   | 1,548                    |
| Reportable segment revenue                                   | <u>252,149</u>                          | <u>12,428</u>   | <u>264,577</u>           |
| <b>Six months ended 30 June 2022 (Unaudited)/(Restated):</b> |   |   |                          |
| Timing of revenue recognition                                |   |   |                          |
| – At point in time   | 201,364                                 | 2,957   | 204,321                  |
| – Transferred over time                                      | 32,456                                  | 2,675   | 35,131                   |
| Revenue from external customers                              | 233,820                                 | 5,632   | 239,452                  |
| Inter-segment revenue  | (432)                                   | 3,170   | 2,738                    |
| Reportable segment revenue                                   | <u>233,388</u>                          | <u>8,802</u>  | <u>242,190</u>           |
| <b>Segment profit:</b>                                       |   |   |                          |
| <b>Six months ended 30 June (Unaudited)</b>                  |   |   |                          |
| 2023   | 155,211                                 | (4,013)   | 151,198                  |
| 2022   | <u>144,315</u>                          | <u>(6,477)</u>  | <u>137,838</u>           |

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

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2023</b>                     | 2022           |
|  | <b>US\$'000</b>                 | US\$'000       |
|  | <b>(Unaudited)</b>              | (Unaudited)    |
|  |                                 | (Restated)     |
| <b>Revenue</b>                                 |                                 |                |
| Reportable segment revenue                     | 264,577                         | 242,190        |
| Elimination of inter-segment revenue           | (1,548)                         | (2,738)        |
|  | <u>263,029</u>                  | <u>239,452</u> |
| <b>Profit</b>                                  |                                 |                |
| Reportable segment profit                      | 151,198                         | 137,838        |
| Other revenue                                  | 14                              | 9              |
| Depreciation and amortisation                  | (49,233)                        | (57,943)       |
| Finance costs                                  | (10,883)                        | (18,148)       |
| Unallocated head office and corporate expenses | (7,999)                         | (7,771)        |
|  | <u>83,097</u>                   | <u>53,985</u>  |
| <b>Consolidated profit before taxation</b>     | <b>83,097</b>                   | <b>53,985</b>  |

#### 9. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment totalling US\$17,698,000 (six months ended 30 June 2022: US\$77,688,000).

#### 10. Intangible assets

The intangible assets comprise the casino licence premium and the extended exclusivity premium of the casino licence for the exclusivity period to the end of 2045 with cost of US\$123,002,000 and accumulated amortisation of US\$61,880,000 (31 December 2022: US\$60,522,000).

## 11. Promissory notes

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

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

The promissory notes (the “**Promissory Notes**”) in total amount of RUB469,100,000 (approximately US\$10,139,000 at 31 December 2022) bear an interest of 6.6% per annum and the maturity date of which is 2,909 days from the date of issue, i.e. 30 January 2023. On 31 January 2023, the Promissory Notes in the amount of RUB715,767,000 (approximately US\$10,285,000) including interest matured. New promissory notes in total of RUB400,000,000 (approximately US\$5,428,000) bear an interest of 6.8% per annum and the maturity date of which is 895 days until 30 July 2025 were issued by another Russian bank for a new bank guarantee on 15 February 2023.

## 12. Trade and other receivables

|                                | <b>30 June<br/>2023</b> | 31 December<br>2022 |
|--------------------------------|-------------------------|---------------------|
|                                | <b>US\$’000</b>         | US\$’000            |
|                                | <b>(Unaudited)</b>      | (Audited)           |
| Trade receivables              | <b>10,753</b>           | 9,103               |
| Prepayments                    | <b>6,199</b>            | 10,135              |
| Deposits and other receivables | <b>19,940</b>           | 22,486              |
|                                | <b>36,892</b>           | 41,724              |

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

|                           | <b>30 June<br/>2023</b> | 31 December<br>2022 |
|---------------------------|-------------------------|---------------------|
|                           | <b>US\$’000</b>         | US\$’000            |
|                           | <b>(Unaudited)</b>      | (Audited)           |
| Current to within 1 month | <b>9,868</b>            | 4,052               |
| 1 to 3 months             | <b>885</b>              | 842                 |
| 3 to 6 months             | –                       | 2,356               |
| 6 to 12 months            | –                       | 1,853               |
| More than 1 year          | –                       | –                   |
|                           | <b>10,753</b>           | 9,103               |

The credit policy for gaming receivables is five to thirty days (31 December 2022: five to thirty days) from end of tour. The credit policy on non-gaming receivables is thirty days from end of month (31 December 2022: thirty days from end of month).

### 13. Trade and other payables

|                                | <b>30 June<br/>2023<br/>US\$'000<br/>(Unaudited)</b> | 31 December<br>2022<br>US\$'000<br>(Audited) |
|--------------------------------|--|--|
| Trade payables ( <i>Note</i> ) | 12,374   | 34,259                                       |
| Unredeemed casino chips        | 9,008  | 10,376                                       |
| Deposits                       | 21,008   | 14,756                                       |
| Construction creditors         | 1,546  | 3,388  |
| Interest payable               | 18,220   | 18,220                                       |
| Accruals and other creditors   | 69,521   | 72,798                                       |
| Gaming tax payables            | 42,485   | 29,288                                       |
|                                | <u>174,162</u>                                       | <u>183,085</u>                               |
| Less: current portion          | (168,071)  | (177,256)                                    |
| Non-current portion            | <u>6,091</u>   | <u>5,829</u>                                 |

*Note:*

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

|  | <b>30 June<br/>2023<br/>US\$'000<br/>(Unaudited)</b> | 31 December<br>2022<br>US\$'000<br>(Audited) |
|--|--|--|
| Due within 1 month or on demand        | 4,405  | 1,461  |
| Due after 1 month but within 3 months  | 6,004  | 9,803  |
| Due after 3 months but within 6 months | 1,965  | 15,586                                       |
| Due after 6 months but within 1 year   | –  | 7,393  |
| Due after 1 year                       | –  | 16   |
|  | <u>12,374</u>  | <u>34,259</u>                                |
| Total                                  | <u>12,374</u>  | <u>34,259</u>                                |

#### 14. Senior notes

On 6 July 2020 and 15 June 2021, the Company issued senior notes of an aggregate principal amount of US\$350 million and US\$200 million, respectively, with maturity on 6 July 2024. The senior notes bear interest at a rate of 7.95% per annum, payable semi-annually in arrears on 6 January and 6 July of each year, commencing on 6 January 2021. The 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 senior notes.

The obligations under the senior notes are secured by guarantees given by certain subsidiaries of the Company. During the financial year ended 31 December 2022, the Company repurchased the senior notes of an aggregate principal amount of US\$77,845,000 with purchase price ranging from 91.83% to 92.10% in total amount of US\$73,003,000. Please refer to the announcements of the Company dated 12 August 2022, 31 August 2022, 9 September 2022, 23 September 2022, 30 September 2022, 7 October 2022, 14 October 2022, 4 November 2022, 14 November 2022 and 17 November 2022 for details. Following the cancellation of the repurchased senior notes, the senior notes of an aggregate principal amount of US\$472,155,000 remains outstanding as at 31 December 2022 and 30 June 2023.

In connection with the issue of the senior notes, ChenLipKeong Capital Limited has subscribed for the senior notes with principal amount of US\$45,000,000. ChenLipKeong Capital Limited is directly and wholly-owned by SAKAI PRIVATE TRUST COMPANY PTE. LTD. as the trustee of The Sakai Trust, a discretionary family trust of which Tan Sri Dr Chen Lip Keong is the settlor for the benefit of himself and his family. The interest expenses payable to the related company for the Period amounted to US\$1,789,000 (30 June 2022: US\$1,789,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

According to the International Monetary Fund (“IMF”), the global economy is poised for a gradual recovery from the pandemic with China rebounding strongly following the reopening of its economy. Global inflation is expected to fall from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024 (*Source: IMF – World Economic Outlook, April 2023*). Cambodia has maintained strong economic resilience, but still affected by ongoing external factors and upward pressure in global inflation. IMF expects Cambodia to be among the best performing economies in East Asia and the Pacific this year amid rapid socio-economic recovery. The country’s real Gross Domestic Product (“GDP”) growth was forecasted to be 5.8% for 2023 and 6.2% for 2024 (*Source: IMF – World Economic Outlook, April 2023*). Similarly, driven by strong performance from the services sector which is expected to benefit from the expected return of Chinese tourists, the Cambodian economy is projected to expand at a faster pace to grow by 5.7% in 2023 and 6.2% in 2024, according to the ASEAN+3 Regional Economic Outlook (“AREO”) 2023 (*Source: AREO 2023, July 2023*).

During the Period, the Group recorded a Net Profit of US\$83.0 million and EBITDA of US\$143.2 million. The relatively stable financial results are attributed to the following:

#### (a) Continuing Business Recovery and Growth Trajectory

The Company continued to see a positive business recovery during the Period and reported steady YoY growth across key financial metrics. Net Profit increased by 57.4% to US\$83.0 million and EBITDA increased 10.1% to US\$143.2 million for the Period compared to the corresponding period last year. Given the Group’s relatively stable performance with gradual recovery of visitation from neighbouring countries and strong focus on the captive domestic market, the Company recorded an EBITDA margin of 54.4% during the Period. GGR also grew by 7.9% YoY. The Group continued stringent cost control measures and operational efficiency initiatives, resulting in a higher profit margin.

The positive results were mainly attributable to business volumes growth across all business segments. The average daily business volumes for Mass Market continued to improve from US\$9.8 million in 1Q2023 to US\$10.1 million in 2Q2023, representing a sequential growth of 3.7%. For the Premium VIP Market, average daily rollings in 1Q2023 was US\$10.8 million, representing a 8.6% sequential growth to US\$11.8 million in 2Q2023. Average daily rollings for the Referral VIP Market in 2Q2023 was US\$6.1 million, representing a 40.9% sequential increase as compared to 1Q2023. In 2Q2023, the average daily business volumes of both Mass Market and Premium VIP Market have recovered to 83.9% and 97.9% respectively, compared to FY2019 (peak pre-pandemic year). Both the Mass Market and Premium VIP Market collectively contributed about 90% and 93% of the Company’s total GGR and Gross Profit for the Period respectively. This steady recovery in business volumes were largely driven by continued tourism recovery in Cambodia from ASEAN and the gradual return of business travellers from China, driving increased footfall to NagaWorld. NagaWorld continues to benefit from the growing domestic captive market in Cambodia which has proven to be a self-sustaining business, with recurring visitation to the property during the Period.

## **(b) Continuing Influx of International Tourist Arrivals and Revival of Direct Flights Connectivity**

The revival of the global tourism industry appears promising, and Cambodia is showing a substantial recovery in its tourism sector. The continuous influx of international tourist arrivals has been contributing to the socio-economic activities in all sectors. For the period from January to May 2023, total international arrivals to Cambodia amounted to 2.2 million visitors compared to 2.9 million in the pre-pandemic period of January to May 2019. This represents an encouraging recovery rate of 75% (*Source: MOT*).

According to Bloomberg data, in the 1Q2023 compared to the pre-pandemic period in 2019, Cambodia, with a Chinese tourism recovery rate of 19%, is still leading other preferred Asian (excluding Hong Kong and Macau) destinations such as Thailand (17%), Singapore (13%), South Korea (8%) and Japan (7%). What is of significance to the Group is that out of the total Chinese visitations to Cambodia of 227,747 for the period from January to May 2023, 76% of these were business-related visits.

With a promising outlook, Cambodia is expected to attract up to 5 million international tourist arrivals in 2023 including up to 1 million Chinese tourists and 7 million international tourist arrivals by 2025, surpassing the pre-pandemic level in 2019 (*Source: Khmer Times, 5 July 2023*).

A majority of airlines have resumed direct flights to Cambodia. As of 17 July 2023, weekly international direct flights to Cambodia stood at 444, including 341 from SEA (including Korea and Japan) and 103 from Greater China cities such as Guangzhou, Shenzhen, Shanghai, Kunming, Xiamen, Beijing, Nanning, Chengdu, Changsha, Zhengzhou, Haikou, Taipei, Macau and Hong Kong (*Source: Cambodia airports, airlines websites, Company internal data*). Based on this, total direct weekly flights from SEA (including Korea and Japan) and Greater China have recovered to about 71% and 25% respectively compared to pre-pandemic in 2019. According to the Minister of the Civil Aviation Secretariat of Cambodia, Cambodia-China civil aviation relations is planning to raise the number of direct flights between the two countries to at least 300 per week to promote the development of tourism (*Source: Phnom Penh Post; Jian Hua Daily, 26 April 2023*).

Cambodia has been following the World Tourism Organization's guidance and has developed action plans and implemented several strategies to attract tourists from China. This includes the "China Ready" strategy, which consists of developing and setting up a China Ready Centre, providing language and culture training for officials and staff, preparing Chinese-speaking tour guides, and making available better infrastructure support and improved tourism services. Moreover, in order to make travel to Cambodia easier and attractive for Chinese travellers, Cambodia will allow the use of the Chinese Renminbi at all hotels and restaurants, as well as for all tourism services, which are among a number of measures to welcome Chinese tourists in 2023 (*Source: Khmer Times, 13 February 2023*).

The new Phnom Penh international airport will further promote the aviation sector, which in turn promotes tourism and national economic growth. About 50% of the construction work has been completed and the airport is expected to commence operations by early 2025, as Cambodia prepares for a return of tourism in increasingly large numbers. The new airport will play a key role in boosting Cambodia's economic growth and tourism when it is put into operation with new routes and destinations (*Source: Khmer Times, 12 July 2023*).

**(c) Foreign Direct Investment Continues to Support the Cambodian Economy and Growth**

While global uncertainties remain in place, Cambodia continues to be one of the most favourable investment destinations for foreign investors and businesses, boosted by inflows of foreign direct investment (“**FDI**”). According to the Council for Development, Cambodia attracted investment projects worth US\$1.1 billion in the first half of 2023, with China being the top foreign investor accounting for almost two-thirds of the total investment to the country (*Source: Khmer Times, 12 July 2023*). FDI inflows into Cambodia grew rapidly over the past decade and remained relatively resilient even through the pandemic period. The Cambodian government has continuously implemented reforms to overcome challenges and attract more FDI to serve the goal of sustaining growth and supporting the development of the country.

The Regional Comprehensive Economic Partnership (“**RCEP**”) and the Cambodia-China Free Trade Agreement (“**CCFTA**”) have significantly contributed to accelerating Cambodia’s economic recovery from the impact of the pandemic. Both trade agreements have contributed significantly to trade facilitation, business and investment promotion, improvement of Cambodian’s livelihood and economic development. Since the RCEP entered into force in early 2022, it has strongly promoted the integration of value and supply chains, strengthened confidence in regional economic recovery and created a new impetus for trade and investment growth in the region and the world (*Source: Khmer Times, 1 July 2023*). Meanwhile, Cambodia is aiming at more free trade agreements to further boost economic growth, hence Cambodia’s economy will continue to benefit from new trade agreements, which promote inward investment and exports (*Source: Khmer Times, 6 February 2023*).

On 25 February 2023, Cambodia was removed from the “Money Laundering Grey List” of the Financial Action Task Force, providing a positive sign for attracting investors and foreign capital inflows (*Source: Khmer Times: 8 March 2023*). The move reflects the Cambodian government’s efforts in combating money laundering crimes, terrorist financing and the proliferation of illegal financing in Cambodia. Cambodia’s removal from the grey list will make it more attractive to foreign investors, attracting more foreign investment and facilitating the trade of local and international investors in all business sectors.

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

At NagaWorld, our commitment to making a positive impact in our communities is unwavering. NagaWorld Kind Hearts (the Company’s corporate social responsibility “**CSR**” arm) is a grassroots initiative with long term contribution towards the betterment of communities in Cambodia. Since 2014, NagaWorld has organized more than 630 activities to date, with the invaluable participation of about 5,600 of our dedicated employees focusing on education enhancement, community engagement, sports development and care of the environment.

NagaWorld recognises that our responsibility extends beyond our immediate communities, and actively works towards achieving the United Nations’ Sustainable Development Goals in Cambodia. Through our robust sustainability and ESG initiatives, we have aligned our efforts with the government’s vision for sustainable development. We remain steadfast in our commitment to creating a better future for all, and we look forward to continued progress towards this important goal.

We believe that investing in education is investing in the future of a nation. At NagaWorld Kind Hearts, we are committed to creating sustainable change in our communities through our various CSR initiatives. Launched in 2014, NagaWorld Educational Project of distributing stationery sets has had a significant impact on the lives of Cambodian children. To date, over 167,000 students from more than 115 primary schools across 12 provinces/cities have benefited from our contributions, alleviating the burden of educational expenses for those who cannot afford them. In addition, our partnership with the Ministry of Education, Youth and Sport has conducted fire safety classes at schools to raise awareness about fire safety amongst school children and in our local communities. The Company's Fire Safety Awareness initiative has benefited more than 31,000 participants at government schools, non-governmental organizations (“NGOs”) and communities across five provinces in Cambodia, with over 120 fire extinguishers being donated to schools and communities.

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

To support the greening of our communities, NagaWorld has promoted awareness of environmental conservation as part of our continuing effort to create a tourist-friendly destination and to raise awareness about environmental issues. NagaWorld joined Earth Hour, the world's largest grassroots movement, to draw public attention to the most important issues facing our planet. Since 2017, NagaWorld has also supported the “Soap for Hope” project to recycle used hotel soap by diverting the product from landfills, and in tandem, providing alternative livelihoods to marginalised communities and raising hygiene standards. NagaWorld also collaborated with EcoBatt Energy Cambodia, an electronic waste recycling company, to recycle our used batteries. This initiative educates employees on the negative impacts of improper battery waste management and encourages responsible disposal practices. To date, more than 90kg of battery waste have been recycled.

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

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

(e) **Expansion of Stock Connect Improve Stock Liquidity**

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

**BUSINESS REVIEW**

**Table 1: Performance Highlights**

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

|   | <b>1H2023</b><br><i>US\$'000</i> | <b>1H2022</b><br><i>US\$'000</i> | <b>Increase/<br/>(Decrease)</b><br>% |
|---|----------------------------------|----------------------------------|--------------------------------------|
| <b>Mass Market: Public Floor Tables</b> |                                  |                                  |                                      |
| – Buy-ins                               | <b>549,693</b>                   | 538,836                          | 2                                    |
| – Win rate                              | <b>17.8%</b>                     | 19.2%                            |                                      |
| – Revenue                               | <b>98,030</b>                    | 103,294                          | (5)                                  |
| <b>Mass Market: EGM</b>                 |                                  |                                  |                                      |
| – Bills-in                              | <b>1,251,857</b>                 | 1,095,277                        | 14                                   |
| – Win rate                              | <b>7.5%</b>                      | 7.8%                             |                                      |
| – Revenue                               | <b>64,896</b>                    | 60,607                           | 7                                    |
| <b>Premium VIP Market</b>               |                                  |                                  |                                      |
| – Rollings                              | <b>2,047,303</b>                 | 1,463,421                        | 40                                   |
| – Win rate                              | <b>3.7%</b>                      | 4.2%                             |                                      |
| – Revenue                               | <b>62,932</b>                    | 52,681                           | 19                                   |
| <b>Referral VIP Market</b>              |                                  |                                  |                                      |
| – Rollings                              | <b>938,421</b>                   | 533,429                          | 76                                   |
| – Win rate                              | <b>2.8%</b>                      | 3.2%                             |                                      |
| – Revenue                               | <b>26,452</b>                    | 17,238                           | 53                                   |
| <b>GGR</b>                              | <b>252,310</b>                   | 233,820                          | 8                                    |
| <b>NGR</b>                              | <b>212,363</b>                   | 203,611                          | 4                                    |

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

During the Period, the Company observed a continuing increase in the Mass Market business volumes for Public Floor Tables and EGM by 2.0% and 14.3% respectively compared to the corresponding period last year. The increase in business volumes was attributed to the reasonably sized expatriate community, visitors from ASEAN and to some extent the recovery of Chinese visitors patronising NagaWorld in search of entertainment. With the business environment starting to normalise, the footfall on the Mass Market areas continue to see a gradual increase and recovery.

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

## **Premium VIP Market**

During the Period, Premium VIP Market saw a 39.9% YoY increase in rollings to US\$2.0 billion with a win rate of 3.7%. This translated into a 19.5% YoY increase in Premium VIP Market revenue to US\$62.9 million during the Period. The robust increase is in line with the successful conversion of some previous referral VIP players into direct Premium VIP players and the continuing return of business-related travellers to Cambodia since China reopening earlier in the year.

## **Referral VIP Market**

During the Period, Referral VIP Market segment saw a 75.9% YoY increase in rollings to US\$938.4 million with a win rate of 2.8%. This translated into a 53.5% YoY increase in Referral VIP Market revenue to US\$26.5 million during the Period with increasing headcount from neighbouring SEA countries.

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

During the Period, non-gaming revenue increased significantly by 90.3% YoY mainly attributable to the China reopening and other regional countries, which led to higher hotel occupancy rate and footfall to the property.

## Revenue and Gross Profit Analysis

**Table 2(a)**

| 1H2023              | Revenue      |            | Gross Profit |            | Gross Profit Margin |
|---------------------|--------------|------------|--------------|------------|---------------------|
|                     | US\$'m       | %          | US\$'m       | %          | %                   |
| Mass Market         | 162.9        | 62         | 144.6        | 71         | 89                  |
| Premium VIP Market  | 62.9         | 24         | 43.7         | 22         | 69                  |
| Referral VIP Market | 26.5         | 10         | 6.3          | 3          | 24                  |
| Non-Gaming          | 10.7         | 4          | 8.1          | 4          | 76                  |
| <b>Total</b>        | <b>263.0</b> | <b>100</b> | <b>202.7</b> | <b>100</b> | <b>77</b>           |

**Table 2(b)**

| 1H2022              | Revenue      |            | Gross Profit |            | Gross Profit Margin |
|---------------------|--------------|------------|--------------|------------|---------------------|
|                     | US\$'m       | %          | US\$'m       | %          | %                   |
| Mass Market         | 163.9        | 69         | 146.2        | 76         | 89                  |
| Premium VIP Market  | 52.7         | 22         | 37.2         | 19         | 71                  |
| Referral VIP Market | 17.3         | 7          | 4.1          | 2          | 24                  |
| Non-Gaming          | 5.6          | 2          | 4.7          | 3          | 84                  |
| <b>Total</b>        | <b>239.5</b> | <b>100</b> | <b>192.2</b> | <b>100</b> | <b>80</b>           |

The Group recorded a gross profit of US\$202.7 million for the Period. The overall gross profit margin was 77.1% (six months ended 30 June 2022: 80.3%) as a result of stable mix among all business segments. Mass Market continued to maintain a high gross profit margin of 89%.

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

Administrative and other operating expenses before impairment losses, depreciation and amortisation were US\$61.3 million during the Period, representing a decrease of US\$1.6 million or 3% YoY. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its operating costs reasonably low despite higher business volumes.

### **Finance Costs**

During the Period, the Group incurred finance costs, after interest capitalisation, of US\$10.9 million (six months ended 30 June 2022: US\$18.1 million) for the interest expenses and transaction costs relating to the senior notes issued. See note 14 for further detail of the senior notes.

### **Net Profit**

Net profit attributable to the Shareholders, or Net Profit, was US\$83.0 million (six months ended 30 June 2022: US\$52.7 million) for the Period. Net profit margin for the Period was 31.5% (six months ended 30 June 2022: 22.0%).

Basic earnings per share were US cents 1.88 (HK cents 14.57) and US cents 1.19 (HK cents 9.22) (Restated) for 1H2023 and 1H2022, respectively.

## **FINANCIAL REVIEW**

### **Pledge of Assets**

In December 2014, in accordance with the terms of the Investment Agreement in respect of development of an integrated resort in Vladivostok, Russia, the Company's subsidiary remitted approximately US\$8.9 million from its Hong Kong bank account to a Russian bank account of the Company's Russian subsidiary PERC. This amount was deposited in the same Russian bank as fixed deposits, which are pledged 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.

The Promissory Notes were realised and withdrawn fully upon its maturity date on 30 January 2023. Subsequently, new promissory notes amounted to RUB400,000,000 (approximately US\$5,428,000) were issued by another bank to provide collateral for the issuance of a bank guarantee required under the Investment Agreement.

### **Contingent Liabilities**

Prior to the promulgation of the Casino Law, NAGAWORLD LIMITED paid monthly gaming and non-gaming obligation payments to the Ministry of Economy and Finance of Cambodia ("MOEF"). Additional obligation payments (if any), other than those paid during prior years, are subject to the future development in this matter and instruction from the MOEF. Other than the additional obligation payments, there were no other contingent liabilities as at 30 June 2023.

### **Exchange Rate Risk**

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

### **Issue of New Shares**

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

### **Liquidity, Financial Resources and Gearing**

The Group had total cash and bank balances (including restricted bank balance and fixed deposits) of US\$261.3 million as at 30 June 2023 (31 December 2022: US\$175.2 million). The cash and bank balances were mainly denominated in US\$.

The Group had net current assets of US\$116.2 million as at 30 June 2023 (31 December 2022: US\$31.3 million). The Group had net assets of US\$1.9 billion as at 30 June 2023 (31 December 2022: US\$1.8 billion).

The Group had outstanding senior notes with a carrying amount of US\$469.9 million as at 30 June 2023 (31 December 2022: US\$468.8 million).

As at 30 June 2023, the Group's gearing ratio calculated as total debt less cash and bank balances (including restricted bank balance and fixed deposits) divided by equity was 10.8% (31 December 2022: 15.9%).

## **Capital and Reserves**

As at 30 June 2023, the capital and reserves attributable to owners of the Company were US\$1.9 billion (31 December 2022: US\$1.8 billion).

## **Employees**

As at 30 June 2023, the Group employed a total work force of 6,098 (31 December 2022: 6,398), stationed in Cambodia, China, Hong Kong, Malaysia, Singapore, Thailand, the United States and Russia. The remuneration and staff costs for the Period were US\$39.3 million (six months ended 30 June 2022: US\$39.1 million).

## **Employee Benefits**

Salaries, annual bonuses, paid annual leave, contributions to a defined contribution retirement scheme and cost to the Group of non-monetary benefits are accrued in the Period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect of such would be material, these amounts are stated at their present value. The Company has adopted a share option scheme and a share award scheme as incentive to its Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

## **Trade Receivables and Credit Policy**

The Group continues to monitor changes in trade receivables. Net trade receivables increased from US\$9.1 million (as at 31 December 2022) to US\$10.8 million (as at 30 June 2023).

During the Period, the Group prudently made provision for impairment loss of US\$1.2 million (six months ended 30 June 2022: US\$1.2 million).

The Group has adhered to strict credit policies implemented since 2009. From time to time, the Group will review its policies to ensure that they are competitive and are in line with the Group's risk management strategy. During the Period, the credit policy for gaming receivables was five to thirty days from end of tour while the credit policy on non-gaming receivables remained as thirty days from end of month.

## **Significant Investments Held and Material Acquisitions of Subsidiaries**

There were no significant investments held, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

## Non-IFRS Measures

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

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

|  | <b>Six months<br/>ended<br/>30 June 2023<br/>US\$'000</b> | Six months<br>ended<br>30 June 2022<br>US\$'000 |
|--|---|---|
| Profit attributable to owners of the Company | <b>82,974</b>   | 52,699  |
| Income tax                                   | <b>123</b>  | 1,286   |
| Finance costs                                | <b>10,883</b>   | 18,148  |
| Depreciation                                 |   |   |
| – Own assets                                 | <b>45,014</b>   | 53,790  |
| – Right-of-use assets                        | <b>2,861</b>  | 2,795   |
| Amortisation of casino licence premium       | <b>1,358</b>  | 1,358   |
| EBITDA                                       | <b><u>143,213</u></b>                                     | <u>130,076</u>                                  |

## Events after Reporting Period

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

## PROJECT UPDATES AND PROSPECTS

### Update on Naga 3

The following are brief progress updates:

- a) **Piling Works** – All piling works were fully completed.
- b) **Basements and Ground Floor Slabs Construction** – Basements and ground floor slabs construction for Tower 3 section were fully completed, while that for Tower 1 section will be completed in the third quarter of 2023. Tower 2 and podium section of basements and ground floor slabs construction are on-going, and target completion in the first quarter of 2024.
- c) **Main Building Works** – Main building work package construction shall commence in the second quarter of 2024 after full completion of foundation and basements.

On 4 June 2023, the Company announced that Naga 3 Company Limited and the contractor have entered into a supplemental agreement on 3 June 2023 to extend the completion date of the Guaranteed Maximum Sum Design and Build Agreement (“**DBA**”) from 30 September 2025 to a date on or before 30 September 2029. The Company also stated that it is carefully and seriously considering options of developing Naga 3 matching revenue generation with capital expenditure, and such options shall include the Project Resize (as provided under the DBA).

### Update on the Investment Project in Vladivostok

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

## Prospects

Despite weaker global demand, Cambodia's economy continued to perform well, led by ongoing tourism recovery. According to the World Bank, Cambodia's economy is firmly on a path to recovery and has now returned to a pre-pandemic growth trajectory, underpinned by a strong rebound in the services sector, especially the trade, travel and hospitality industries, driven by pent-up consumer demand and the return of foreign tourists (*Source: World Bank – Cambodia Economic Update, May 2023*). Business activity in tourism destinations such as Phnom Penh has gained remarkable growth, attributable to the sharp increase in domestic tours, business establishment and overall investment (*Source: Khmer Times, 1 February 2023*). The ongoing recovery of tourism in Asia Pacific alongside China's reopening is a key catalyst to reviving global tourism and boosting economic outlook. The Company believes that the impact from tourism recovery from China remains in the early stages. International tourist arrivals and business-related travels into Cambodia have recovered to about 75% and 76% of the 2019 (pre-pandemic) figures respectively for the first 5 months of 2023. Out of these, international tourist arrivals and business-related travels from SEA have recovered to 159% and 280% of pre-pandemic period. Total direct weekly flights to Cambodia also recovered to around 49% compared to 2019 (*Source: MOT; Cambodia Airports; respective airlines website; Company internal data*). Improving tourism activities and investments will also support Cambodia's GDP growth in 2023 and beyond. The tourism sector contributed about 3.6% to the GDP in 2022 of the country (*Source: Khmer Times, 5 July 2023*). The Company believes it is well-positioned to tap this wave of returning tourists and business-related travellers visiting Cambodia.

As Cambodia shows continued economic recovery and political stability, the effect could result in increasing business migration to Cambodia with growing business and investment opportunities. This would contribute positively towards the continued building up of the captive domestic expatriate community living in Cambodia. The depth and resilience of such captive expatriate market would continue to be one of the Company's growth drivers going forward.

Looking ahead, Cambodia is expected to continue its upward trajectory of recovery with the influx of tourist arrivals, business visitation and expected surge in FDI into the country resulting in an increased number of investors and a growing domestic expat population. The Group believes that NagaWorld – the only integrated resort in Phnom Penh will benefit from this with increasing footfall from customers seeking entertainment and luxurious lifestyle offerings at competitive price and value. As such, the Group remains optimistic on the long term prospects and believes the outlook will remain stable.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **REVIEW BY THE AUDIT COMMITTEE**

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Shareholders for the Period (six months ended 30 June 2022: US cents 0.73 per share (or equivalent to HK cents 5.66 per Share)).

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

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

## **PUBLICATION OF FINANCIAL INFORMATION**

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

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

Hong Kong, 19 July 2023

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

*Executive Directors*

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

*Non-executive Director*

Timothy Patrick McNally

*Independent Non-executive Directors*

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

For the purpose of this announcement, amounts denominated in US\$ have been converted to Hong Kong dollars (“**HK\$**”) and RUB at the respective exchange rates of US\$1.0 to HK\$7.75 (31 December 2022: HK\$7.75) and US\$1.0 to RUB87.03 (31 December 2022: RUB70.34).